

**CERRO GRANDE MINING CORPORATION**

**Report to Shareholders  
for the  
Second Quarter Ending  
March 31, 2013  
(These statements have not been audited)**

**Listed on the Toronto Stock Exchange  
Symbol: CEG  
And  
The OTCQX International  
Symbol: CEGMF**

**The Company's auditors have not reviewed these interim financial statements for the six month period ended March 31, 2013.**

## **Management's responsibility for financial reporting**

Under National instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The interim unaudited consolidated financial statements and other information in this report were prepared by the *management of Cerro Grande Mining Corporation, reviewed by the Audit Committee of the Board of Directors* and approved by the Board of Directors. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial.

Management is responsible for the preparation of the interim consolidated financial statements and believes that they fairly represent the Company's financial position and the results of its operations, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management has included amounts in the Company's interim consolidated financial statements based on estimates, judgments and policies that it believes reasonable under the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control, which provide reasonable assurance, at appropriate cost, that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately on the Company's books and records.

"Stephen W. Houghton"  
Chief Executive Officer

"Peter W. Hogg"  
Chief Financial Officer

May 9, 2013

**Cerro Grande Mining Corporation**  
**Interim Consolidated Statements of Financial Position**  
**(Unaudited)**

(Expressed in thousands of U.S. dollars, except per share amounts)

	<b>March 31,</b>	<b>September 30,</b>
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	604	1,336
Accounts receivable (note 4)	1,905	2,394
Recoverable taxes	14	59
Inventory (note 3)	2,303	2,306
	<u>4,826</u>	<u>6,095</u>
<b>Non-current assets</b>		
Receivable from a related party (note 11)	214	322
Mining properties, plant and equipment (note 5)	22,004	20,391
<b>Total assets</b>	<u><u>27,044</u></u>	<u><u>26,808</u></u>
<b>Liabilities and Shareholders' equity</b>		
<b>Current liabilities</b>		
Trade and other payables	3,784	3,587
Payable to related parties (note 11)	721	1,747
Current portion of long-term debt (note 6)	539	538
	<u>5,044</u>	<u>5,872</u>
<b>Non-Current liabilities</b>		
Long-term debt (note 6)	2,612	1,019
Reclamation and remediation	1,732	1,727
Deferred income tax liability	1,002	881
<b>Total liabilities</b>	<u><u>10,390</u></u>	<u><u>9,499</u></u>
<b>Shareholders' equity</b>		
Share capital (note 7)	78,496	78,496
Warrants (note 8)	211	211
Contributed surplus	7,558	7,493
Convertible unsecured debenture	628	154
Deficit	( 70,239)	( 69,045)
<b>Total shareholders' equity</b>	<u><u>16,654</u></u>	<u><u>17,309</u></u>
<b>Total liabilities and shareholders' equity</b>	<u><u>27,044</u></u>	<u><u>26,808</u></u>

Approved by the Board of Directors

(Signed) Paul J. DesLauriers Chairman Stephen W. Houghton Director

The accompanying notes form an integral part of these interim consolidated financial statements

**Cerro Grande Mining Corporation**  
**Interim Consolidated Statements of Income and Other Comprehensive Income**  
**For the six months ended March 31, 2013 and 2012**  
**(Unaudited)**

(Expressed in thousands of U.S. dollars, except per share amounts)

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>
<b>Revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales	6,199	5,331	12,656	10,620
Services	26	951	101	951
	<u>6,225</u>	<u>6,282</u>	<u>12,757</u>	<u>11,571</u>
<b>Expenses</b>				
Operating costs	5,841	4,892	10,538	8,985
Operating costs for services	24	828	77	828
Reclamation and remediation	11	14	22	41
General, sales and administrative	910	710	1,764	1,459
Foreign exchange	(4)	52	39	43
Interest	95	27	144	54
Other gains and losses (net)	43	99	44	57
Exploration costs	506	611	1,201	1,013
	<u>7,426</u>	<u>7,233</u>	<u>13,829</u>	<u>12,480</u>
<b>Loss and comprehensive loss before income taxes</b>	<b>(1,201)</b>	<b>(951)</b>	<b>(1,072)</b>	<b>(909)</b>
Income tax expense	189	(44)	-	(44)
Deferred income tax	(70)	-	(122)	-
<b>Loss and comprehensive loss for the period</b>	<b>(1,082)</b>	<b>(995)</b>	<b>(1,194)</b>	<b>(953)</b>
	<u><u>(1,082)</u></u>	<u><u>(995)</u></u>	<u><u>(1,194)</u></u>	<u><u>(953)</u></u>
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>
	<u><u>(0.01)</u></u>	<u><u>(0.01)</u></u>	<u><u>(0.01)</u></u>	<u><u>(0.01)</u></u>

The accompanying notes form an integral part of these interim consolidated financial statements.

**Cerro Grande Mining Corporation**  
**Interim Consolidated Statement of Changes in Shareholders' Equity**  
**For the six months ended March 31, 2013 and 2012**  
(Unaudited)

(Expressed in thousands of U.S. dollars, except per share amounts)

	<i>Share capital (note 7 (b))</i>	<i>Warrants (note 8)</i>	<i>Contributed surplus</i>	<i>Convertible unsecured debenture</i>	<i>Deficit</i>	<i>Total equity</i>
<b>Balance - October 1, 2011</b>	<b>78,110</b>	<b>211</b>	<b>7,351</b>	<b>154</b>	<b>( 65,333)</b>	<b>20,493</b>
Share-based compensation	-	-	57	-	-	57
Bonus Shares	386	-	-	-	-	386
Net Loss	-	-	-	-	( 953)	( 953)
<b>Balance - March 31, 2012</b>	<b>78,496</b>	<b>211</b>	<b>7,408</b>	<b>154</b>	<b>( 66,286)</b>	<b>19,983</b>
<b>Balance - October 1, 2012</b>	<b>78,496</b>	<b>211</b>	<b>7,493</b>	<b>154</b>	<b>( 69,045)</b>	<b>17,309</b>
Convertible unsecured debenture	-	-	-	474	-	474
Share-based compensation	-	-	65	-	-	65
Net Loss	-	-	-	-	( 1,194)	( 1,194)
<b>Balance - March 31, 2013</b>	<b>78,496</b>	<b>211</b>	<b>7,558</b>	<b>628</b>	<b>( 70,239)</b>	<b>16,654</b>

The accompanying notes form an integral part of these interim consolidated financial statements.

**Cerro Grande Mining Corporation**  
**Interim Consolidated Statements of Cash Flows**  
**For the six months ended March 31, 2013 and 2012**  
**(Unaudited)**

(Expressed in thousands of U.S. dollars, except per share amounts)

	Three months ended		Six months ended	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
	\$	\$	\$	\$
<b>Net loss for the period</b>	( 1,082)	( 995)	( 1,194)	( 953)
Adjustments for:				
Amortization and depreciation	614	541	1,276	1,072
Accretion of interest on long-term debt	43	( 14)	73	-
ARO accretion	11	14	22	41
Foreign exchange gain	( 22)	( 11)	( 16)	( 15)
Deferred income tax	70	-	122	-
Warrants revaluations	-	( 14)	-	-
Stock-based compensation	65	42	65	57
	( 301)	( 437)	348	202
Change in non-cash working capital relating to operations	977	( 248)	( 186)	( 586)
	676	( 685)	162	( 384)
<b>Investing activities</b>				
Additions to mining properties, plant and equipment	( 1,844)	( 672)	( 2,889)	( 1,908)
	( 1,844)	( 672)	( 2,889)	( 1,908)
<b>Financing activities</b>				
Shares issued	-	386	-	386
Issuance of debt	-	139	1,546	973
Capital leases	531	( 169)	449	( 280)
	531	356	1,995	1,079
<b>Effect of foreign exchange on cash held in foreign currency</b>	-	-	-	-
<b>Increase (decrease) in cash and cash equivalents during the period</b>	( 637)	( 1,001)	( 732)	( 1,213)
<b>Cash and cash equivalents - Beginning of period</b>	1,241	1,538	1,336	1,750
<b>Cash and cash equivalents - End of period</b>	<b>604</b>	<b>537</b>	<b>604</b>	<b>537</b>

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

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(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

#### 1. Nature of the Company

Cerro Grande Mining Corporation (the Company or CEG) and its subsidiaries is a mining, exploration and development company which produces gold, silver and copper, with operations mainly in Chile. The Company was incorporated under the Canada Business Corporations Act, and its Common Shares are listed on the Toronto Stock Exchange (“TSX”) trading under the symbol “CEG” and on the OTCQX trading under the symbol CEGMF. The Company is domiciled in Canada and the address of its records office is 67 Yonge Street, Suite 1201 Toronto Ontario M5E 1J8, Canada. The registered office is Royal Bank Plaza, South Tower, 200 Bay Street, Suite 3800, Toronto, Ontario M5J 2Z4, Canada.

#### 2. Basis of presentation

##### *a. Statements of compliance*

These unaudited interim consolidated financial statements are expressed in thousands of US dollars and have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Standards Board (“IASB”) including IAS34 Interim Financial Reporting. The interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2012 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and the application adopted are consistent with those disclosed in Note 4 to the Company’s consolidated financial statements for the year ended September 30, 2012.

The preparation of consolidated financial statements requires managements to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses.

These interim consolidated financial statements were approved by the Board of Director on May 9, 2013.

##### *b. Use of estimates and judgments*

The preparation of the interim financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The more significant areas requiring the use of management estimates and assumptions relate to future cash flow estimates for asset impairments/reversals, any asset retirement obligation, estimation of useful lives of mining properties, plant and equipment, stock-based compensation and the provision for income taxes and composition of future income tax assets and liabilities. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period.

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

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(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Mineral resources and reserves estimates are used in the calculation of impairment estimation, amortization and forecasting the timing and payment of close down, restoration costs and clean up costs.

### 3. Inventory

	<b>March 31, 2013</b>	<b>September 30, 2012</b>
	\$	\$
Ore and concentrate stockpiles	1,410	1,253
Materials and supplies	893	1,053
	<b>2,303</b>	<b>2,306</b>

### 4. Accounts receivable

	<b>March 31, 2013</b>	<b>September 30, 2012</b>
	\$	\$
Accounts receivable from customers	752	782
Other sundry receivables	1,153	1,612
	<b>1,905</b>	<b>2,394</b>



**Cerro Grande Mining Corporation**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2013 and 2012**

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

**5. Mining property, plant and equipment**

			<b>Mining</b>		
		<b>Plant &amp;</b>	<b>property</b>		
<b>Cost</b>	<b>Building</b>	<b>equipment</b>	<b>development</b>	<b>Others</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance - October 1, 2012	5,464	11,900	18,021	365	35,750
Additions	292	1,543	1,037	33	2,905
Reclamation	-	-	(16)	-	(16)
<b>Balance - March 31, 2013</b>	<b>5,756</b>	<b>13,443</b>	<b>19,042</b>	<b>398</b>	<b>38,639</b>
			<b>Mining</b>		
		<b>Plant &amp;</b>	<b>property</b>		
<b>Accumulated depreciation</b>	<b>Building</b>	<b>equipment</b>	<b>development</b>	<b>Others</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance - October 1, 2012	2,530	6,429	6,223	177	15,359
Depreciation and amortization expenses	144	609	514	9	1,276
<b>Balance - March 31, 2013</b>	<b>2,674</b>	<b>7,038</b>	<b>6,737</b>	<b>186</b>	<b>16,635</b>
<b>Net book value as at March 31, 2013</b>	<b>3,082</b>	<b>6,405</b>	<b>12,305</b>	<b>212</b>	<b>22,004</b>

			<b>Mining</b>		
		<b>Plant &amp;</b>	<b>property</b>		
<b>Cost</b>	<b>Building</b>	<b>equipment</b>	<b>development</b>	<b>Others</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance - October 1, 2011	4,853	10,504	18,357	334	34,048
Additions	634	1,548	1,214	31	3,427
Reclamation	-	-	(1,550)	-	(1,550)
Disposals	(23)	(152)	-	-	(175)
<b>Balance - September 30, 2012</b>	<b>5,464</b>	<b>11,900</b>	<b>18,021</b>	<b>365</b>	<b>35,750</b>
			<b>Mining</b>		
		<b>Plant &amp;</b>	<b>property</b>		
<b>Accumulated depreciation</b>	<b>Building</b>	<b>equipment</b>	<b>development</b>	<b>Others</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance - October 1, 2011	2,302	5,280	5,330	161	13,073
Depreciation and amortization expenses	228	1,149	893	16	2,286
<b>Balance - September 30, 2012</b>	<b>2,530</b>	<b>6,429</b>	<b>6,223</b>	<b>177</b>	<b>15,359</b>
<b>Net book value as at September 30, 2012</b>	<b>2,934</b>	<b>5,471</b>	<b>11,798</b>	<b>188</b>	<b>20,391</b>

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

#### 6. Long-term debt

The maturities of long-term debt and related interest payments are as follows as at:

Description	Interest rate	March 31,	September 30,
		2013	2012
		Principal	Principal
		\$	\$
C and D debentures (a)	6.00%	277	247
Convertible unsecured debenture (b)		1,130	-
Bice Bank mortgage (c)	5.13%	864	888
Lease	4% -5.2%	880	422
Less: Current portion		(539)	(538)
Long-term debt		2,612	1,019

- a) On April 21, 2010 the Company issued \$300 of convertible unsecured debentures (the "C Debentures"). The maturity date of these debentures is April 21, 2015. The conversion price of the C Debentures is CA\$0.40 per share convertible into up to 782,100 common shares of the Company. Interest rate on the C Debentures is 6% payable annually. In addition with the C Debenture, the company issued 782,100 common share purchase warrants exercisable for 60 months from the date of issuance at CA\$0.50 per share.

On May 11, 2010 the Company issued \$330 of convertible unsecured debentures (the "D Debentures"). The maturity date of these debentures is May 11, 2015. The conversion price of the D Debentures is CA\$0.40 per share convertible into up to 826,155 common shares of the Company. Interest rate on the D Debentures is 6% payable annually. In addition with the D Debenture, the Company issued 826,155 common share purchase warrants per common share exercisable for 60 months from the date of issuance at CA\$0.50 per share.

- b) On November 15, 2012 the Company issued \$1,568 of convertible unsecured debentures. The maturity date of these debentures is November 15, 2017. The conversion price of the Debentures is CA\$0.30 per share convertible into up to 5,228,042 common shares of the Company. Interest rate on the Debentures is 6% payable quarterly. For accounting purposes, the convertible unsecured debentures have a liability component and an equity component. The fair value of the liability component was determined by discounting the future stream of interest and principal payments at an estimated borrowing rate to the Company of 15%. As a result, the Company had allocated \$474 to equity and \$1,130 to debt, of which \$36 were accreted. The Debentures have been issued in payment of cash advances by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also director of the

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

Company and Compañía Minera Auromín Ltda. a Company owned by David Thomson, who is also director of the Company.

- c) On November 7, 2011 the Company obtained a mortgage with Bice Bank of Unidad de Fomento (UF) 19,600 (\$941). The mortgage bears interest at a fixed rate of 5.13% per annum. The UF is an inflation based unit of account used in Chile. The mortgage is repayable in monthly instalments of principal UF 109 (\$24) and interest until 2026. The mortgage is secured by certain fixed assets with an approximate value of \$1,309.

## 7. Share capital

### a) Authorized capital

The authorized capital of the Company consists of an unlimited number of common shares, with no par value.

### b) Issued and outstanding

	<u>Number of shares</u>	<u>Amount</u>
		\$
Balance –October 1, 2011	94,190,714	78,110
Bonus shares (i)	735,000	386
		<hr/>
Balance – September 30, 2012	94,925,714	78,496
		<hr/>
Balance –March 31, 2013	94,925,714	78,496
		<hr/>

- i) On February 13, 2012 the Company issued the balance of 735,000 bonus shares pursuant to the Company's current stock option plan to the Pimenton workers. They were valued at \$386 using the TSX closing price of CA \$0.52 per share.

**Cerro Grande Mining Corporation**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2013 and 2012**

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

**c) Share option plan**

The Company has a share option plan (the Plan) whereby, from time to time at the discretion of the Board of Directors, share options are granted to directors, officers, employees, certain consultants and service providers. The maximum number of common shares issuable under the Plan is 12,578,754 common shares and 5,000,000 common shares issuable under the share bonus plan, within the Plan, to eligible participants. The Board of Directors determines the vesting period at its discretion.

A summary of the Company's Plan at March 31, 2013 is presented as follow:

	<b>Number of options</b>	<b>Weighted average exercise price CA\$</b>
Balance – Octobre 01, 2011	7,693,999	0.58
Cancelled (a)	<u>(78,000)</u>	0.6 /0.79
Balance – September 30, 2012	7,615,999	0.58
Granted (b)	195,000	0.18
Granted (c)	150,000	0.18
Granted (d)	250,000	0.18
Expired	<u>(1,795,000)</u>	0.35/0.45
Balance – March 31, 2013	<u>6,415,999</u>	0.62

- a) During November, December, 2011 and January 2012, 78,000 Common Stock Options issued to employees who are not officers of the Company, were cancelled.
- b) On February 7, 2013 seven employees who are not officers of the Company were granted 195,000 options to replace 195,000 options which expired on January 9, 2013. These new options having a five years life with immediate vesting at a price of CA\$0.18 per share. These options were fair valued at \$32 using the Black –Scholes valuation model, assuming a risks-free rate of 0.78%, no dividend, and volatility factor of 152% and expensed as stock-based compensation.
- c) On February 7, 2013 150,000 options were granted to an employee who is not an officer of the Company at an exercise price of CA\$0.18 per share, exercisable for a period of five year, 30,000 to vest one year from the date of grant, 30,000 to vest two year from the date of grant, 30,000 to vest three year from the date of grant, 30,000 to vest four year from the date of grant and the balance of 30,000 to vest on the fifth anniversary of the date of grant. These options were fair valued at \$16 using the Black

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

–Scholes valuation model, assuming a risks-free rate of 0.78%, no dividend, and volatility factor of 152% and expensed as stock-based compensation.

- d) On February 7, 2013, 250,000 options were granted to an employee who is an officer of the Company at an exercise price of CA\$0.18 per share, exercisable for a period of five year, 50,000 to vest immediately, 50,000 to vest one year from the date of grant, 50,000 to vest two year from the date of grant, 50,000 to vest three year from the date of grant and the balance of 50,000 to vest on the fourth anniversary of the date of grant. These options were fair valued at \$31 using the Black –Scholes valuation model, assuming a risks-free rate of 0.78%, no dividend, and volatility factor of 152% and expensed as stock-based compensation.

During the period ended March 31, 2013 and 2012 the Company has recognized a total stock based compensation expense of \$65 and \$57 respectively. Options outstanding as at March 31, 2013 are as follows:

Exercise price CA\$	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$	Options exercisable
0.50-0.90	2,358,953	0.01	0.86	2,358,953
0.40-0.60	1,226,046	1.37	0.44	1,051,046
0.35-0.35	1,505,572	2.05	0.35	1,505,572
0.79-0.79	730,428	3.08	0.79	677,428
0.18-0.18	<u>595,000</u>	4.86	0.18	<u>245,000</u>
0.35-0.90	<u>6,415,999</u>	1.34	0.59	<u>5,837,999</u>

d) **Basic and diluted loss per share as at :**

	March 31, 2013 \$	March 31, 2012 \$
Loss for the period	(1,194)	(953)
Weighted average number of shares outstanding	<u>94,925,714</u>	<u>94,226,995</u>
Basic loss per share	<u>(0.01)</u>	<u>(0.01)</u>
Diluted loss per share	<u>(0.01)</u>	<u>(0.01)</u>

The effect of convertible debentures, notes, options and warrants is not included in computing the diluted per share amounts, since in the context of reported losses for the years, such effect would be anti-dilutive.

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

#### 8. Warrants

<b>Equity</b>	<b>Number of warrants</b>	<b>\$</b>
Balance – October 1, 2011	1,608,254	211
Balance – September 30, 2012	1,608,254	211
Balance – March 31, 2013	1,608,254	211

The following table summarizes information about the warrants outstanding as at March 31, 2013:

<b>Number of warrants outstanding</b>	<b>Weighted average remaining warrant life (years)</b>	<b>Weighted average exercise price CA\$</b>
1,608,254	2.08	0.50

#### 9. Segment information

In order to determine reportable operating segments, the Chief Executive Officer reviews various factors, including geographical location, quantitative thresholds and managerial structure. The Company has one operating segment, which is the exploration and development of mineral properties. The Company's principal operations are carried out in Chile. The Company's geographic segments are located as follows:

- i) Company's mineral properties in Chile
- ii) Corporate offices in Chile and Canada;

The Company's Pimenton segment includes a gold mine and mill operating in Chile. As at March 31, 2013 and 2012, segmented information is presented as follows:

**Cerro Grande Mining Corporation**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended March 31, 2013 and 2012**

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

	<b>Six months ended March 31, 2013</b>		
	<b>Pimenton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales revenue	12,656	-	12,656
Services revenue	101	-	101
Operating costs	(9,176)	-	(9,176)
Amortization and depreciation	(1,344)	(18)	(1,362)
Operating costs - services	(77)	-	(77)
Reclamation and remediation	(22)	-	(22)
General, sales and administrative	(944)	(820)	(1,764)
Foreign exchange	(45)	6	(39)
Interest	(9)	(135)	(144)
Other gains and losses (net)	(45)	1	(44)
Exploration costs	-	(1,201)	(1,201)
Income tax expense	-	-	-
Deferred income tax	(122)	-	(122)
Total other income (expenses)	(2,608)	(2,167)	(4,775)
<b>Income (loss) and other comprehensive income (loss) for the period</b>	<b>973</b>	<b>(2,167)</b>	<b>(1,194)</b>
<b>Mining property, plant and equipment</b>	<b>20,114</b>	<b>1,890</b>	<b>22,004</b>
<b>Total assets</b>	<b>24,835</b>	<b>2,209</b>	<b>27,044</b>

# Cerro Grande Mining Corporation

## Notes to the Interim Consolidated Financial Statements

### For the six months ended March 31, 2013 and 2012

(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

	<b>Six months ended March 31, 2012</b>		
	<b>Pimenton</b>	<b>Corporate</b>	<b>Total</b>
	\$	\$	\$
Sales revenue	10,620	-	10,620
Services revenue	951	-	951
Operating cost	(7,848)	(65)	(7,913)
Amortization and depreciation	(1,068)	(4)	(1,072)
Operating costs - services	(828)	-	(828)
Reclamation and remediation	(41)	-	(41)
General, sales and administrative	(884)	(575)	(1,459)
Foreign exchange	6	(49)	(43)
Interest	(12)	(42)	(54)
Other gains and losses (net)	(57)	-	(57)
Exploration costs	-	(1,013)	(1,013)
Income tax expense	(44)	-	(44)
Total other income (expenses)	(2,928)	(1,683)	(4,611)
<b>Income (loss) and other comprehensive income (loss) for the period</b>	<b>795</b>	<b>(1,748)</b>	<b>(953)</b>
<b>Mining property, plant and equipment</b>	<b>19,159</b>	<b>1,829</b>	<b>20,988</b>
<b>Total assets</b>	<b>24,898</b>	<b>2,431</b>	<b>27,329</b>

## 10. Income taxes

Income tax expenses is recognized based on management's estimated of the weighted annual income tax rate expected for the full financial year. The estimate average annual rate used for the year ended September 30, 2012 and for the six months ended March 31, 2013 was 20%.

## 11. Related party transactions

A company owned by the CEO (who is also a director) has billed \$4 to the Company at March 31, 2013 (2012-\$2) in relation to the office space and services used by the Company. In addition, the Company has a receivable from such officer and director of the Company for \$214 as at March 31, 2013 (2012 - \$409) of which \$96 (2012 - \$286) is a non-interest-bearing note receivable without specific repayment terms and is secured by collateral represented by 653,200 common shares owned by the CEO \$32 (2012 - \$32) was a loan in August 2011, and \$86 (2012 -\$91) was net of cash advances, salary and for the truck and its expenses.



# **Cerro Grande Mining Corporation**

## **Notes to the Interim Consolidated Financial Statements**

### **For the six months ended March 31, 2013 and 2012**

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(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

A company controlled by the Chief Financial Officer of the Company (the “CFO”) billed \$38 to the Company for accounting and administration services rendered for the six months ended March 31, 2013 (2012 - \$33). Accounts payable and accrued liabilities for \$15 include payables to this officer in relation to such services at March 31, 2013 (2012 - \$15).

A law firm, of which a director of the Company is a partner, billed the Company \$76 for the six months ended March 31, 2013 (2012 - \$83) for legal services. Accounts payable and accrued liabilities include \$43 at March 31, 2013 (2011- \$30).

Accounts payable and accrued liabilities also include \$66 at March 31, 2013 (2012 - \$106) related to royalties due to Mario Hernández, who is also a director of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. This officer was paid \$359 in royalty payment for six month period ended March 31, 2013 (2012 - \$317). Also accounts payable include \$106 of cash advance provided on March 27, 2013.

Accounts payable and accrued liabilities include \$66 at March 31, 2013 (2012 - \$106) for royalties due to David Thomson who is the owner of a net smelter royalty on the Pimenton gold mine. This officer was paid \$359 in royalty payment for six month period ended March 31, 2013 (2012 - \$317). Also accounts payable include \$9 (2012 - \$9) for interest not paid on the Debenture issued to him in 2006 and which was converted on June 9, 2009. Also accounts payable include \$106 of cash advance provided on March 28, 2013.

In October 2011 Pimenton entered into a services contract with CDM. The services to be provided by Pimenton include management, machinery and equipment rent. For the six months ended March 31, 2013 Pimenton has recognized revenue of \$101 (2012 - \$951). The costs related to these services amounted \$77 (2012 - \$838). As at March 31, 2013 account payable include \$228 (2012– receivable \$762).

On June 21, 2011 the board approved a resolution that non-executive directors be paid \$1 per meeting attended. At March 31, 2013 amounts due to the directors for these director fees were \$17 (2012 - \$18).

On April 1, 2010, Compañía Minera Auromin Ltda a Company owned by David Thomson, entered into a services contract with the Company for a period of two years, which is being renewed for an additional two years period at the end of each year. Under the term of the contract, the Company will pay \$300 per year to Compañía Minera Auromin Ltda. The services to be provided by Compañía Minera Auromin Ltda. include, seeking new mining projects, performing geological studies and designing drill programs for the Company on exploration projects, conducting preliminary design of the mining plan for designated project and providing other services related to the exploration and development of mining projects. As of March 31, 2013 accounts payable and accrued liabilities included \$25 related to this contract (2012 - \$75).

On April 1, 2010 Compañía Minera Chañar Blanco S.A a Company owned by Mario Hernández, entered into a services contract with the Company for a period of two years, which is being renewed for an additional two years period at the end of each year. Under the term of the contract, the Company will pay \$110 per year to Compañía Minera Chañar Blanco S.A. The services to be provided by Minera Chañar Blanco S.A. include, maintaining title and ownership of mining properties acquired by the Company, acquiring water rights or request concessions of water rights on the properties acquired by the Company and negotiating the acquisition of new mining properties for the Company. As of March 31, 2013 accounts payable and accrued liabilities included \$9 related to this contract (2012- \$28).

# **Cerro Grande Mining Corporation**

## **Notes to the Interim Consolidated Financial Statements**

### **For the six months ended March 31, 2013 and 2012**

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(Unaudited)

(Expressed in thousands of U.S. dollars, except share and per share amounts)

On April 1, 2010, the Chief Executive Officer (CEO), and Director of the Company, entered into a management contract for a period of two years, which is being renewed for an additional two year period at the end of each year. Under the terms of the contract, the Company will pay \$110 per year to the CEO plus truck and medical expenses. As of March 31, 2013 the Corporation paid \$9 (2012 - \$10) for the truck and its expenses and \$55 (2012- \$55) for salary.

## Directors\* and Officers

### **Paul J. DesLauriers\*(1),(2),(3),(4)**

Toronto, ON, Canada

*Chairman*

Executive Vice President and Director  
Loewen, Ondaatje, McCutcheon & Company  
Limited, Toronto, Canada

### **Stephen W. Houghton\***

Santiago, Chile

*Chief Executive Officer*

Founder of Cerro Grande Mining Corporation

### **Mario Hernandez A.\***

Santiago, Chile

Executive Vice President and Director, Claims and  
Land Management

### **William Hill\*(1),(3),(4)**

Rock wood, ON, Canada

*Principal, William Hill Mining Consultants, Ltd.*

### **Richard J. Lachcik\*(3),(4)**

Toronto, ON, Canada

### **Fernando Saenz Poch\***

Concepción, Chile

### **Juan A Proaño\*(3)**

Washington Crossing,

Pennsylvania, USA

Director of Minera Poderosa S.A.

a gold mining company located in Peru

### **Frederick D. Seeley\*(1),(2),(4)**

West Falmouth, Massachusetts, USA

Chairman, Givens Hall Bank and Trust Limited

### **David R. S. Thomson\***

Santiago, Chile

Executive Vice President and Director of  
Exploration

### **Peter W. Hogg**

Toronto, ON, Canada

Chief Financial Officer

(1) Member, Audit Committee

(2) Member, Compensation Committee

(3) Technical Committee

(4) Corporate Governance and Nominating  
Committee

## Corporate Information

**Website:** [www.cegmining.com](http://www.cegmining.com)

### **Toronto Stock Exchange**

Stock Symbol: CEG

### **OTCQX International**

Stock Symbol: CEGMF

### **Registered Office:**

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Toronto, ON M5J 2Z4

### **Toronto Office**

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### **Santiago Office:**

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Providencia, Santiago, Chile

Telephone: 56-2-569-6200

Solicitors:

### **Norton Rose LLP**

Toronto, Ontario, Canada

Auditors:

### **PricewaterhouseCoopers LLP**

Toronto, Ontario, Canada

Stock Registrar and Transfer Agent

### **Computershare Investor Services**

Toronto, Ontario, Canada