MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
(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 year ended September 30, 2015, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of March 4, 2016. This discussion should be read in conjunction with the audited consolidated financial statements as at September 30, 2015, which are available on SEDAR at www.sedar.com. 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

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. Such forward-looking information includes, without limitation, information regarding the Company's expected or planned targets with respect to its operations and projects, estimates and/or anticipated levels and grades of future gold and/or copper production, the estimated mine life of the Pimenton gold mine, expectations regarding future production levels at Pimenton, potential mineralization, exploration results and the Company's future exploration plans, development and operational plans and objectives (including delineating additional mineral resources), expectations regarding cash flows, revenue and expenses, expectations regarding the timing for the calculation of mineral reserves, management's beliefs regarding the value of its deposits, expectations with respect to the level and funding of working capital, the expected increase in concentration of gold in its Knelson concentrate resulting from the new gold table and gold furnace and the Company's expectations regarding its dividend policy.

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, the ability of management to increase commercial mining operations at Pimenton, 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 demand.

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.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in achieving planned production levels at the Pimenton gold mine caused by unavailability of equipment, labour or supplies; climatic conditions; inability to delineate additional mineral resources and other factors including, but not limited to, those listed under "Operations at the Pimenton Mine, Risks".

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.

The mineral resource figures referred to in this management's discussion and analysis are estimates and no assurances can be given that the indicated levels of minerals will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates referred to in this management's discussion and analysis are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration.

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 primary asset is an operating gold and copper mine in Chile (the "Pimenton Mine"). The Pimenton mine is a narrow high-grade gold and copper mine located in the high mountain range of Chile and encompasses 3,121 hectares (7,708 acres).

The Company's other major projects are a porphyry copper deposit (the "Pimenton Porphyry") and other projects in various stages of exploration and development in Chile which include "Tordillo", and two limestone deposits "Catedral" and "Cal Norte".

3. HIGHLIGHTS

Operational Highlights

- Gold produced by the Pimenton Mine for the year ended September 30, 2015 was 6,633 oz compared to 9,220 oz produced in the prior year.
- The average gold recovery for the year ended September 30, 2015 was 92.54% compared to 93.73% in the prior year.
- The Company expects the mine to increase milling rates to 140 tons per day depending on the rate of conversion of its known resources to reserves.
- Currently the plant has been permitted to operate at an average of 166 tons per day. During the present year the plant has operated at an average of 120 tons per day. The

Company has prepared but not yet submitted permits to take the mine up to 500 tons per day.

- Non-IFRS Measures:
  - Pimenton's cash cost for the year ended September 30, 2015 was $1,136 per ounce of gold produced net of by-product credits, compared to $935 per oz in the prior year.
  - Pimenton's production cost including depreciation and amortization for the year ended September 30, 2015 was $1,505 per ounce of gold produced net of by product credit compared to $1,223 per oz in the prior year.

Financial Highlights

- Loss before income taxes for the year ended September 30, 2015 was $12,729 compared to a loss of $5,224 in the same period in 2014. Loss before income taxes for the three month period ended September 30, 2015 was $8,463 (2014 – $1,081)
- Average price per ounce of gold for the year ended September 30 2015 was $1,164 (2014 - $1,282). Average price per ounce during the three months ended September 2015 was $1,099 (2014 - $1,255)
- Net loss after income taxes for the year ended September 30, 2015 was $12,905 compared to $8,706 in the same period in 2014. Net loss after income taxes for the three months ended September 30, 2015 was $8,639 compared to $1,081 for the same period in 2014.
- Basic loss per share for the year ended September 30, 2015 was a loss of 0.08 cents per share (2014 – loss of 0.05).
- At September 2015, the Company had cash and cash equivalents of $252 compared to $87 at September 30, 2014.
- Cash flow from operations for the year ended September 30 2015 was negative $2,834 (2014 – negative $1,057).
- During the last quarter, as a result of declining grades at the mine and both current and projected declines in the price of gold, the mine's five year future cash flow model indicated an asset impairment provision. This was quantified and resulted in a charge of $ 6,737 in the current year.
- The above impairment added to an operational loss for the year ended September 30, 2015 and results in a negative equity for the Company of $ 1,178.

Other Highlights

- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, Tordillo exploration 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.
- Subsequent to year end, on November 6, 2015 the Company reported that it has agreed to extinguish certain outstanding indebtedness owed to David Thomson and Mario Hernandez (the "Related Parties"), both Directors and Officers of the Company, by issuing common shares of the Company (each, a "Common Share") in settlement of such debt (the "Debt Settlement").

The Debt Settlement was completed in order to immediately improve the financial position of the Company given the serious financial difficulties it is currently facing.
Pursuant to the Debt Settlement, the Company extinguished outstanding indebtedness in the aggregate amount of US$3,465,501 owed to the Related Parties, such indebtedness being made up of cash advances made to the Company by the Related Parties, by issuing an aggregate of 92,875,400 Common Shares (representing an issue price of CDN$0.05 per share) in full and final settlement thereof. All dollar amounts have been converted at an exchange rate of CND$1.34 per US$1.00.

With the completion of the Debt Settlement on November 12, 2015, the Related Parties hold 200,516,530 Common Shares representing approximately 74.86% of the issued and outstanding Common Shares. On a fully-diluted basis, the Related Parties now hold approximately 81.33% of the Common Shares.

4. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated loss for the fourth quarter and years ended September 30, 2015 and 2014.

	Three months ended September 30,		Year ended September 30,	
	2015	2014	2015	2014
Revenue	$	$	$	$
Sales	2,016	3,067	8,995	14,064
	2,016	3,067	8,995	14,064
Expenses				
Operating costs	2,329	2,908	12,088	15,868
Reclamation and remediation	-	25	27	45
General, sales and administrative	922	1,276	2,765	3,138
Foreign exchange	(71)	(112)	(154)	(186)
Interest	88	86	283	324
Other (income) and expenses (net)	455	(40)	(43)	(96)
Impairment charges	6,737	-	6,737	-
Exploration costs	19	5	21	195
	10,479	4,148	21,724	19,288
Loss and comprehensive loss before income taxes	(8,463)	(1,081)	(12,729)	(5,224)
Income tax (expense)/recovery	(176)	-	(176)	77
Deferred income tax	-	-	-	-
Loss and comprehensive loss for the period	(8,639)	(1,081)	(12,905)	(5,147)
Basic and diluted loss per share	(0.05)	(0.01)	(0.08)	(0.05)
Weighted average number of shares outstanding	170,743,264	108,005,009	170,743,264	108,005,009

1) Consolidated statements of loss and other comprehensive loss for the three month periods ended September 30, 2015 and 2014:

   a) Revenue for the three month period ended September 30, 2015 decreased over the same period in 2014 due to a decrease in gold grades and sales to 1,546 oz compared to 2,068 oz in the three month period ended September 30, 2014. These factors, added to a continuing drop in the gold price during the quarter ended September 30, 2015 have led to lower results.

   b) Operating expenses for the three months ended September 30, 2015 were $2,397 compared to $2,908 for the same period in 2014.

   c) General sales and administrative costs for the three months ended September 30, 2015 were $922 compared to $1,276 for the same period in 2014.

   d) At September 30, 2015, as a result of declining grades at the mine and both current and projected declines in the price of gold, the mine's five year future cash flow model indicated an asset impairment provision. This was quantified and resulted in a charge of $ 6,737 in the current year.

2) Consolidated statements for the year ended September 30, 2015 and 2014:

   a) Sales revenue for the year ended September 30, 2015 decreased over the same period in 2014 due to a decrease in gold sales of 6,633 oz compared to 9,220 oz in the year ended September 30, 2014. These factors, in combination with a drop in the gold price and the grade for the year ended September 30, 2015, have led to lower results for the year.

   b) Operating expenses for the year ended September 30, 2015 were $12,088 compared to $15,868 for the same period in 2014. The decrease of $3,780 consists mainly of a reduction in labour costs, a revaluation of the Chilean pesos vs the US Dollar and lower fuel, maintenance and other production costs.

   c) General and administrative costs for the year ended September 30, 2015 were $2,765 compared to $3,138 for the same period in 2014, mainly due to reduction in labour costs during the first quarter.

   d) At September 30, 2015, as a result of declining grades at the mine and both current and projected declines in the price of gold, the mine's five year future cash flow model indicated an asset impairment provision. This was quantified and resulted in a charge of $ 6,737 in the current year.

3) Consolidated Cash flow for the year ended September 30, 2015:

Cash generated by the Pimenton Mine decreased due to operational problems and the drop in the price and grade of gold. The operational problems related to delays in reaching known and expected ore shoots below the existing levels.

4) Consolidated Statement of Financial Position as at September 30, 2015:

As at September 30, 2015 the Company had a negative working capital of $8,200 (2014–negative $2,747).

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

Summary of Quarterly Results

	Sept 30, 2015	**June 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**
Sales	2,016	2,084	2,381	2,464
Net income (loss)	(8,639)	(1,428)	(1,372)	(1,466)
Per share	(0.005)	(0.001)	(0.001)	(0.001)
Per share diluted	(0.005)	(0.001)	(0.001)	(0.001)

	Sept 30, 2014	**June 30, 2014**	**Mar 31, 2014**	**Dec 31, 2013**
Sales	3,067	2,287	4,233	4,541
Net income (loss)	(1,355)	(1,514)	(1,248)	(1,030)
Per share	(0.012)	(0.013)	(0.009)	(0.009)
Per share diluted	(0.012)	(0.013)	(0.009)	(0.009)

5. OPERATIONS AT THE PIMENTON MINE

Safety, Health and Environment

The following safety statistics have been presented for the fourth quarter and fiscal year ended in 2015 along with 2014 comparables:

Pimenton Mine Safety Statistics				
	For the 3 months ended Sept 30,		**For the 12 months ended Sept 30,**	
	2015	**2014**	**2015**	**2014**
Lost time injury	0	1	7	9
Medical aid	3	4	10	10
Total	**3**	**5**	**17**	**19**
Total injury frequency rate (i)	0	9	14	17
Total disabling injury frequency rate (ii)	8	26	361	337
Lost days for medical aid	1	3	187	176
Man - Hours worked	118,416	116,532	517,470	521,670

(i) A measurement of lost time injury multiplied by 1,000,000 man-hours worked

(ii) A measurement of the total number of shifts lost multiplied by 1.000.000 per total of number of man-hours worked

There were no adverse environmental issues during the years ended September 30, 2015 and 2014.

Gold Production

Gold produced in the fourth quarter of 2015 was 1,546 ounces, a 3% decrease if compared to the 1,588 ounces produced in Q3 of 2015 and a 31.5% decrease compared to 2,257 ounces produced in Q4 of 2014.

The following table shows the tonnes milled, average mill grade, gold plant recovery and gold produced during each of the last eight quarters to September 30, 2015:

Quarter	**Tonnes milled**	**Average mill grade Au (gr/ton)**	**% Gold recovery**	**Gold Produced Oz**
Q1-2015	9,601	6.36	92.70	1,822.04
Q2-2015	10,212	5.60	91.51	1,677.26
Q3-2015	8,764	5.99	93.75	1,587.97
Q4-2015	7,639	6.83	92.40	1,546.10
	36,216	6.16	92.54	6,633.37

Quarter	**Tonnes milled**	**Average mill grade Au (gr/ton)**	**% Gold recovery**	**Gold Produced Oz**
Q1-2014	10,128	9.99	94.10	3,060.96
Q2-2014	8,806	9.82	95.76	2,641.96
Q3-2014	5,114	7.84	95.01	1,260.30
Q4-2014	9,733	7.68	94.17	2,256.80
	33,781	8.96	94.71	9,220.02

While the grade of gold continues to drop, efforts are being focused on reaching higher grade veins. Recent exploration on the Monica and Manterola viens has expanded the potential resources at hand for increasing the grade and tons through the plant. Both veins are actively being prepared for development and are expected to increase the head grade to the plant during the next several months. Manterola has been confirmed on the 3315 level and should be in production by the end of March. Drilling, drifting and a raise is also currently under way on the new Monica vein that has recently been discovered 100m to the west and parallel to the main Lucho vein.

Operating Costs

The cash cost per ounce of gold produced during the quarters from October 2014 to September 30, 2015 are set out in the table below.

Reconciliation of Non-IFRS Measures Cost of Production:

	Q1-2015	Q2-2015	Q3-2015	Q4-2015	Total
Gold ounces produced	1,822	1,677	1,588	1,546	6,633
Direct mine expenses	2,265	2,219	2,294	2,030	8,808
By product credits (deduct)	(269)	(267)	(464)	(273)	(1,273)
Cash Costs	1,996	1,952	1,831	1,757	7,536
Cash cost/Oz	**1,118.73**	**1,165.09**	**1,168.14**	**1,136.48**	**1,136.05**
Depreciation	362	360	359	361	1,442
Amortization	230	255	224	294	1,003
Production costs	2,588	2,567	2,413	2,412	9,980
Production cost/Oz	**1,443.77**	**1,531.52**	**1,534.63**	**1,560.16**	**1,504.60**
Net Smelter return	139	134	115	112	500
Total costs	2,727	2,701	2,528	2,524	10,480
Total cost/Oz	**1,519.76**	**1,611.41**	**1,607.05**	**1,632.60**	**1,579.92**

Risks

Risks relating to the Pimenton Mine associated with mining operations (e.g. production, commodity prices, etc.) are set out below:

- Increasing costs: Pimenton, and other Chilean mines, continue to experience significant upward cost pressures from labour and the costs associated with generating their own electricity at the mine.
- Reserve replacement: As is normal with exploration/development in narrow veins, activities at Pimenton may not identify sufficient resources of an adequate grade to replace ore which has been depleted by mining activities.
- With the exception of the $100 Gold Loan, the Company does not use financial instruments to mitigate the risks of either change in the price of gold or currency fluctuations.

- The mining industry is intensely competitive in all of its phases. The Company competes with many companies possessing larger technical facilities and financial resources.
- All phases of the Company’s operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.
- The Company is subject to foreign exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency.
- The Company operates primarily in Chile and is exposed to the laws governing the mining industry in Chile. The Chilean government is currently supportive of the mining industry but changes in government regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property and shifts in political stability of the country and labour unrest could adversely affect the Company’s exploration efforts and production plans.
- The Company’s mine is located in an area that can experience severe winter weather conditions that could adversely affect mining operations.

Opportunities

- Surplus capacity: The plant at the Pimenton Mine currently has a daily average milling capacity of over 150 tons per day. Any increased production arising from increased mining throughput could therefore be processed with little or no capital investment and incur only consumable costs to treat any increase throughput.
- Exploration success: Depending on future exploration success, Pimenton may be able to increase its production levels.

Outlook

The Company achieved annualized production of 6,633 ounces of gold for the twelve month period ended September 30, 2015. The Company achieved production of 9,220 ounces of gold in fiscal 2014.

The Company produces its own gold doré at the mine site allowing it to ship the gold doré bars directly to a gold refinery in Europe. 90% of the value of this gold shipment is paid during the week following delivery with the balance of payment received a month from the day of receipt of the initial payment. For the year ended September 30, 2015, 58% of the Company’s sales have been to a gold refinery in Europe and 42% to the ENAMI smelter in Ventanas, Chile. Enami is owned by the State of Chile through its ownership of

CODELCO. Enami pays for approximately 60% of the value of shipment the week following delivery and the balance of the payment is made one to two months following the date of receipt of the initial payment, subject to arbitration.

Changes to the Dore Processing Circuit

We have improved several aspects of our gravity circuit from November 2014 to January 2015. The two main areas are the addition of a Falcon gravity concentrator and the increased security measures on the actual dore process.

The Falcon has had a significant learning process due to the wide variety of g forces that can be used. We have reached an average of 60% recovery of gold and we believe we can reach in excess of 75% with minor modifications to the ball mill screen discharge and general fine tuning of the system. Security with the Falcon is significantly better since it is a locked automatic system without any need of an operator. Currently, due to feed material size limitations of less than 2mm, we have had to return to a Knelson concentrator temporarily while we construct a new two tier ball mill screen system. The feed size of plus 4mm damaged the Falcon sealing mechanism which has since been repaired. We hope to have the new screen system in place by the end of March 2016. The Knelson concentrator is recovering an average of 50% of the gold that passes the mill.

We have also made the entire dore process considerably more stringent with multiple weight checks with counter signed registries to make it more difficult to remove gold during the process. We have installed a Chinese induction furnace to upgrade our dore quality to higher than 80% Au.

The samples taken from the automatic sampler on the main belt in the plant now go to a locked cabinet where they are automatically split into two assays: one for an X ref assay Check, and the other to our conventional in house lab. A recent Audit by the PDI (Equivalent of the FBI in the USA), found that the increased measures where adequate in preventing possible theft in the future. These include a vault room with video cameras.

Apart from the small induction furnace, we are quoting a truck scale so we can increase the control of ore that goes to the plant. Again this would be to allow us greater accuracy in knowing what went into the plant and what should be coming out, including the gold copper concentrate.

It will be difficult to quantify how these changes affect the actual gold sales until all have been implemented.

6. EXPLORATION AND DEVELOPMENT PROJECTS

Pimenton - porphyry copper

The Company is conducting new exploration activities on its porphyry copper deposit located within the Pimenton area. A prior diamond drill program completed by Rio Tinto Mining and Exploration Ltd. (“Rio Tinto”) on the porphyry copper deposit located within the Pimenton area provided the Company with an exploration report which, among other things, identified a copper gold porphyry system with potential resources of several hundred million tons and added significant value to the Pimenton porphyry copper project. Please see Report by Rio Tinto on the Company's web site, www.cegmining.com.

The Company will continue exploration and drilling on the Pimenton porphyry copper deposits during the 2015/2016 exploration seasons.

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 year ended September 30, 2015, the Company expensed a total of $nil (2014 - $nil) relating to mining property costs and exploration costs on Tordillo.

Santa Cecilia

On July 11, 2011 CEG signed a Letter of Agreement with the majority shareholders representing 65.6% of the outstanding shares of Compania Minera Cerro del Medio (CDM), the 100% owner of the Santa Cecilia project which is located in the Maricunga gold district of Chile and adjacent to Exeter Resources Caspiche project.

The Letter of Agreement expired on June 15, 2015. Negotiations are currently being undertaken to review and extend its term.

Bandurrias

During the year ended September 30, 2015 acquisition costs of $nil were expensed (2014 - $23).

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 September 30, 2015, the Company had contributed a cumulative total of $4,080 (2014 - $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 September 30, 2015, the Company had contributed a total of $1,556 (2014 - $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 as it focused its efforts on the Pimenton gold mine.

7. INVESTING

During the year ended September 30, 2015 the Company invested $1,236 (2014 - $397) in mining plant, equipment, and mining properties

8. FINANCING

The Company finances its operations using either funds on hand, funds generated by its operations, cash advances by related parties or equity sold to related parties. Due to 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. On October 24, 2014 the accumulated loans, Net Smelter Royalties and annual Management fees accumulated to September 30, 2014 were exchanged for shares in the Company in payment of this debt, as shown in b) below.

Common stock issued during the year ending September 30, 2015 was as follows:

a) US $700 Private Placement by Messrs. David Thomson and Mario Hernandez, both Directors and Officers of the Company, for which a total of 15,743,000 Common shares were issued and corresponding warrants,

b) Debt settlement of US $2,162 owed to Messrs. David Thomson and Mario Hernandez, both Directors and Officers of the Company, for which a total of 48,645,220 Common shares were issued.

Other Financing

The Company's secured mortgage bears an interest rate of 5.13% and is secured by the building and land the Company uses for its office space. At September 30, 2015 the balance of the mortgage was $525.

During the month of November 2014, the Company signed a "Gold Loan" for US $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.

During the fiscal year ended September 30, 2015 repayments of principal of $17 were made. At September 30, 2015, $13 of interest due remained outstanding and was repaid in full in October.

9. LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2015, the Company shows a negative working capital of $8,200 (2014-negative $2,747).

During the fiscal year ended September 30, 2015 the Company's two majority shareholders, Mr. David Thomson and Mr. Mario Hernandez, who are both Directors and Officers of the Company, advanced in the form of loans or cash advances, funds to cover shortfalls. In the month of October 2014, $ 2,169 was converted into 48,645,220 common stock of the Corporation in payment of cash advances, loans, unpaid NSR and unpaid Management fees accumulated to September 30, 2014.

During the month of October 2014, both these Directors and Officers of the Company advanced a further $700 which was converted into 15,743,000 common stock and corresponding warrants.

Further, during the fiscal year ended September 30, 2015 the above mentioned individuals made further cash advances totaling $3,466 which, in November 2015, were repaid by issuing an aggregate of 92,875,400 Common shares as mentioned in Note 21 of the Financial Statements – Subsequent events.

Without these loans and cash advances, the Company would not have been able to continue its operations. It is likely that the Company will continue to require additional cash advances from these two Directors and Offices of the Company until the Company is able to mine higher grade ore reserves.

As of September 30, 2015 the Company had potential liabilities for reclamation and remediation costs, if and when the Pimenton Mine is permanently closed, at an estimated present value cost of $1,471 (2014 - $1,868). The Company calculated the cash flow estimation under updated parameters. The expected undiscounted remediation of $1,352 is expected to be incurred in 6 years. These estimated cash flows are discounted using a long term 5 year Chilean interest rate of 1.46 % as at September 30, 2015.

Contractual Obligations	Total	Less than 1 year	1-3 years	Over 4 years
	$	$	$	$
Accounts payable and accrued liabilities	1,967	1,967	-	-
Amount due to related parties	7,715	7,715	-	-
Long-term debt and finance leases	846	209	215	422
Conditional loan agreement (1)	2,500	-	-	2,500
Tordillo prospect (2)	250	-	-	250
Total Contractual Obligations	**13,278**	**9,891**	**215**	**3,172**

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.

10. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

11. RELATED PARTY TRANSACTIONS

The Company has a receivable from the CEO (who is also a Director) of $402 (2014 - $210) consisting of $358 (2014 - $158) of cash advances, net of salary and travel expenses, and two loans totaling $44 (2014 - $52). One of the loans is collaterized at September 30, 2015 by 653,200 common shares of the Company, owned by him. The cash advances and loans bear no interest rate or specific repayment terms.

A company controlled by the Chief Financial Officer of the Company (the "CFO") billed $36 to the Company for accounting and administration services rendered at September 30, 2015 (2014

- $48). Trade and other payables include $27 in relation to such services at September 30, 2015 (2014 - $27).

A law firm, of which a director of the Company is a partner, billed the Company $96 at September 30, 2015 (2014 - $164) for legal services. Trade and other payables include $147 at September 30, 2015 (2014- $130).

Trade and other payables include $ 251 at September 30, 2015 (2014 - $359) for royalties due to Mario Hernández, a Director and Officer of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. Amounts payable to related parties also include cash advances and salaries due of $1,948 at June 30, 2015 (2014 - $1,873).

Trade and other payables include $ 251 at September 30, 2015 (2014 - $359) for royalties due to David Thomson, who is also a Director and Officer of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. Amounts payable to related parties also include cash advances and salaries due of $ 2,238 at September 30, 2015 (2014 - $1,766).

In the end of July 2013, Pimenton, a subsidiary of the Company entered into a loan agreement of $3,000 in lieu of repayment of advances provided by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also Director and Officer of the Company and Compañía Minera Auromin Ltda. a Company owned by David Thomson, who is also a Director and Officer of the Company. The loan which will be paid at the end of a three year term, has a 5% interest rate. The loan is secured by certain fixed assets and mining rights. As at September 30, 2014 the amount due is $3,000. As of June 30, 2015 there is a total of $150 (2014 - $158) of interest payable to Compañia Minera Chañar Blanco S.A. and Compañía Minera Auromin Ltda.

On June 21, 2011 the board approved a resolution that non-executive directors be paid $1 per meeting attended. Amounts due to the directors for these director fees as at September 30, 2015 were $98 (2014 - $70).

12. OTHER

During the fiscal quarter ended March 31, 2015 it came to Management´s attention that a gold doré bar had been stolen from the mine site. The missing bar weighed 1.081 kilograms with an approximate 65% gold content (approximately 700 grams of gold worth approximately US$ 25,000). The Company informed the PDI in Chile (the equivalent of the FBI in the U.S.) who could not find enough evidence to act on. A CH$5,000,000 (US$ 7,500) reward was posted at the Pimenton mine site but no information was received about the suspected theft.

As reported in the Company's News Release dated August 19, 2015, the combination of the partial road closure leading to the Pimenton Mine by Codelco's Andina Mine striking subcontractors during the period August 3-7 followed by a severe snow storm had a substantial adverse impact on the Company's financial results for its fourth fiscal quarter ended September 30, 2015.

13. CRITICAL ACCOUNTING ESTIMATES

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

Mining properties, plant and equipment

Mining properties, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost included expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized separately, as appropriate, only when future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. All other repairs and maintenance costs are expensed during the period in which they are incurred.

Expenditures for the continued development of the mining property are capitalized as incurred. These costs include building access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development.

The major categories of property, plant and equipment are depreciated on a straight-line basis or units of production (UOP) as follow:

- Mining properties and development - UOP
- Building 5 years
- Plant and Equipment 1- 5 years

Residual values and useful lives are reviewed annually and adjusted if appropriate. Changes to the estimated residual values or useful lives are accounted for prospectively.

Impairment is recognized when the carrying amount of the mining properties, plant and equipment exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs and value in use. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such considerations.

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.

Revenue recognition

Revenue from the sale of concentrates and gold doré are recognized following the transfer of title and risk of ownership and the determination of value in accordance with contractual arrangements with customers. Risk and title is transferred when the concentrate is delivered to the premises of customers. Generally, the final settlement price is computed with reference to quoted metal prices for a specified period of time. Revenues are recognized when the concentrate material is delivered to customers based on the currently prevailing metals prices, quantities of concentrate delivered and provisional assays as agreed between the company and customers for each shipment. Concentrate sales are subject to adjustment on final determination of weights and assays, revenues are adjusted when these final determinations are known. By-products such as copper and silver are contained within concentrates shipped to customers and revenue from these by-products are recognized on the same criteria as those used for gold revenues.

Revenue from services includes management, drilling, machinery and equipment rent and is recognized as the services are rendered.

Stock-based compensation

The Company has a share option plan, as discussed in note 7 (c). 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.

14. SECURITIES OUTSTANDING

As of March 4, 2016 the Company has issued one class of common shares of which total of 267,852,410 are outstanding.

On March 4, 2016, the Company had 15,743,000 common share purchase warrants outstanding which are exercisable into one common share at an exercise price of CA$0.07.

Options granted under the stock option plan of the Company (each, an “Option”) outstanding as of March 4, 2016 totaled 3,364,381 of which 3,264,381 are exercisable into one common share at exercise prices of CA$0.10 to CA $0.79 through October 2019.

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

15. 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 September 30, 2015 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 September 30, 2015, 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.