# DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

For the nine month period ended June 30, 2021

(Expressed in thousands of United States dollars, except per share amounts)

The following discussion is a review of the activities, results of operations and financial condition of Cerro Grande Mining Corporation and its consolidated subsidiaries ("CEG" or the "Company") for the nine month period ended June 30, 2021, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of August 30, 2021. This discussion should be read in conjunction with the audited consolidated financial statements as at September 30, 2020, which are available on SEDAR at <a href="https://www.sedar.com">www.sedar.com</a>. The Company's condensed interim consolidated financial statements and financial data have been prepared using accounting policies consistent with IFRS. All dollar amounts are expressed in thousands United States dollars, except as otherwise indicated.

## Contents of the MD&A

- 1. Forward Looking Statements
- 2. Overview
- 3. Highlights
- 4. Summary Financial Results
- 5. Exploration and Development Projects
- 6. Investing
- 7. Financing
- 8. Liquidity and Capital Resources
- 9. Off-Balance Sheet Arrangements
- 10. Related Party Transactions
- 11. Critical Accounting Estimates
- 12. Securities Outstanding
- 13. Controls

## 1. FORWARD LOOKING STATEMENTS

This management's discussion and analysis contains or refers to forward-looking statements. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "may", "could", "potential", "should" "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

The forward-looking statements in this management's discussion and analysis reflects the current expectations, assumptions or beliefs of the Company based on information currently

available to the Company. With respect to forward-looking statements contained in this management discussion and analysis, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient cash flow from operations and capital markets to meet its future obligations, the regulatory framework in Chile, with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters and the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's needs.

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

#### **Non-IFRS** financial measures

The Company has included certain non-IFRS financial measures in this document. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issues.

#### 2. OVERVIEW

The Company is an exploration, development and mining corporation focused in Chile.

The Company's other projects, which are in various stages of exploration and development in Chile include "Tordillo" and two limestone deposits "Catedral" and "Cal Norte".

# 3. HIGHLIGHTS

# **Operational Highlights**

• There were no operations for the nine month period ended June 30, 2021 and June 30, 2020.

• On July 15, 2020, the Company announced that it had entered into a non-binding letter of intent (the "LOI") with Minera Tamidak Limitada ("Tamidak"), a private Chilean company owned by David Thomson and his family, to acquire from Tamidak certain assets, rights and obligations of Tamidak relating to the Pimentón Copper Gold Mining Project, all as further described below. Pursuant to the LOI, management of the Company conducted certain confirmatory due diligence investigations in relation to the Pimentón Copper Gold Mining Project and advancing the matters set forth in the LOI, including having negotiated the terms of the final execution ready form of APA.

Pursuant to an asset purchase agreement negotiated by the parties (the "APA"), the Company's Chilean subsidiary Minera Til Til SpA would acquire from Tamidak the mining concessions and other assets covering the Pimentón Mining Project as well as Tamidak's rights and obligations under the Exploration and Option to Joint Venture Agreement (the "FQM Agreement") entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. ("FQM"), a Chilean subsidiary of First Quantum Minerals Ltd. (Tamidak received a notice of termination, dated February 1, 2021, from FQM related to the FQM Agreement, which it delivered to the Company.)

In summary, the FQM Agreement provides that:

- a) during the 12-month period following execution of the FQM Agreement (extensible up to 18 months), subject to permitting, FQM will proceed with a 3D deep penetrating geophysical survey, upon the completion of which FQM will have the right to continue to earn a 49% equity interest in a joint venture company (the "JV Company") to be incorporated by the parties;
- b) after the completion of the 3D survey, FQM will, among other things and subject to certain conditions (including termination rights), (i) work towards completing a resource report concerning the Pimentón properties in accordance with reporting standards set out in National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators; and (ii) complete an in-house feasibility study sufficient to lead to a decision to mine, in each case at the expense of FQM. If such 43-101 report is timely completed and other conditions are met, FQM may elect to form the JV Company (49% FQM and 51% Tamidak) upon payment to Tamidak of US\$5 million. If FQM timely completes such feasibility study, and upon payment to Tamidak of an additional US\$5 million, FQM will increase its equity interest in the JV Company to up to 70% (70% FQM and 30% Tamidak).
- c) If a Decision to Mine, as such concept is defined in the FQM Agreement is made, Tamidak may elect to request that FQM fund its capital contributions until commercial production of the mine has started, through a loan to Tamidak, diluting Tamidak's participation in the JV Company to 25% and providing FQM with an extra 5% interest (75% FQM and 25% Tamidak).

d) Tamidak has the right to resume the exploitation of the existing Pimenton mine subject to the terms described in the FQM Agreement.

On September 14, 2020, the Company announced that it had reached agreement on the form of APA and the purchase price payable thereunder and also announced the special meeting of shareholders to be held on November 10, 2020 to approve the APA. The meeting was held and the APA was duly approved.

The total purchase price (the "Purchase Price") payable under the APA for the acquisition of Tamidak's assets relating to the Pimentón Copper Gold Mining Project and the rights and obligations of Tamidak under the FQM Agreement will be \$3,900,000,000 Chilean Pesos (approximately CDN\$6,713,142 based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on September 11, 2020 as published by the Central Bank of Chile), will not be subject to adjustment after the execution of the APA, and will be payable in three equal installments as follows (i) \$1,300,000,000 Chilean Pesos (approximately CDN\$2,237,714) upon execution of the APA (the "Execution Date"), payable in common shares of CEG at a price per share equal to the greater of (A) the simple average of the closing price per CEG common share on the Canadian Securities Exchange ("CSE") for the 10 consecutive trading days ending on the date immediately prior to the date of execution of the APA; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time); (ii) \$1,300,000,000 Chilean Pesos (approximately CDN\$2,237,714) on the date that is not more than 18 months following the Execution Date, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time); and (iii) \$1,300,000,000 Chilean Pesos (approximately CDN\$2,237,714) on the date that is not more than 36 months following the Execution Date, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time). In case of payments to be made in shares of CEG as aforementioned, the number of CEG shares issuable shall be determined based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on the day before the applicable payment as published by the Central Bank of Chile.

If any of the Purchase Price installments indicated in (ii) and (iii) above is not timely and fully paid to Tamidak, the APA will be automatically terminated and CEG must return all the Assets and the rights and obligations under the FQM

Agreement to Tamidak. In such case Tamidak shall retain all payments previously made to it under the APA as compensatory damages, without prejudice to any other damages that Tamidak may be entitled to by law.

The execution of the APA and the completion of the transactions thereunder remains subject to following conditions precedent: (i) satisfactory completion of legal and technical due diligence by CEG in its sole discretion; (ii) there being no material adverse change in the business, results of operations, prospects, condition (financial or otherwise), as applicable, relating to the assets and the mining concessions to be purchased according to the APA and the FQM Agreement and (iii) obtaining all applicable corporate, legal, shareholder and/or stock exchange approvals or permits, including minority approval of shareholders for the transaction in accordance with Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Pursuant to MI 61-101, the transaction would not be subject to the formal valuation requirement because the common shares of the Company are not listed on a specified market being those markets described in section 5.5(b) of MI 61-101.

The APA agreement was duly signed on December 1, 2020 and the payment of the first instalment of \$1,694,275 was paid with 44,055,102 CEG common shares of the Company.

As mentioned above, Tamidak received a notice of termination, dated February 1, 2021, from FQM related to the FQM Agreement, which it delivered to the Company.

# **Financial Highlights**

- Loss before and after income taxes for the quarter ended June 30, 2021 was \$1,771 compared to a loss of \$459 in the same period in 2020. The increase is due to Stephen Houghton's retirement settlement and the forgiveness of outstanding loans as well as the unrealized loss in the derivative liability of the February 2020 debentures.
- Loss before and after income taxes for the three months ended June 30, 2021 was \$536 compared to a loss of \$88 in the same period in 2020 due to the \$418 unrealized loss in the derivative liability.
- Basic loss per share for the quarter ended June 30, 2021 was a loss of \$0.00 per share (2020 loss of \$0.00).
- At June 30, 2021, the Company had cash of \$5 compared to \$14 at June 30, 2020

#### **Other Highlights**

• Management believes that the values of the exploration of Tordillo and the Catedral/Rino and Cal Norte limestone deposits are not reflected in the Company's market capitalization. The Company will continue its effort to enhance the underlying values of its assets.

• Effective March 31, 2021 the Company's CEO Stephen Houghton resigned. He continued to be a member of the Board of Directors and served as President of the Company. It was with regret the Company announced his passing on August 2, 2021.

#### 4. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated loss for the nine months ended June 30, 2021 and 2020.

	Three months ended June 30,		Nine months ended	
			June :	30,
	2021	2020	2021	2020
	\$	\$	\$	\$
Expenses				
General, sales and administrative	139	97	1,254	399
Foreign exchange	(44)	(12)	(59)	47
Interest	4	3	11	11
Acretion expense	19	-	56	-
Unrealized loss on derivative liability	418	<u>-</u> _	509	
	536	88	1,771	459
Loss before income taxes	(536)	(88)	(1,771)	(459)
Loss and comprehensive loss for the year	(536)	(88)	(1,771)	(459)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares outstanding	396,429,993	339,390,784	396,429,993	339,390,784

- basic and diluted
- 1) Consolidated statements of loss and other comprehensive loss for the nine months period ended June 30, 2021 and 2020:
  - a) General and administrative costs for the nine months ended June 30, 2021 were \$1,254 compared to \$399 for the same period in 2020. The increase is due to Stephen Houghton's retirement settlement.
  - b) Accretion and derivative liability of debenture costs for the nine months ended June 30, 2021 were \$565 (2020 \$nil).
- 2) Consolidated statements of loss and other comprehensive loss for the three months period ended June 30, 2021 and 2020.
  - a) General sales and administrative costs for the three months ended June 30, 2021 were \$139 compared to \$97 for the same period in 2020.
  - b) Accretion and derivative liability of debenture costs for the three months ended June 30, 2021 were \$437 (2020 \$nil)

# 3) Consolidated Statement of Financial Position as at June 30, 2021:

As at June 30, 2021 the Company had a negative working capital of \$1,426 (2020 – negative \$1,211).

# **Summary of Quarterly Results**

The following information is provided for each of the eight most recent quarterly periods ending on the dates specified. The figures are extracted from the underlying financial statements

	June 30, 2021	Mar 31, 2021	Dec 31, 2020	
Sales	-	-	-	
Net loss	(536)	(999)	(236)	
Per share	(0.00)	(0.00)	(0.00)	
Per share diluted	(0.00)	(0.00)	(0.00)	

	June 30, 2020	Mar 31, 2020	Dec 31, 2019	
Sales	-	-	-	
Net loss	(88)	(79)	(292)	
Per share	(0.00)	(0.00)	(0.00)	
Per share diluted	(0.00)	(0.00)	(0.00)	

#### **Outlook**

The other subsidiaries of CEG, including Compañia Minera Til Til, Compañia Minera Catedral, Compañia Minera Tordillo, Compañia Minera Bandurrias and Compañia Minera Cal Norte are not affected by the bankruptcy of Compañia Minera Pimentón. At this time management is determining the best course of action.

## 5. EXPLORATION AND DEVELOPMENT PROJECTS

# **Tordillo**

The Company holds mining claims on Tordillo which is located 11.5 kilometers south-southwest of Pimenton and covers an area of 6,632 hectares (16,381 acres). Tordillo is in the early exploration stage and to date the Company has identified several gold/copper vein structures similar to those at Pimenton and an area of potential porphyry copper mineralization. The preliminary data suggests Tordillo contains the upper part of a deep-

seated copper/gold and possibly copper molybdenum porphyry system associated with narrow high grade gold and copper veins which may be widespread and represent a separate exploration target. Tordillo is located in an area of intense exploration activity and was acquired by the Company in 2006.

Subsequent exploration should bring into perspective the vein potential and establish if the porphyry system is large enough to host possible economic copper mineralization.

During the nine months ended June 30, 2021, the Company expensed a total of \$nil (2020 - \$nil) relating to mining property costs and exploration costs on Tordillo.

#### **Bandurrias**

During the nine months ended June 30, 2021 acquisition costs of \$nil were expensed (2020 - \$nil).

# **Limestone deposits**

The Company holds interest in two limestone deposits. Lime is used by the Chilean mining industry in processing sulfide copper ores and in heap leaching of gold ores.

The Company's limestone deposits at Catedral and Cal Norte contain high grade limestone which, when calcined, can produce lime that the Company's management believes will qualify for use by the Chilean mining industry. While the changing economic situation will enable the Company to continue its efforts to become a supplier of lime to the Chilean copper industry, it also strengthens the Company's position as it reviews alternative strategies for the sale, joint venture or spin-off of the Catedral/Rino and Cal Norte limestone properties.

As at June 30, 2021, the Company had contributed a cumulative total of \$4,080 (2020 - \$4,080) to finance a drilling program on Catedral/Rino and complete a preliminary feasibility study for the construction of a 1,320 ton per day capacity cement manufacturing facility on the project as well as a preliminary feasibility study for construction of a 600 ton per day lime kiln on the Catedral property. During prior years the Company had written off \$4,080 in mining properties and exploration costs relating to Catedral/Rino.

As at June 30,, 2021, the Company had contributed a cumulative total of \$1,556 (2020 - \$1,556) to Cal Norte, to finance a bankable feasibility study on the project, environmental permitting, and further mine development. Although the Company has incurred sufficient exploration expenditures to maintain the Cal Norte property in good standing, the Company expensed this \$1,566 in prior years.

#### 6. INVESTING

During the nine months ended June 30, 2021 the Company invested \$nil (2020 - \$nil) in mining plant, equipment, and mining properties.

# 7. FINANCING

The Company finances its operations using cash advances by related parties or equity sold to related parties. Due to no production and the negative cash flow both Auromin (a company owned by David Thomson) and Chañar Blanco (a company owned by Mario Hernandez), both Directors and Officers of the Company, have made cash advances to cover the shortfalls.

The Company announced on February 20, 2020 that it has issued unsecured convertible debentures in the aggregate principal amount totaling approximately US\$3,787 (or CDN\$4,919 using an exchange rate of US\$1.00/CDN\$1.2988) (the "Debentures"). Mario Hernandez, ("Hernandez") a director and officer of the Company, personally and through Compañia Minera Chanar Blanco S.A. ("Chanar Blanco"), a company controlled by Hernandez and David Thomson, ("Thomson") a director and officer of the Company, through Compañia Minera Auromin Ltda ("Auromin"), a company controlled by Thomson, have each acquired one Debenture convertible into common shares of the Company. Hernandez has acquired a Debenture in the principal amount of US\$34 (CDN\$44), Chanar Blanco has acquired a Debenture in the principal amount of US\$604 (CDN\$784) and Minera Auromin has acquired a Debenture in the principal amount of US\$3,149 (CDN\$4,090). The outstanding amount of principal under each Debenture is convertible into Common Shares at a conversion price (the "Conversion Price") equal to the greater of (i) CDN\$0.05 per Common Share, and (ii) the simple average of the closing price per Common Share on the Canadian Securities Exchange (or such other exchange on which the Common Shares may then be listed) for the 15 consecutive trading days period ending immediately prior to the date of the notice of conversion provided by the holder of the Debenture to the Company. On this basis, each of Hernandez, Chanar Blanco and Minera Auromin, can acquire at their option, at any time after the date that is 180 days from the date hereof until maturity, up to 882,290, 15,680,601 and 81,807,694 Common Shares, respectively, upon conversion of the full amount of principal under their respective Debentures.

The Debentures have been issued in exchange for the cancellation of cash advances made to the Company up to December 31, 2019 by each of Hernandez, Chanar Blanco and Minera Auromin in the aggregate amount of US\$3,787. The cash advances were used for working capital purposes and to pay for the Company's MAG and DCIP surveys conducted on the Company's Tordillo property by Quantec Geoscience. The Debentures mature on February 20, 2025 and do not bear interest. The Company may also, at its option, accelerate the conversion (the "Acceleration Right") of all or part of the outstanding principal at the Conversion Price, at any time if the closing price of the Common Shares on the Canadian Securities Exchange, equals or exceeds CDN\$0.15 per Common Share for a period of 20 consecutive trading days (the "Acceleration Period"). For further information, please refer to the February 20, 2020 press release issued by the Company.

During the month of November 2014, the Company signed a Gold Loan Debenture for \$100 bearing an annual interest rate of 10%. The principal is to be repaid semi-annually at a gold price of \$1,057 per ounce or higher if the average price during the six month period

prior to any repayment date exceeds the agreed price for the equivalent of 15.77 ounces of gold payment.

The balance of the Gold Loan at June 30, 2021 is \$24. There is no derivative liability associated with the fluctuation of the price of gold in the contract as at June 30, 2021 there was no production at the Pimenton mine.

On August 22, 2016 the company issued a second Gold Loan Debenture for \$200 with a maturity date of August 22, 2019. The debenture bears a fixed annual interest rate of 8% on the outstanding principal amount and is payable on a quarterly basis on the 25<sup>th</sup> day of February, May, August and November of each year. The payment of the principal is semi-annually on February 25 and August 25 of each year plus the difference in the average gold price per ounce in excess of \$1,260 per ounce calculated on 26.455 ounces of gold.

The principal and interest balance of the Gold Loan at June 30, 2021 is \$221. There is no derivative liability associated with the fluctuation of the price of gold in the contract as at June 30, 2021 there was no production at the Pimenton mine.

# 8. LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2021, the Company shows a negative working capital of \$1,425 (2020 - negative \$1,211).

		Less than	1-3	Over	
<b>Contractual Obligations</b>	Total	1 year	years	4 years	
	\$	\$	\$	\$	
Accounts payable and accrued liabilities	171	171			
Amount due to related parties	1,028	1,028			
Short-term debt	245	245			
Conditional loan agreement (1)	2,500	-		- 2,500	
Tordillo prospect (2)	250	-		- 250	
<b>Total Contractual Obligations</b>	4,194	1,444		2,750	

Note (1). Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to \$1,250 each or \$2,500 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totaling \$500, which was paid during 1997.

Note (2). As compensation for services rendered in connection with Tordillo, the Company entered into an agreement to pay \$250 within 50 days of first cash flow from the property.

The Company must make an additional capital contribution of \$239 in Cal Norte to earn its 60% equity interest.

The Company has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on the common shares will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions existing at such future time.

#### 9. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

#### 10. RELATED PARTY TRANSACTIONS

Effective March 31, 2021 Stephen W, Houghton resigned as the Company's CEO while remaining as a Director and President on a non-remunerated basis. In his settlement agreement letter dated February 17, 2021, he agreed to receive the amount of \$516 payable in 12,984,107 common shares of the Company on May 4, 2021. The agreement was in settlement of all amounts owing and receivable by him with the Company. The Company announced, with regret, his passing on August 2, 2021 in a press release.

A company controlled by the Chief Financial Officer of the Company (the "CFO") and Interim Chief Executive Officer (the "CEO") who is also a Director, billed \$23 to the Company for accounting and administration services rendered during the nine months ended June 30, 2021 (2020 - \$20) and \$ 10 for his services as interim CEO (2020 - \$nil). Trade and other payables include \$6 and \$10 in relation to such services at June 30, 2021 (2020 - \$5).

Due to related parties includes cash advances of \$829 from David Thomson, who is also a director and officer of the Company, at June 30, 2021 (2020 - \$318). The cash advances bear no interest and have no specific terms of repayment.

As at June 30, 2021, the Company owes a total of \$197 (2020 - \$168) to directors for director's compensation.

#### 11. CRITICAL ACCOUNTING ESTIMATES

A summary of the critical accounting estimates are set out below:

Exploration and development costs

Acquisition and exploration costs of exploration properties are expensed as incurred. Once resource potential has been established as defined by a National Instrument (NI) 43-101 report future costs are then capitalized. Upon reaching commercial production, these capitalized costs are transferred from exploration properties to mining properties, plant and equipment as mine development costs and are amortized into operations using the units of production method, based on proven and probable mineral reserves and mineral resources.

The Company regularly assesses exploration and development costs for any factors or circumstances that may indicate impairment.

#### Stock-based compensation

The Company has a share option plan. Compensation expense is recorded when share options are issued to directors, officers or employees under the Company's share option plan, based on the fair value of options granted. Consideration paid by optionees on exercise of an option is recorded in share capital. Stock-based compensation given to outside service providers is recorded at the fair value of consideration received or consideration given, whichever is more readily determinable. The fair value of options granted or consideration given is determined using the Black-Scholes valuation model, with volatility factors and risk-free rates existing at the grant date. The share price at the grant date is considered to be equal to the closing price of the Company's stock on the relevant Stock Exchange on the business day preceding the grant date.

#### Reclamation and remediation

Asset retirement obligations are recorded in mining properties, plant and equipment and in liabilities at fair value, when incurred. The liability is accreted over time through periodic charges to income. The amount of the liability is subject to remeasurement at each reporting period. These obligations are associated with long-lived assets for which there are a legal obligation to settle under existing or enacting laws, statutes or contracts. The related assets are amortized using the unit of production method.

Key assumptions on which the fair value of the asset retirement obligations is based include the estimated future cash flows, the timing of those cash flows and the credit-adjusted risk-free rate on which the estimated cash flows have been discounted. The actual asset retirement obligation and closure costs may differ significantly, based on future changes in operations, cost of reclamation and closure activities, regulatory requirements and the outcome of legal proceedings.

#### 12. SECURITIES OUTSTANDING

As of August 30, 2021 the Company has issued one class of common shares of which a total of 396,429,993 are outstanding.

Options granted under the stock option plan of the Company (each, an "Option") outstanding as of August 30, 2021 totaled 2,562,000 options exercisable into 2,562,000 common shares at exercise prices of CA \$0.05 through August 2023 of which 2,562,000 options are currently exercisable as a result of vesting provisions.

"CEG" is the stock trading symbol for the Company on the CSE and CEGMF for the OTCQB International Symbol on the OTC market.

#### 13. CONTROLS

#### National Instrument 52-109

Evaluation of disclosure controls and procedures

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management's conclusions about the effectiveness of these disclosure controls and procedures in its annual Management's Discussion and Analysis. The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports, and is recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

Management has evaluated the effectiveness of the Company's Disclosure Controls and Procedures as at June 30, 2021 and, given the size of the Company and the involvement at all levels of the Chief Executive Officer and Chief Financial Officer, believes that they are sufficient to provide reasonable assurance that the Company's disclosures are compliant with securities regulations.

#### Internal controls over financial reporting

Management of the Company is responsible for evaluating the design of internal control over financial reporting. The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS as of June 30, 2021, have not identified any changes to the Company's internal control over financial reporting in the latest reporting period that would materially affect, or are reasonably likely to materially affect, the Company's internal control over financial reporting.