

CERRO GRANDE MINING CORPORATION

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

MARCH 7, 2016

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PRELIMINARY NOTES

Currency Exchange Rates

Unless otherwise indicated, all currency amounts in this Annual Information Form are expressed in United States dollars. The following table sets forth the currency exchange rates for the conversion of United States dollars into Canadian dollars for the following years ended September 30 (the Corporation's fiscal year end), as reported by the Bank of Canada. The average rates were manually calculated for the 12-month period starting October 1 of the prior year and ending September 30 of the indicated year. The average prices were calculated by taking each month's average, as reported by the Bank of Canada, summing the averages for each 12-month period and dividing by 12.

	2015	2014	2013	2012	2011
Closing (As at September 30)	1.3394	1.1208	1.9832	1.0482	1.0290
Average (Oct. 1-Sept. 30)	1.2292	1.0331	1.0073	1.9868	1.1415

Conversion Table and Technical Abbreviations

Amounts in this Annual Information Form are generally in metric units. Conversion rates from Imperial measure to metric and from metric to Imperial are provided below.

Imperial Measure	= Metric Unit	Metric Measure	= Imperial Measure
2.47 acres	1 hectare	0.4047 hectares	1 acre
3.28 feet	1 meter	0.3048 meters	1 foot
0.62 miles	1 kilometer	1.609 kilometers	1 mile
0.032 ounces (troy)	1 gram	31.1035 grams	1 ounce (troy)
1.102 tons (short)	1 tonne	0.907 tonnes	1 ton
0.029 ounces (troy/ton)	1 gram/tonne	34.28 grams/tonne	1 ounce (troy/ton)

All ounces are troy ounces; 14.58 troy ounces equal one pound (containing 16 Imperial ounces).

Abbreviations

Ha	Hectares	tpd	tonne per day
g	grams	Oz.	ounces
g/t	grams per tonne	km	kilometers
ppb	parts per billion	T	tonnes

Unless the context otherwise requires, references to the "Corporation", "Cerro Grande Mining Corporation" or "Cerro Grande" in this Annual Information Form refer to Cerro Grande Mining Corporation and its subsidiaries.

Forward-Looking Information

This Annual Information Form contains certain "forward-looking information". All information, other than historical facts, that address activities, events or developments that the Corporation believes, expects or anticipates will or may occur in the future (including, without limitation, information regarding mineral resources and mineral reserves, metallurgical results, plans to increase production at the Pimenton mine and the anticipated timing for receipt of permission thereof, the Corporation's development plans with respect to the Pimenton mine, the estimated cost of expansion of the tailings deposit of Pimenton mine, estimated reclamation costs, the Corporation's intention to update NI 43-101 technical reports on certain of its projects, the Corporation's plans with respect to the Santa Cecilia Project, potential mineralization, expectations regarding continuation of contracts, intentions with respect to the retention of DL-600 registered status of one of the Corporation's Chilean subsidiaries and expectations regarding the Corporation's dividend policy) are forward-looking information. Forward-looking information reflects the

current expectations or beliefs of the Corporation based on information currently available to the Corporation. Forward-looking information is subject to significant risks and uncertainties and other factors that could cause the actual results 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 Corporation. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: failure to establish estimated mineral resources, the preliminary nature of metallurgical results, changes in gold and other mineral prices, changes in equity markets, political developments in Chile, changes to regulations affecting the Corporation's activities, delays in obtaining or failures to obtain required regulatory approvals, uncertainties relating to the availability and costs of financing needed in the future, the uncertainties involved in interpreting drilling results and other geological data, the other risks involved in the gold exploration and development industry and the risks described under "Narrative Description of the Business – Risk Factors, Economic Environment and Operations" in this Annual Information Form. 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 Corporation 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 Corporation 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 and mineral reserve figures referred to in this Annual Information Form are estimates, and no assurances can be given that the indicated levels of gold or other minerals would 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 Corporation believes that the mineral resource and mineral reserve estimates included in this Annual Information Form are well established, by their nature, mineral resource and mineral reserve estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

CORPORATE STRUCTURE

The Corporation was originally incorporated on May 6, 1991, under the laws of the Cayman Islands, British West Indies, and under the name of "South American Gold & Copper, Ltd." On May 12, 1994, Osborne & Chappel Goldfields Limited ("**O&C**"), a company incorporated under the laws of Bermuda, acquired all of the issued shares of South American Gold & Copper Company, Ltd. ("**Old SAGC**") in exchange for new shares of O&C pursuant to a reverse takeover. Subsequent to the acquisition of Old SAGC, O&C changed its name to "South American Gold and Copper Company Limited" and its fiscal year to September 30. At the time of the acquisition of Old SAGC by O&C, O&C's common stock was listed on the Toronto Stock Exchange ("**TSX**"), but suspended from trading due to its not meeting certain financial criteria. Following the reverse takeover, the TSX approved reinstatement of trading in the shares of the Corporation on May 18, 1994. In March 1996, the Corporation's shareholders approved the transfer and consolidation of all the Corporation's assets and liabilities from the British West Indies corporation to and into its Bermudian subsidiary and on October 3, 1996, the Corporation became subject to the "Companies Act" of the Province of Nova Scotia, Canada. On May 3, 2007, the Corporation was continued under the *Canada Business Corporations Act*.

On March 31, 2011, by articles of amendment, the Corporation changed its name to "Cerro Grande Mining Corporation" and amended the articles of the Corporation to consolidate the issued and outstanding common shares of the Corporation by changing each one of the then issued and outstanding common shares of the Corporation into one-tenth of one new common share of the Corporation (each whole such consolidated common share, a "**Common Share**").

On July 25, 2014 The Corporation's was notified that the Continued Listing Committee of the TSX had determined to delist the Corporation's securities effective on August 25, 2014. The delisting was imposed for failure by the Corporation to meet the continued listing requirements of the TSX, as detailed in Part VII of the TSX Corporation Manual due to the Corporation's financial condition, lack of adequate working capital and disclosure issues.

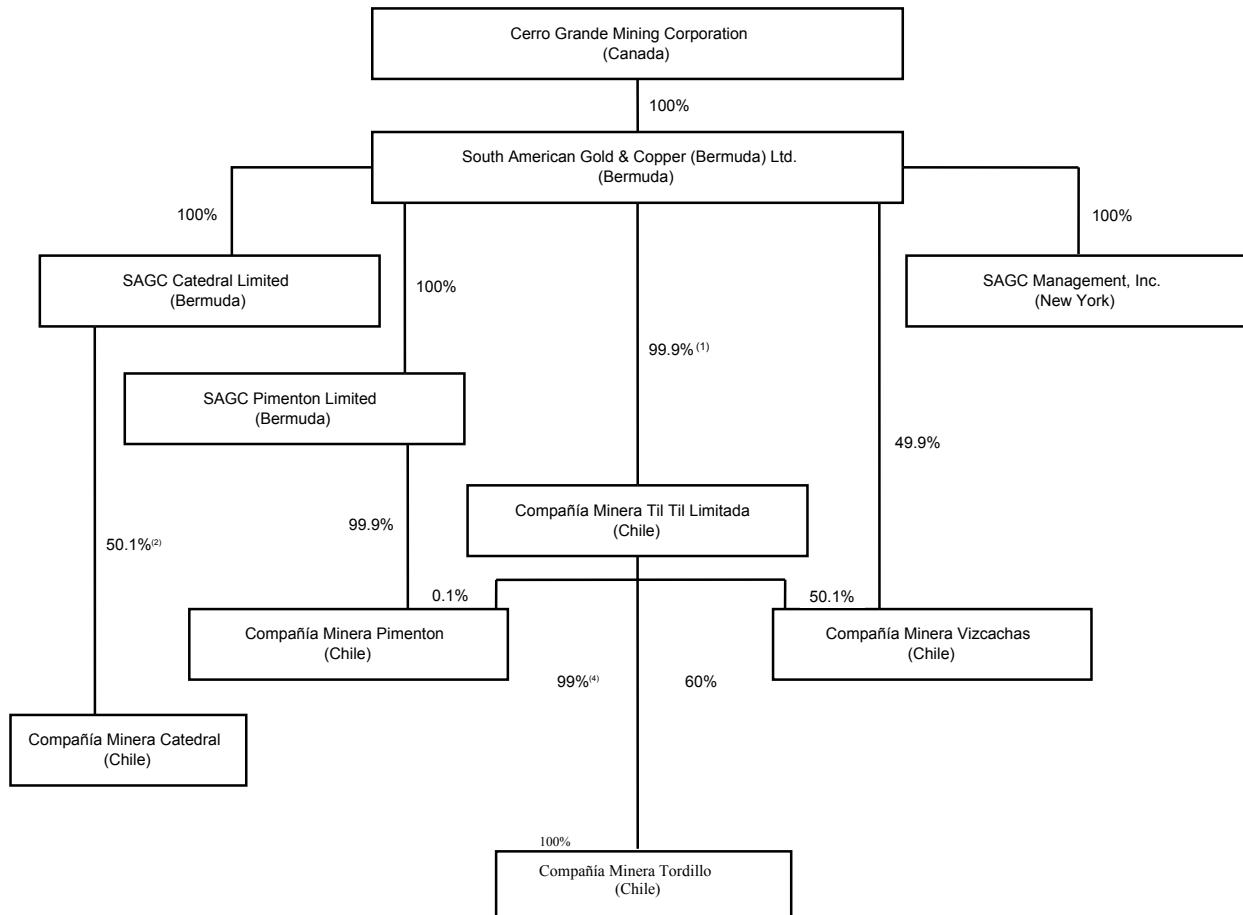
The Corporation immediately applied for listing of the Canadian Securities Exchange (“CSE”) which was granted on August 24, 2014 and the Corporation commenced trading on the CSE on the morning of August 26, 2014.

On December 11, 2014 the Corporation applied for a listing on the OTCQB. This application was approved on January 15, 2015.

The registered office of the Corporation is located at Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario M5J 2Z4, Canada. The Corporation’s business office is located at One King Street West, Suite 4009, Toronto, Ontario M5H 1A1, Canada. The Corporation’s principal activities are conducted from its offices in Santiago, Chile, located at Avenida Santa Maria 2224, Providencia, Santiago, Chile.

The following diagram sets out all of the Corporation’s material subsidiaries as at September 30, 2015, their jurisdictions of incorporation and the Corporation’s direct and indirect voting interests in each of these subsidiaries:

CERRO GRANDE MINING CORPORATION



Notes:

- (1) Under Chilean law, a limited liability company must have at least two shareholders. The other 0.1% interest is held by Mr. Stephen W. Houghton, the Corporation’s founder and Chief Executive Officer.
- (2) The other 49.9% interest is held equally by Messrs. David R.S. Thomson and Mario Hernandez both of whom are Executive Vice Presidents and directors of the Corporation.
- (3) The other 40% interest is held by two individuals who are not affiliated with the Corporation.

- (4) Minera Bandurrias and Cia Minera la Bella SAGC Ltda. are governed under the laws of Chile. 99% of both these subsidiaries are held indirectly by the Corporation's 99.9% owned subsidiary, Compañía Minera Til Til Ltda., and 1% is held by the Corporation's 100% owned subsidiary, South American Gold and Copper (Bermuda) Ltd.
- All shareholdings represented on the above diagram are of common shares.

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation is a mining company with mineral exploration and development properties. The business of the Corporation is to acquire, explore, develop and operate natural resource properties, either alone or in joint venture with other companies. Cerro Grande has one producing gold mining property which was on temporary shut-down from June 2005 until January 2008 when work was started to put the mine back into operation.

The Pimenton mine was put into production in July 2008. Commercial production was declared effective October 1, 2008, at a rate of production of 91 tonnes per day during the 21 days the plant was in operation during October 2008. The Corporation had planned to gradually increase production to approximately 150 tonnes per day or 15,000 gold ounces in the fiscal year ended September 30, 2010 as development of reserves were converted into Canadian Securities Administrator's National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43101") compliant proven and probable reserves. However, due to mine equipment break downs and regulatory authorities closing a part of the mine for the first six months of the Corporation's year ended September 30, 2009 due to a fatal mining accident the Corporation produced at the rate of approximately 100 tons per day. Such equipment issues and mining accident, as well as a lack of skilled mechanics led to delays in the development of Pimenton. This in turn led to production plan delays as higher grade stopes were not prepared in time to meet production grade estimates. As a result of mining from lower grade stopes the head grade dropped to 8.9g/t Au and 0.53% Cu during the first six months of the fiscal year ended September 30, 2010. For the last six months of such fiscal year the head grade was increased to 12.1 g/t Au and 0.59% Cu. The Corporation began experiencing cash flow problems beginning in March, 2013 when its sole source of its cash flow, the Pimenton mine, which is a narrow high grade gold/copper mine located in the high mountains (3,200 – 3,700 meters) of Chile and 150 kilometers north east of Santiago, began having difficulties.

The reason for the shortage of cash flow from the Pimenton mine is three fold: (i) operational problems due to delays in a main drive to reach known ore shoots below the existing levels, (ii) a drop in the price of gold, and (iii) a 5 week shut down of the mine and plant due to permitting problems relating to a third party structural permit which was not obtained by the architect contracted by the Corporation to complete the structural design of the plant and camp buildings. This shut down occurred from May 9, 2014 to June 12, 2014.

For the fiscal year ended September 30, 2015 the Pimenton mine's head grade of ore into the mill was approximately 6.16 g/t Au and .70% copper compared to 8.96 g/t Au and 1.03% copper for the comparable period ended September 30, 2014. The average closing price of gold on the LME was US \$1,164 for the Corporation's fiscal year ended September 30, 2015 compared to US \$1,282 during the comparable period in 2014. Tons of ore into the plant were 36,216 for the fiscal year ended September 30, 2015 compared to 33,781 tons for the comparable period ended September 30, 2014 .

For the fiscal year ended September 30, 2015, the Corporation sold approximately 6,455 ounces of gold, 225 tonnes of copper and 4,852 ounces of silver compared to approximately 9,455 ounces of gold, 328 tonnes of copper and 6,262 ounces of silver sold for the fiscal year ended September 30, 2014.

During the year ended September 30, 2013, Mr. David Thomson and Mr. Mario Hernandez, both officers and directors of the Corporation, through their respective companies entered into a loan agreement with the Corporation providing for a secured loan of up to \$3,000,000, to the Corporation to sustain its operational costs, pay wages and keep its obligations to outside creditors up to date.

On July 30, 2013 Mr. David Thomson and Mr. Mario Hernandez, both officers and directors of the Corporation each purchased \$ 505,105.70 of a convertible debenture of the Corporation convertible at \$0.10 per share with a maturity date of July 30, 2018.

On December 23, 2013 each Mr. Thomson converted US\$425,000 of the convertible debentures into 4,250,000 Common Shares and Mr. Hernandez converted US\$425,000 of convertible debentures into 4,250,000 Common Shares of the Corporation.

On October 24, 2014 Mr. David Thomson and Mr. Mario Hernandez, both officers and directors of the Corporation, through their respective companies have (i) subscribed to a private placement of Units (each Unit consisting of one share of Common Share at Cdn \$0.05 per share and one 5 year Common Share purchase warrant exercisable at Cdn \$0.07 for a total of 15,743,000 Units) for cash proceeds of US\$700,000 (the "Placement"), and (ii) extinguished certain outstanding indebtedness owed to them by issuing Common Shares in settlement of such debt (the "Debt Settlement"). The Placement and Debt Settlement has been completed in order to immediately improve the financial position of the Corporation given the serious financial difficulties it is currently facing, and with a view of setting the Corporation on firm financial ground to carry out its mining business.

Pursuant to the Debt Settlement, the Corporation has extinguished outstanding indebtedness in the aggregate amount of US\$2,162,972 owed to Mr. Thomson and Mr. Hernandez, such indebtedness being made up of accrued but unpaid royalty payments and service fees owed to Mr. Thomson and Mr. Hernandez and cash advances made to the Corporation by the directors and interest thereon, by issuing an aggregate of 48,645,220 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 CDN\$1.1245 per US\$1.00.

The participation of each director in the Placement and the Debt Settlement constitutes a "related party transaction" under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* ("MI-61-101"). The Corporation has relied on the "financial hardship" exemptions from both the formal valuation and minority shareholder approval requirements of MI-61-101 in connection with the Placement and Debt Settlement. In reliance thereon, the board of directors of the Corporation (other than the directors who abstained from voting), including all of its independent members, has unanimously concluded that the Corporation is in serious financial difficulty and the transactions, the terms of which are reasonable in the circumstances, have improved the financial position of the Corporation. There is no requirement, corporate or otherwise (including pursuant to the rules of the Canadian Securities Exchange), to hold a meeting to obtain any approval of the holders of Common Shares in connection with the Placement and the Debt Settlement.

On completion of this Placement and the Debt Settlement, Mr. Thomson and Mr. Hernandez held 107,641,130 Common Shares representing approximately 61.5% of the issued and outstanding Common Shares. On a fully-diluted basis, Mr. Thomson and Mr. Hernandez held approximately 62.70% of the Common Shares.

As of September 30, 2015 the total advances to the Corporation by Mr. Thomson and Mr. Hernandez, not including the US\$3,000,000 secured note, amounted to US\$3,465,000. On November 13, 2015 the US\$3,465,501 of cash advances made by Messrs. Thomson and Hernandez were cancelled in exchange for 92,875,400 common shares of the Corporation, (representing an issue price of Cdn\$0.05 per share) as full and final settlement thereof. All dollar amounts have been converted at an exchange rate of Cdn\$1.34 per US\$1.00.

Mr. Thomson now has control of 100,493,029 Common Shares and Mr. Hernandez has control of 100,023,501 Common Shares. Mr. Thomson and Mr. Hernandez now control a total of 200,516,530 (74.86%) of the total outstanding 267,852,410 Common Shares. On a fully-diluted basis, Mr. Thomson and Mr. Hernandez hold approximately 75.45%.

The Corporation has taken significant steps to reduce costs at the Pimenton mine and to reduce overhead costs, including salary reductions for certain officers of the Corporation.

In January 2015 the Corporation was successful in extending its with the union at the Pimenton mine by one year (February 2016 to February 2017). The agreed extension was due to the Pimenton mine's management agreeing to a 7 day on by 7 day off shift compared to the former shift of 10 days on and 5 days off shift along with a 3% increase in base wages. The Corporation believes the small adjustment in wages will be more than offset through adjustments to plant and mine operations and an increased productivity of the mine workers.

The fiscal year ended September 30, 2015 has been a difficult year for the Corporation from an operating standpoint, which in turn has severely affected the Corporation's financial position.

Operations for the year ended September 30, 2015 were adversely impact by lower production of gold and copper and lower grades of ore into the mill at Pimenton.

The average price of gold for the fiscal year ended 2015 was \$1,164 compared to \$1,282 in fiscal 2014. Gold produced during fiscal 2015 was 6,633 ounces compared to 9,220 ounces in fiscal 2014. Average grade of gold equalled 6.16 g/t Au during fiscal 2015 compared to 8.96 g/t Au in fiscal 2014.

Financially, the Corporation suffered an impairment charge of \$6,737,000 relating to its reserve evaluation and an operating loss of \$6,060,000 for a combined loss before taxes of \$12,797,000 in the fiscal year ended September 30, 2015.

This compared to a loss of \$5,224,000 in 2014. Cash flow from operations was a negative \$1,563,000 for fiscal 2015 compared to a negative \$1,057,000 in fiscal 2014.

As stated above, during the fiscal year ended September 30, 2014 the Corporation's two majority shareholders, Mr. David Thomson and Mr. Mario Hernandez, who are both executives and directors of the Corporation, advanced in the form of loans or cash advances to cover shortfalls. Subsequently, during the month of October 2014, \$ 2,162,972 was converted into 48,645,220 Common Shares of the Corporation in payment of cash advances, loans, unpaid NSR and unpaid management fees accumulated to September 30, 2014.

As stated above, during the month of October 2014, both these directors advanced a further \$ 700,000 which were converted into 15, 743,000 Common Shares and corresponding warrants.

As stated above, further, during the fiscal year ended September 30, 2015 the above mentioned individuals also made cash advances for a total of \$3,466,000 which, in November 2015, were paid by issuing an aggregate of 92,875,400 Common Shares.

Without these loans and cash advances, the Corporation would not have been able to continue its operations. It appears that the Corporation will continue to require additional cash advances from these two gentlemen until the Corporation is in a position to mine higher grade ore reserves.

The Corporation is currently reviewing alternative strategies for the sale, joint venture or spin-off of the Cathedral/Rino limestone properties as well as Cal Norte (as defined below).

In July, 2011 the Corporation entered into a letter agreement (the "**Letter Agreement**") with Mario Hernandez, Dr. David Thomson and Merwin Bernstein (together, the "**Majority Shareholders**") who, in aggregate, own 65.6% of Compañía Minera Cerro del Medio ("**CDM**").

CDM is the 100% owner of the Santa Cecilia mining exploration claim which covers 3,251 hectares of claims in the Maricunga District of Chile. The eastern claim boundary of the Santa Cecilia Project lies adjacent to the Caspiche Project owned by Exeter Resource Corporation claims which are 100% owned by Exeter Resource Corporation ("**Exeter**"). The Santa Cecilia Property and Exeter's Caspiche Project are both close to the Kinross Maricunga gold mine 16 kilometers to the north and to the Barrick/Kinross Cerro Casale gold/copper project 14 kilometers to the south. All are part of Chile's prolific Maricunga gold and copper porphyry district.

This letter agreement which allowed the Corporation to earn an interest in Santa Cecilia under certain circumstances was entered into in July 2011 and expired in July of 2015. It is currently being reviewed by all parties to the original Agreement.

On January 27, 2016 the Corporation announced that it was not be able to file its annual financial statements, annual MD&A and related CEO and CFO certifications for the fiscal year ended September 30, 2015 (collectively, the "**2015 Disclosure Documents**"), within the period prescribed for the filing of such documents under Part 6 of National Instrument 51-102 *Continuous Disclosure Obligations* and under Part 4 of National Instrument 52-109

Certification of Disclosure in Issuers' Annual and Interim Filings, namely within 120 days of year-end being January 28, 2016.

Despite its efforts, the Corporation was not in a position to timely file the 2015 Disclosure Documents, primarily as a result of unanticipated time delays in completing the financial reconciliations necessary to complete the audit. The Corporation was successful in filing its 2015 Disclosure Documents on March 4, 2016.

However, on February 29, 2016 the Company announced that it would also be late in filing its first quarter Financial Statements, first quarter MD & A and related CEO and CFO certificates for its first fiscal quarter ended December 31, 2015 (collectively, the "**First Quarter Disclosure Documents**") within the period prescribed for the filing of such documents in the National Instruments, being by February 29, 2016. The Company had indicated that such documents would be filed on March 4, 2016. The Company announces that the filing of the First Quarter Disclosure Documents will be further delayed, and now anticipates filing same on March 11, 2016. Accordingly, the MCTO remains in effect.

The MCTO prohibits all trading in securities of the Company, whether directly or indirectly, by the Company's Chief Executive Officer and Chief Financial Officer until two full business days following receipt by the OSC of the First Quarter Disclosure Documents. The MCTO does not affect the ability of shareholders who are not insiders of the Company to trade their securities. However, the applicable Canadian securities regulatory authorities could determine, in their discretion, that it would be appropriate to issue a general cease trade order against the Company affecting all of the securities of the Company.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Corporation is a junior mining, exploration, development and producing company which requires it to have mining claims knowledge, geological knowledge, production experience, personnel management, finance and administrative knowledge. The Corporation believes that it employs people with such aforementioned knowledge and experience fulfilling each of these areas of expertise.

The Corporation currently has interests, through its subsidiary companies, in five principal properties, Pimenton (100%), Tordillo (100%), Bandurrias (100%), Catedral/Rino (50.10%) and Cal Norte (60%), all of which are located in Chile. The Corporation has also entered into the Letter Agreement which provides for the Corporation's option to acquire at least a 65.6% interest in CDM which owns the Santa Cecilia Property as described above. This Letter Agreement expired on July 11, 2015 and is currently being reviewed by all parties to it.

The Corporation commenced commercial production at its Pimenton gold mine in Chile in July 2004, and subsequently shut down operations in June 2005 due to extreme weather conditions which damaged the mine's main portal entrance.

The Corporation was successful in putting its Pimenton mine in operation by mid-2008 and declared commercial production effective October 1, 2008. The mining method used at the Pimenton mine is open stope mining. The mineral ore is transported from the mine to the plant, a distance of two kilometers, where the ore is crushed, processed through a ball mill and through a Knelson concentrator, then passed through flotation cells, then through a thickener and then through a dryer. The end product consists of a Knelson gold concentrate and a copper/gold concentrate which is transported and sold to Enami, the Chilean state owned smelter located at Ventanas, Chile, approximately 164 kilometers from the Pimenton mine site. The Corporation also sells gold doré to Argor-Heraeus, a major gold refinery in Mendrisio, Switzerland.

Gold and copper concentrate, and gold doré are sold to Enami and Argor-Heraeus, respectively, under one year renewable contracts.

For the fiscal year ended September 30, 2014 the Corporation had gold sales of \$11,941,898 and copper and silver sales of \$2,412,900 before \$263,798 discounted by Enami and Argor-Heraeus and processed 33,780 tons of ore and

sold 9,458 ounces of gold at the Pimenton mine at an average price of \$1,233 per ounce. The cash costs per ounce net of by product credit of copper and silver was \$935.

For the fiscal year ended September 30, 2015 the Corporation had gold sales of US\$7,544,000 and copper and silver sales of US\$1,362,000 before US\$93,000 discounted by Enami and Argor Heraeus and processed 36,216 tons of ore and sold 6,454 ounces of gold at the Pimenton mine at an average price of \$1,154. The cash cost per ounce net of by product credit of copper and silver was \$1,136.

The Corporation is also engaged in the exploration of other mineral properties.

The Corporation has four officers. The Corporation and its subsidiaries employed approximately 230 people as of December 2015. The Corporation's accounting in Chile is handled by a financial officer in charge of Chilean operations who is employed by the Corporation, and by an accounting service, which maintains six full-time persons in the Corporation's Chilean office.

No material reorganization is proposed for the current financial year ending September 30, 2015.

Risk Factors, Economic Environment and Operations

The Corporation's operations will be subject to all of the hazards and risks normally incidental to exploring, developing and exploiting natural resources. Some of these risks include:

- environmental hazards;
- industrial accidents;
- labour disputes;
- unusual or unexpected geologic formations or other geological or grade problems;
- unanticipated changes in metallurgical characteristics and gold recovery;
- unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts;
- periodic interruptions due to bad or hazardous weather conditions and other acts of God; and
- unfavourable operating conditions.

Any of these risks and hazards could adversely affect the Corporation's exploration activities or mining activities resulting in:

- an increase in the cost of exploration, development or production to a point where it is no longer economically feasible to continue;
- the Corporation writing down the carrying value of one or more properties or mines;
- delays or a stoppage in the exploration, development or production of the projects;
- damage to or destruction of mineral properties or processing facilities; and/or
- personal injury, death and/or legal liability.

Any of these results would have a material adverse effect on the Corporation's financial condition, results of operation and future cash flows.

The exploration for and development of mineral deposits involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. As a result, it is possible that actual costs and economic returns will differ significantly from those currently estimated for the Corporation's projects.

In addition, it is also not unusual in mining operations to experience unexpected problems both during the start-up and during ongoing operations. To the extent that unexpected problems occur affecting the production in the future, the Corporation's revenues may be reduced, costs may increase and the Corporation's profitability and ability to continue its mining operation may be adversely affected.

The mining industry is intensely competitive in all of its phases. The Corporation competes with many companies possessing greater technical facilities and financial resources than are available to it.

The principal area on which the Corporation is focusing its exploration efforts is Chile. The competition for good exploration prospects can be intense. Many mining companies operating in Chile have far greater resources than the Corporation. Therefore, the Corporation may not always be successful in acquiring exploration prospects that it has identified.

The mining business is subject to accidents or fatal deaths due to a variety of causes. Most accidents are caused by miners not following strict guidelines which have been established by the mining industry. Accidents or fatal deaths in a mine can cause regulatory authorities to shut down a mine or parts of a mining operation while regulators are investigating the causes of the accident. Partial or full mine shut downs could cause very damaging financial hardships for a mining company.

All phases of the Corporation'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. There is no assurance that existing or future environmental regulation will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained; the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Companies engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

The mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of water, toxic substances and waste disposal, environmental and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Corporation believes that its exploration and production activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.

The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Corporation believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Corporation's interests.

The operations of the Corporation may require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex, time consuming process and the Corporation cannot be certain that it will be able to obtain necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Corporation from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities. The Corporation could also lose its mining concessions under the terms of its existing agreements.

The profitability of the Corporation's operations on any producing properties is dependent in part upon the market price of mineral commodities and precious metals. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations.

Fluctuations in market price of mineral commodities subsequent to the date of any estimate of mineral reserve or mineral resource may require revision of such estimate. An adverse fluctuation in the market price of mineral commodities may cause a re-evaluation of the economic feasibility of any project. If the economic feasibility is subsequently questioned, the Corporation may be adversely affected and may have to write-off costs previously incurred.

Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Corporation's inability to secure adequate water and power resources, as well as other events outside its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely affect the Corporation's operations and financial condition.

The Corporation is subject to 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 Corporation's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns.

There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained herein (including in the documents incorporated herein by reference) will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios and processing factors may affect the economic viability of the Corporation's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.

The exploration and development of the Corporation's properties, including continuing exploration and development projects, and the construction of mining facilities and the commencement of mining operations, may require substantial additional financing. Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Corporation's assets or properties. Failure to

obtain sufficient financing when needed may result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of a property interest and may have a material adverse effect on the Corporation's business, financial condition and results of operations. Sources of funds now available to the Corporation are limited.

The principal area in Chile where the Corporation's proposed Cal Norte and Catedral lime projects are located is in the Central Regions of Chile (Regions IV, V, VI and the Metropolitan Region). These regions are currently supplied by one independently-owned lime processing company. The Argentinean lime suppliers may offer strong price competition to the Cal Norte and Catedral projects.

The parts and equipment currently being used or which may be used by the Corporation in its exploration, mine property development and plant operations are readily available in Chile. If imports of specialized equipment or parts are required, Chile's import duty and customs procedures are clearly defined and well managed by the Chilean authorities.

The lime business is generally conducted through medium (two to five years) term sales contracts with price escalation clauses and not impacted by day to day price changes.

While the mining businesses in which the Corporation operates are not seasonal, the location of specific mining operations in Chile can be adversely impacted by seasonal weather conditions. Pimenton, Tordillo and Catedral are subject to harsh winter weather conditions including potential avalanche conditions, high winds and sub-zero temperatures. Bandurrias and Cal Norte have not historically been subject to harsh winter weather conditions.

The mining interests of the Corporation may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Corporation and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people, and mine safety. The effect of these factors cannot be accurately predicted.

The Corporation's material properties are currently located in Chile and, as such, a substantial portion of the Corporation's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources. Changes, even if minor in nature, may adversely affect the Corporation's operations.

There is no assurance that Chile or any other foreign country in which the Corporation may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

The Corporation will be dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals. The Corporation faces intense competition for qualified personnel and there can be no assurance that the Corporation will be able to attract and retain such personnel.

The Canadian Securities Exchange has, from time to time, experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of the Common Shares. In addition, the market price of the Common Shares is likely to be highly volatile. Factors such as the price of gold and other minerals, the average volume of shares traded, announcements by competitors, changes in stock market analyst recommendations regarding the Corporation, market perception with respect to investments in the mineral exploration and development sector and general market conditions and attitudes affecting other exploration and mining companies may have a significant effect on the market price of the Common Shares. Moreover, it is likely that during future quarterly periods, the Corporation's results and exploration activities may fluctuate significantly or may fail to meet the expectations of stock market

analysts and investors and, in such event, the market price of the Common Shares could be materially adversely affected. In the past, securities class action litigation has often been initiated following periods of volatility in the market price of a company's securities. Such litigation, if brought against the Corporation, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Certain of the directors and officers of the Corporation also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the *Canada Business Corporations Act* and any other applicable law.

The Corporation has never paid a dividend on its Common Shares, and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend upon the capital requirements of the Corporation, results of operations and such other factors as the board of directors considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the Common Shares other than possible capital gains.

Under applicable Canadian law, shareholder approval is not required for the Corporation to issue Common Shares in a number of circumstances. Moreover, the Corporation has commitments that could require the issuance of a substantial number of additional Common Shares, in particular warrants exercisable into Common Shares and options to acquire Common Shares under the Corporation's stock option plan. The future business of the Corporation will require substantial additional financing which will likely involve the sale of equity capital. The Corporation can also be expected to issue additional options, warrants and other financial instruments, which may include debt. Future issuances of equity capital may have a substantial dilutive effect on existing shareholders. The Corporation is not able at this time to predict the future amount of such issuances or dilution.

Mine Concessions in Chile

The acquisition and maintenance of mining concessions is of critical importance to the Corporation.

Chile's mining policy has been to develop a strong body of laws that promotes both local and foreign investment. Many of the legal provisions concerning mining activities were enacted in 1980.

A Chilean mining concession is a property right, distinct and independent of the ownership of land on which it is located, even though both may belong to the same person or entity. The rights guaranteed by mining concessions are defensible against third parties, transferable, chargeable and, in general, may be the subject of any transaction or contract. A mining concession is not susceptible to physical division and can only be divided by percentage parts or shares. Buildings and other structures in a mining operation are real property accessories to the concession on which they are located.

If claims are filed on land owned by landowners, the claims holder must negotiate a "servidumbre" (right of way) with the landowner. If a reasonable compensation amount cannot be negotiated with the landowner for the servidumbre, the concession holder may seek remedies from the local Court having jurisdiction in the area in which the claims are located. There is a strong body of law in Chile that gives concession owners the right of access and the right to explore and develop mining concessions.

The Chilean Mining Law, Constitutional Organic Law No. 18097 of 1982, provides the legal framework for the exploration and exploitation of mining concessions. The law provides that mining concessions are granted by the courts and can be mortgaged or transferred. A concession owner has full ownership rights. The concession holder also has the right to defend his ownership interests against the state and third parties.

The Corporation maintains a database of all of its claims. Under the Chilean claims system, a claimant may file on top of (“**top filed**”) an existing claims holder. Once claims are filed under the claims procedure, they are published in the Mining Bulletin (which is printed weekly and subscribed to by the Corporation). In the event that a claims holder is top filed, the top filer has no rights to the claim unless the original claim holder lets its claim lapse for lack of payments. Alternatively, the top filer may announce his intention in the Mining Bulletin to measure the claims if the claims are held in the “Pedimento” (a well-defined initial exploration claim with a duration of two-years) stage by the original claims holder. On receipt of the Mining Bulletin, the Corporation’s land department reviews all newly published claims by inputting the newly published claims’ registration number into the computer program which then runs a cross-check of published claims against the claims that the Corporation holds. If a top filing situation exists, the Corporation must take appropriate action to defend its claims position.

In Chile, the tax rate for all corporations including mining companies is 22.5%.

The Corporation’s wholly-owned Chilean subsidiary, Compañía Minera Til Til Ltda, is a DL-600 registered company. All incoming funds provided by the Corporation to its operating activities in Chile are registered under DL-600. For the foreseeable future the Corporation will retain DL-600 registered status of Compañía Minera Til Til Ltda.

Under DL-600, all inflows of funds are registered with the Central Bank of Chile. All registered incoming funds are guaranteed to have the right of repatriation at the Central Bank’s published convertibility rate on the day of repatriation.

Regulatory Matters

The Corporation received confirmation from Sernageomin, the Chilean state mining and permitting authority, that the Corporation’s wholly-owned subsidiary, Compañía Minera Pimenton (“**CM Pimenton**”), did not require new permits in order to reactivate operations at Pimenton. The Corporation has also received confirmation from Sernageomin that allows CM Pimenton to continue operations at Pimenton without the need to request new permits. The Corporation submitted an application for expansion of the Pimenton Mine’s tailings deposits, which was approved by Sernageomin on December 17, 2004. Such approval remains active and has been ratified by resolution 0853 issued by the Servicio de Evaluacion Ambiental dated September 25, 2013. See “Narrative Description of the Business – Competition, Environment and Foreign Operations” and the Pimenton Technical Report (as defined below).

Currently the Pimenton mine has been permitted to operate at an average of 166 tons per day. The Corporation has prepared but has not yet submitted permits to increase operation at the Pimenton mine to 500 tons per day.

Competition, Environment and Foreign Operations

The Pimenton gold/copper mine is located in a remote area of the high mountains of Chile and is eighty kilometers from the nearest community. Pimenton is at present a small high grade underground mine. Pimenton maintains two safety engineers on a full time basis to monitor safety standards of the mine and plant. The mine has a small tailings pond which is closely monitored by the mine personnel and has been built in accordance with the standards of Sernageomin, the government of Chile’s mining agency. The Corporation engages a government approved firm to measure the water quality coming out of the mine’s adits and the quality of the water in the stream below the mine site in each quarter. The Pimenton mine uses no arsenic in the plant and the gold/copper ore mined at the mine site has no arsenic. The Corporation has completed the first phase of the Pimenton tailings, which plan has been approved by Sernageomin, and will be built in stages over three to six years. The estimated cost of the first stage was approximately \$500,000 but reduced to \$370,000 due to the use of own equipment and personnel. The total cost is estimated to be \$1,700,000 which may have a negative impact on the Corporation’s cash flow after capital expenditures are accounted for.

The Corporation follows the Chilean mining code of ethics in implementing its human right policies and practices. The Corporation also strives to have good relations with the small community located eighty kilometers from the mine site as well as with the town of Los Andes, Chile, which is located one hundred kilometers from the mine site.

The Pimenton mine employs personnel who live in each of the communities as well as personnel from cities located much further in distance from the mine site. The personnel at the mine work seven days a week, ten hours each day and then have a seven day paid holiday. The mine has four shifts, two of which are at the mine site at any one time. The men are transported to and from the mine site with each shift change from Los Andes where the Corporation has a small office and shop. While at the mine the personnel are housed, fed and provided with all miners' standard safety equipment required by Sernageomin.

The Corporation provides for the fair value of liabilities and capitalized costs for asset retirement obligations in the period in which they are incurred. Over time, the liability is accreted to its present value and the capitalized cost is amortized over the useful life of the related asset. Asset retirement obligations are obligations of the Corporation that arise as a result of an existing law, regulation or contract related to asset retirements. Estimates of the liability associated with the retirement of an asset are based on current laws and regulations and the expected resulting costs, all of which are subject to change. If actual costs of reclamation exceed the recorded amount the Corporation will record a loss. Alternatively, if reclamation costs incurred are less than those recorded, the Corporation will record a gain. The total undiscounted amount of the estimated cash flows of \$1,778 is expected to be incurred over a period extending to 5 years. These estimated cash flows are discounted using a credit-adjusted risk-free rate of 7%.

The Corporation is subject to 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 Corporation's revenues, if any, in the future, will be primarily derived from the mining and sale of gold, copper, limestone and lime and the disposition of interests in mineral properties or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Corporation's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumptive patterns.

DESCRIPTION OF MINERAL PROJECTS

Pimenton Property, Chile and Tordillo Property, Chile

The Corporation has filed a technical report dated December 17, 2013 entitled "A Technical Review of the Pimenton Properties in Central Chile for South American Gold and Copper Company Limited" (the "**Pimenton Technical Report**") in respect of its Pimenton Mine, the Pimenton Porphyry Project and the Tordillo property. The Pimenton Technical Report was prepared by James A. McGregor, Ph.D., P.Eng. and Bruce Brady, P.Eng. of Watts, Griffis and McOuat Limited, each an independent qualified person under NI 43-101.

The summary section from the Pimenton Technical Report is reproduced in its entirety in Schedule "A" attached hereto. The Pimenton Technical Report is available on the Corporation's SEDAR profile at www.sedar.com and is incorporated by reference herein.

Catedral/Rino Limestone Project, Chile

The Catedral/Rino project covers an area of 5,025 hectares reduced from 19,895 hectares held in 2008 and consists of 25 concessions. The Corporation's interest in this project is held through its 50.1% interest in Compania Minera Catedral, which is the holder of the Catedral concession. Catedral/Rino consists of two separate but adjacent limestone deposits, the Catedral deposit and the Rino deposit. Both deposits lie at an elevation of less than 2,100 up to 2,900 meters and are located 120 km southeast of Santiago, Chile, of which 78 km are paved and the last 42 km are gravel.

The Catedral/Rino Limestone Project is currently available for sale or joint venture.

Cal Norte Property, Chile

Compañía Minera Cal Norte (“**Cal Norte**”) is a 60% owned subsidiary of the Corporation and holds three mining claims totalling approximately 600 hectares on the Hornito and Ceci Tres limestone deposits. The properties are located in Quebrada, Quelon, Community of Canela, IV Region, approximately 325 km north of Santiago, at an elevation of 1,000 meters and is not impacted by snow during the Chilean winter season. Access is by paved road for approximately 310 km and 15 km of gravel road to the mine site. All claims payments are current and paid to date.

The Cal Norte property is currently available for sale or joint venture.

Bandurrias Prospect, Chile

The Corporation has made the decision to renew a part of its claims on the Bandurrias prospect. This prospect encompasses 1,692 hectares. There was no exploration work conducted on the Bandurrias prospect during 2012.

DIVIDENDS

The Corporation has not paid any cash dividends during the three most recently completed financial years nor prior to that time. The Corporation does not contemplate paying any dividends at this time, but will review its dividend policy in the future.

CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to: (i) upon dissolution of the Corporation, share in the remaining property thereof; (ii) receive any dividends validly authorized by the board of directors of the Corporation and declared by the Corporation on the Common Shares; and (iii) vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote.

MARKET FOR SECURITIES

Trading Volume

As discussed above under Corporate Structure, the Common Shares were traded on the TSX under the symbol “CEG” until August 25, 2014 and began trading on the Canadian Securities Exchange under the symbol CEG CNSX on August 26, 2014.

CEG Stock Prices and Volume on the CSE.

Month	High (Cdn\$)	Low (Cdn\$)	Volume
October 2014	0.05	0.025	158,768
November 2014	0.015	0.01	41,403
December 2014	0.035	0.005	271,900
January 2015	0.045	0.015	132,950
February 2015	0.04	0.01	86,639
March 2015	0.015	0.01	33,228
April 2015	0.04	0.005	226,303
May 2015	0.03	0.005	82,790
June 2015	0.02	0.015	142,909
July 2015	0.03	0.015	406,770
August 2015	0.035	0.015	206,824
September 2015	0.025	0.015	64,795

The Common Shares are also listed for trading on the OTCQB in the United States under the symbol “CEGMF”.

Prior Sales

Details of securities of the Corporation outstanding but not listed on the CSE issued since the beginning of the financial year ended September 30, 2015 are set out in the following table:

Date Issued	Type of Security	Number Issued	Exercise/Conversion Price	Expiry/Maturity Date
October 24, 2014	Private Placement of Units	15,743,000 Units	Cdn\$0.07	October 24, 2019

- (1) On October 24, 2014 Mr. David Thomson and Mr. Mario Hernandez, both officers and directors of the Corporation, through their respective companies have subscribed to a Placement of Units for cash proceeds of US\$700,000. Pursuant to the Placement, the Corporation has issued an aggregate of 15,743,000 Units, each Unit comprising one Common Share and one Common Share purchase warrant (each, a “Warrant”), with each Warrant exercisable for a period of 5 years to purchase one Common Share at Cdn\$0.07. Proceeds of the Placement have been used for general working capital purposes, including but not limited to, corporate and administrative purposes.
- (2) All dollar amounts have been converted at an exchange rate of Cdn\$1.1245 per US\$1.

ESCROWED SECURITIES

To the Corporation’s knowledge, none of the securities of the Corporation were held in escrow during the year ended September 30, 2015.

DIRECTORS AND OFFICERS

Directors are elected at each annual meeting of shareholders to hold office until the subsequent annual meeting. The name and province or state and country of residence of each director or officer of the Corporation, the positions and offices held by them within the Corporation, their direct and indirect shareholdings in the Corporation, and their principal occupations for the past five years are set forth in the table below.

Name and Province/State and Country of Residence	Position held in Corporation	Principal Occupation⁽¹⁾	Director Since	Number of Common Shares Beneficially Owned or Controlled as at the date hereof⁽²⁾
Paul J. DesLauriers ⁽³⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ Ontario, Canada	Chairman and Director	Executive Vice President, Loewen, Ondaatje, McCutcheon Limited (brokerage firm)	February 5, 2002	235,606 ⁽⁷⁾
Mario Hernandez Santiago, Chile	Executive Vice President, Claims and Land Management and Director	Executive Vice President, Claims and Land Management and a director of the Corporation	March 13, 1997	100,023,501 ⁽⁸⁾
William Hill ⁽³⁾⁽⁵⁾⁽⁶⁾ Ontario, Canada	Director	President of Wm. Hill Associates (a mining consulting firm)	May 15, 2007	nil
Stephen W. Houghton New York, U.S.A.	Chief Executive Officer and Director	Chief Executive Officer and a director of the Corporation	May 12, 1994	2,874,963
Richard Lachcik ⁽⁵⁾⁽⁶⁾ Ontario, Canada	Director and Secretary	Partner of the law firm of Norton Rose Canada LLP, Toronto, Canada.	March 11, 2008	nil
Juan Proaño ⁽⁶⁾ Washington, DC, U.S.A.	Director	A director of Minera Poderosa S.A.(a gold company located in Peru)	May 31, 2007	nil

Frederick D. Seeley ⁽³⁾⁽⁴⁾⁽⁵⁾ Massachusetts, U.S.A.	Director	Chairman Givens Hall Bank and Trust Ltd. (Cayman Islands, BVI) (a private banking firm)	May 12, 1994	147,155
David R. S. Thomson Santiago, Chile	Executive Vice-President, Exploration and Director	Executive Vice-President, Exploration and a director of the Corporation	March 13, 1997	100,493,029 ⁽⁹⁾
Fernando Saenz Poch Concepcion, Chile	Director	General Manager, Inversiones FERSA S.A., Concepcion, Chile (a diversified private Chilean business firm)	April 19, 2010	6,334,428 ⁽¹⁰⁾
Peter W. Hogg Ontario, Canada	Chief Financial Officer	President, Palmer Services, Toronto, Canada.(a Canadian accounting firm)	N/A	nil

Notes:

- (1) Information respecting the principal occupation of each director or executive officer has been provided by such director or executive officer.
- (2) Information respecting holdings of Common Shares has been provided by individual directors or executive officers.
- (3) Member of Audit Committee.
- (4) Member of Compensation Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Member of the Technical Committee.
- (7) Held by a company which is wholly-owned by Mr. DesLauriers.
- (8) Of said Common Shares, 100,023,501 are held by a company, which is wholly-owned by Mr. Hernandez. In addition Mr. Hernandez owns 2,495 shares (24.95%) of Compañía Minera Catedral (Chile), a Chilean subsidiary of SAGC Catedral Limited (Bermuda) which is 100% owned by South American Gold + Copper (Bermuda) its which is 100% owned by the Corporation.
- (9) Of said Common Shares, David Thomson owns 56% of Auromin which owns 90% of Davimat which owns 66% of Rutherford with 8,765,642. Auromin holds 91,727,387 shares of CEG. In addition Mr. Thomson through a Company controlled by him owns 2,495 shares (24.95%) of Compañía Minera Catedral (Chile), the Chilean subsidiary of SAGC Catedral Limited (Bermuda) which is 100% owned by South American Gold + Copper (Bermuda) its which is 100% owned by the Corporation.
- (10) Of said Common Shares, 2,309,468 are held by Inversiones FERSA S.A., a company which is wholly-owned by Mr. Poch's father, 3,865,560 are held by Lyss Investments C.V., a company which is wholly-owned by Mr. Poch's father and 159,400 registered in the name of Maria Soledad Poch, Mr. Poch's mother.

As at the date hereof, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, or exercised control or direction over, an aggregate of 210,108,682 Common Shares representing approximately 78.44% of the issued and outstanding Common Shares.

Cease trade orders, Bankruptcies, Penalties and Sanctions

No director or executive officer of the Corporation is, as at the date hereof, or has been, within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Corporation) that,

- (a) was the subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from

an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Corporation, or shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Corporation, shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation or any personal holding company of such persons has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer, shareholder or personal holding company.

No director or executive officer of the Corporation, shareholder holding a sufficient number of Common Shares to affect materially the control of the Corporation or any personal holding company of such persons has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors of the Corporation are required by law to act honestly and in good faith with a view to the best interest of the Corporation and to disclose any interests that they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter.

To the best of the Corporation's knowledge, there are no known existing or potential conflicts of interest among the Corporation, its directors, officers or other members of management of the Corporation as a result of their outside business interests at the date hereof, other than as set out under "Interests of Management and Others in Material Transactions" herein. However, certain of the directors, and officers and other members of management are engaged and will continue to be engaged in certain business interests on their own behalf and on behalf of other companies, and situations may arise in the futures where the directors, and officers and other members of management may be in direct competition with the Corporation.

The directors and officers of the Corporation have been advised of their obligations to act at all times in good faith in the interest of the Corporation and to disclose any conflicts to the Corporation if and when they arise.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Corporation, there are no legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter of, during the Corporation's most recently completed financial year, nor are any such proceedings currently contemplated or threatened.

To the knowledge of the directors and officers of the Corporation, no penalties or sanctions have been imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the Corporation's most recently completed financial year, no penalties or sanctions have been imposed against the Corporation by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Corporation, and no settlement agreements have been entered into

by the Corporation before a court relating to securities legislation or with a securities regulatory authority during the Corporation's most recently completed financial year.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation has a receivable from the CEO (who is also a director) of \$197,000 (2014 - \$210,000) consisting of \$153,000 (2014 - \$158,000) of cash advances, net of salary and travel expenses, and two loans totaling \$44,000 (2014 - \$52,000), net of the market value at September 30, 2015 of 653,200 Common Shares, owned by him, which collateralizes one of the loans. The cash advances and loans bear no interest rate or specific repayment terms.

A company controlled by the CFO billed \$36,000 to the Corporation for accounting and administration services rendered at September 30, 2015 (2014 - \$48,000). Accounts payable and accrued liabilities include \$27,000 in relation to such services at September 30, 2015 (2014 - \$27,000).

A law firm, of which a director of the Corporation is a partner, billed the Corporation \$96,000 at September 30, 2015 (2014 - \$164,000) for legal services. Accounts payable and accrued liabilities include \$147,000 at September 30, 2015 (2014 - \$130,000).

Accounts payable and accrued liabilities include \$ 251,000 at September 30, 2015 (2014 - \$359,000) for royalties due to Mario Hernández, who is also an officer and director of the Corporation, 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 to Mr. Hernandez of \$1,948,000 at June 30, 2015 (2014 - \$1,873,000).

Accounts payable and accrued liabilities include \$ 251,000 at September 30, 2015 (2014 - \$359,000) for royalties due to David Thomson, who is also an officer and director of the Corporation, 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 to Mr. Thomson of \$2,238,000 at September 30, 2015 (2014 - \$1,766,000).

In the end of July 2013, Pimenton, a subsidiary of the Corporation 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 an officer and director of the Corporation and Compañía Minera Auromin Ltda. a company owned by David Thomson, who is also an officer and director of the Corporation. 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 \$3,000,000. As of June 30, 2015 there is a total of \$150,000 (2014 - \$158,000) of interest payable to Compañía 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 \$1,000 per meeting attended. Amounts due to the directors for these director fees as at September 30, 2015 were \$98,000 (2014 - \$70,000).

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The Corporation did not enter into any material contract during the most recently completed financial year, and has not entered into any material contract since January 1, 2002 and before the most recently completed financial year that is still in effect, other than material contracts entered into in the ordinary course of business that are not required to be filed under National Instrument 51-102 - *Continuous Disclosure Obligations*, except the letter agreement among the Corporation, Mario Hernandez, David Thomson and Merwin Bernstein providing for the Corporation's option to acquire at least 65.6% of CDM, which is the 100% owner of the Santa Cecilia Project. This Letter

Agreement expired in July, 2015 and is currently being reviewed. See “General Development of the Business” and “Description of Mineral Projects – Santa Cecilia Project, Chile” for a description of such letter agreement and the Santa Cecilia Project.

INTEREST OF EXPERTS

James A. McGregor, Ph. D. P. Eng. and Bruce Brady, P. Eng. prepared the Pimenton Technical Report. Mr. McGregor and Mr. Brady did not hold any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation or subsidiaries or affiliates of the Corporation at the time of preparing such reports and has not since acquired any such interest.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The complete text of the Charter for the Audit Committee (the “**Charter**”), is attached hereto as Schedule “B”.

Composition of the Audit Committee

The Audit Committee has three members all of whom are independent. All of the members of the Audit Committee are financially literate.

Name of Member	Independent⁽¹⁾	Financially Literate⁽²⁾	Relevant Education and Experience
Paul J. DesLauriers	Yes	Yes	Concordia University, BA, BC ⁽³⁾
Frederick D. Seeley	Yes	Yes	Princeton University, BA ⁽⁴⁾
William Hill	Yes	Yes	University of Toronto, PE ⁽⁵⁾

Notes:

- (1) To be considered independent, a member of the Audit Committee must not have any direct or indirect “material relationship” with the Corporation. A “material relationship” is a relationship which could, in the view of the board of directors of the Corporation, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
- (3) Mr. DesLauriers has more than 30 years experience in the stock brokerage business and is Executive Vice President of Loewen Ondaatje McCutcheon Ltd.
- (4) Mr. Seeley has more than 30 years experience as a banker with the Schroder Group and is currently a Director of Givens Hall Bank and Trust Ltd.
- (5) Mr. Hill has more than 30 years experience as a professional engineer and has been a director of more than 10 mining companies several of which he was a member of the audit committee.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Corporation’s board of directors.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Section III of the Charter entitled “Responsibilities and Duties - External Auditors”.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Corporation and its subsidiaries for professional services rendered by its external auditors, during the financial years ended September 30, 2013 and 2012. The figures in the following table are stated in Canadian dollars.

Financial Period Ending	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees	All Other Fees⁽³⁾
September 30, 2015	\$160,000	Nil	Nil	N/A
September 30, 2014	\$160,000	Nil	Nil	\$6,500

Notes:

- (1) The aggregate fees billed for audit services.
- (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit Fees" column consisting of reimbursement of out-of-pocket expenses incurred by the auditors.
- (3) The aggregate fees billed for professional services other than those listed in the other columns consisting of initial fees relating to International Financing Reporting Standards (IFRS) and reimbursement of Canadian Public Accounting Board Fees.

KPMG, Chartered Accountants, Licensed Public Accountants, have prepared the Independent Auditors Report dated _____, 2015 in respect to the Corporation's consolidated audited financial statements as at and for the year ended September 30, 2015. KPMG has advised the Corporation that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information concerning the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is contained in the Corporation's audited consolidated Financial Statements and Management Discussion and Analysis for the year ended September 30, 2015.

SCHEDULE "A"
SUMMARY FROM PIMENTON TECHNICAL REPORT

This Technical Report for Cerro Grande Mining Corporation ("CEG") describes mineral properties in Central Chile. It was commissioned in a letter agreement dated September 5, 2013 between Watts, Griffis and McOuat Limited ("WGM") and Compania Minera Pimenton ("CMP"), a wholly owned subsidiary of CEG. The report incorporates and up-dates information on the Pimenton Mine, the surrounding Pimenton Property and the Tordillo Property, that is in an earlier Technical Review prepared by WGM for South American Gold and Copper Company Limited ("SAGC"), dated January 31, 2011.

The setting of the Pimenton Mine and CMP properties is within the San Felipe cluster of Miocene age porphyry intrusions and related Cu-Mo-Au mineralization in the Central Andes. The regional geology is dominated by Upper Cretaceous to Mid Tertiary volcanic and sedimentary formations that are folded, faulted, and intruded by porphyry stocks that vary in size, texture and diorite-type composition, and in the impact on the intruded formations. Associated with these intrusions are large to very large hydrothermally and geothermally altered areas. Ideally, mineralization is present centrally and is accompanied by potassic alteration represented by secondary biotite, high-temperature/pressure minerals such as alunite, and potassium feldspar. Outward, 'shells' may be present of cream or green quartz and sericite (phyllitic), and then greenish chlorite, epidote, sodic plagioclase and carbonate (propylitic) alteration. Under some circumstances, white, chalky clay (argillic) alteration occurs.

Pimenton Mine

The Pimenton Mine exploits a cluster of D-type epithermal tensional veins that mostly strike N30°E and were formed in response to regional compression. The high-grade Cu-Au veins dip steeply to the east and are mildly sinuous. They are affected by fractures that strike north-south and other narrow tourmaline-bearing fractures that cut obliquely across the veins, but most displacements are minor. Individual veins typically form shoots up to 450 m long, up to 50 cm wide, and have good depth continuity. The dominant vein type contains massive pyrite and chalcopyrite and subordinate barite. Gold is both free and contained in sulphides. Silver generally reports with gold. Similar veins have been mapped approximately 2.5 km farther north.

Subordinate veining at Pimenton has been reported as being of two types, both carrying <1 g Au/t. In one series, which trend northwest, pyrite is associated with saccharoidal quartz and clay sericite alteration. The other series of veins, which is not uniformly oriented, contains pyrite, magnetite and specularite mineralization, and has gypsum on the margins.

From several published models, WGM believes that a relationship exists between the high sulphidation epithermal vein system at Pimenton to a probable porphyry at depth. The model also illustrates lateral and vertical patterns that can be expected in the surrounding geology. Their presence at Pimenton is thought by WGM to be largely obliterated in the Pimenton valley by unrelated intrusions of diorite to diorite-porphyry composition. The patterns are more likely to be present at depth and north and south of the mine, and may exist to the east prior to being terminated by faulting suspected in the Colorado valley.

Mineral Resources

A summary of Mineral Resources for the Pimenton Mine, as estimated by CMP and audited by WGM, is shown in the following table.

SUMMARY OF RESOURCE ESTIMATE 2013, PIMENTON MINE			
Category	Tonnes	Au, g/t	Cu, %
Measured	27,000	12.2	1.3
Indicated	106,000	12.4	1.3
Total Measured + Indicated	133,000	12.3	1.3
Inferred	162,000	12.3	1.3

The present estimation uses the same blocks, procedures and methodology which were applied in 2010 and previously to arrive at the inventory of resources and reserves.

The Measured blocks are estimated with an extension of 5 m upward and downward from a level, on which channel samples have been taken, every two m along the vein. The Indicated blocks are derived using 20 or 25 additional m upward or downward of a measured block. The grade is estimated from the sampled grades in the channel sample multiplied by the width of the vein.

The volumes are estimated by the traditional formula (width) * (length) * (height of the block), which are converted to tonnes by multiplying by a density of 3.0 t/m³.

The vein width is diluted to a minimum mining width of 70 cm.

Mineral Reserves

A summary of Mineral Reserves for the Pimenton Mine, is shown in the table below. The CMP estimate of reserves has been modified by WGM to better reflect observations during the site visit by Brady regarding dilution and future extraction from pillars and other remnants. In all respects the estimate uses blocks, procedures and methodology similar to that which has been applied since 2002 to arrive at the inventory of resources and to determine reserves.

PIMENTON MINE MINERAL RESERVES Effective October 1, 2013

Category	Tonnes	Au, g/t	Cu, %
Proven			
Stopes	24,000	10.5	1.2
Remnants	<u>4,000</u>	<u>14.0</u>	<u>1.1</u>
Total Proven	28,000	11.0	1.2
Probable			
Stopes	98,000	10.7	1.2
Remnants	<u>12,000</u>	<u>14.7</u>	<u>1.1</u>
Total Probable	110,000	11.1	1.2
Total Proven & Probable	138,000	11.1	1.2

The Reserves and Measured + Indicated Resources are inclusive; only the Inferred Resources are additional to the Reserves.

Proven Reserves are derived from the Measured Resources, Probable Reserves from Indicated Resources. For conversion to reserves, mining losses in stopes are estimated to be 5% and dilution is estimated to be 10% at nil grade.

Remnants of mined-out stopes include draw cones that will be mined at the end of the mine life. In the case of such draw cone remnants, mining losses are estimated by WGM to be 20% and dilution is estimated to be 10% at nil grade. The remnants are generally higher grade than the rest of the reserves.

It is noteworthy that at January 2011, the date of our previous report, Reserves at the Pimenton Mine were Proven: 26,000 t at grades of 12.8 g Au/t and 1.4% Cu; Probable 113,000 t at grades of 13.7 g Au/t and 1.5% Cu, and that they were estimated over an average width of 0.84 m. Those reserves are largely mined out and have been replaced by the current reserves, which in turn were derived largely from Inferred Resources that amounted to 189,000 t in 2011.

Mining

Pimenton Mine is a vein mining operation on multiple levels accessed by eight main adits and extracting ore from mainly six veins or vein systems, over a vertical distance of about 500 m. Because of excessive distance from portal to ore, adits will not be developed at lower elevations. Instead, a ramp is being developed below the Esperanza 4 adit at 3,195 m elevation. Drifts are developed in ore using small diesel trackless equipment. Near vertical stopes are developed from one level up to the next using timber stulls for support. The minimum mining width is 70 cm. Trucks haul from chutes to an adit portal.

Processing

In 1997, a 120 tpd plant for processing the Cu-Au-Ag ore replaced a small initial facility. It has undergone modification and improvement to reach a rated capacity of 150 tpd. Prior to the 2008 re-start, the plant was fitted with an avalanche roof. The circuit includes two jaw crushers, a cone crusher, a ball mill, a Knelson concentrator, a shaking table, a flotation section, a concentrate filter, and a tailings management area. The gravity concentrate is melted to produce doré bars for shipment to a refinery and recovery of Au and Ag. The flotation concentrate is shipped to a Chilean smelter for recovery of Cu, Au and Ag. On site recovery of Au is above 94% and Cu recovery was close to 93% during the past year. Approximately 70% of gold sales result from the doré.

General & Administration and Infrastructure

CMP's head office, located in Santiago, includes accounting, purchasing, and engineering personnel. At the town of Los Andes, at low elevation 100 km west of the mine, there is a staging facility for employees travelling to and from the site. There are also offices, a recruiting centre, and a maintenance garage. The Mine "camp" houses offices, sleeping quarters, and the kitchen. Additional buildings are used for more offices and the core handling facility. The dirt road is maintained year-round by CMP in order to rotate mine personnel, truck concentrate to a smelter, ship doré by armoured vehicle, and haul supplies. In summer, the road is maintained with blade-equipped front-end-loaders. Long-wheel-base Land Rovers and a high ground clearance bus are used for personnel rotation. In winter, above the snow line, CMP uses passenger-carrying tracked snow vehicles.

Environmental Studies, Permitting, and Social or Community Impact

The mine started production prior to enactment of current environmental regulations. It is subject to an approved voluntary Environmental Impact Assessment ("EIS") that includes closure plans for securing mine openings, removing structures and equipment, and re-vegetation of tailings and waste dumps. Possible environmental liabilities relate to tailings disposal, mine run-off and use of lead in laboratory procedures.

All necessary permits are reported by CEG to be in place for the current operation. The lined tailing storage facility is permitted for a 20 m increase in height, sufficient for over 30 years of mine life. All of the tailings water is contained and recycled to the Plant. A separate circuit from the plant goes to a treatment plant for the camp water.

Although surface rights on the main property are owned by Comunidad Los Campos de Cano Gallego, steep terrain and lack of vegetation mean that there are no residents within 40 km of the mine. In summer, some of the community's farmers take livestock part of the way up the road built by CMP and establish temporary camps within 12 km of the mine site. At present the mine staff is over 97% Chilean. CMP supports local schools, voluntary Fire Brigades and community events for the Los Andes area (5th region). The mine paramedics are the only health providers within reach of the cattle and sheep herders who stay with their animals during the summer months. CMP provides no cost help to anyone in the area who needs assistance. A medical helicopter is on contract and available for any of the more serious injuries that may occur.

Capital and Operating Costs

CMP's operating costs for fiscal 2013 were \$17.8 million including smelting and refining costs of \$0.3 million and a royalty cost of \$1.1 million. Site operating costs (including mining, processing, general and administration) were \$14.6 million. Exploration and development costs were \$1.7 million. Head office costs were \$1.9 million.

To mine out the remaining reserves, only minimal sustaining capital would be required; the WGM estimate is \$250,000 per year. However, CMP expects to continue to explore and develop additional reserves in the zone of Inferred Resources. The preliminary capital budget to maintain and increase production averages \$655,000 per year for the next four years.

Economic Analysis

The CIM Definition Standards for Mineral Resources and Mineral Reserves, as mandated by NI43-101, require that Reserves are demonstrated to be economically mineable. For that purpose, a cash flow analysis was prepared by WGM. The cash flow analysis considers costs needed to mine the present Reserves and close the operation, but excludes expenses forecast by CMP to continue exploring, developing new levels, converting Inferred Resources to Reserves, and thus prolonging mine life.

WGM prepared a cash flow model to validate the Proven and Probable Reserves at The Pimenton Mine. The model, which uses blended metal prices, rising from current prices in the first year to three-average in Year 3, is based on Pimenton Mine historical costs and the estimated grades of reserves. It generates a cash flow of \$9.2 million excluding interest. At a discount rate of 10% the Present Value of the cash flow is \$7.3 million. The Reserves are sufficient for almost four years of production at 36,000 tpy.

Maria Elena Sector

South of the main cluster are several veins that appear to be emplaced in northwest-striking shear-zones, are mineralogically different with respect to silver content, and are unrelated to the main cluster at Pimenton Mine. The veins in the Maria Elena sector carry massive pyrite and chalcopyrite, but reportedly differ from Pimenton in metal content and structural affinity. WGM understands that a typical diluted stope assay would be 1.2% Cu, 8.0 g Au/t and 80 g Ag/t.

Pimenton Property

On the Pimenton Property the stratigraphy is made up of a folded volcanic sequence of andesitic and dacitic lavas, tuffs and volcanic breccias, corresponding to the Farellones Formation. The folds are asymmetric, chevron style, with steeply southwest-dipping axial planes. The formations are intersected by a series of high-angle reverse faults that are parallel or sub-parallel to the fold axial planes, and which generally weakened the rocks so that they were eroded into valleys. Significant at this time is the recognition by CEG of a major structure designated the Tortillo-Pimenton fault. Extending in a northerly direction through both of CEG's properties, it is believed by CEG to be the host environment for multiple intrusions and related Cu-Au mineralization.

The volcanic formations are intruded by a series of porphyritic plutons of diorite and quartz diorite composition. These intrusions range from broad, but elongated stocks, to sheet-like dykes that are partly emplaced along northwest to NNW trending reverse faults. However, several porphyry bodies and breccia pipes (as in the Hondo valley) have likely north or northeast trends. At depth, it is believed that the intrusions may have been emplaced with dilation along the north-south corridor, and that at shallow depths they diverted into structures offering least resistance.

The Pimenton Property features a striking example of Andean geological alteration. Within an area of approximately 25 km² there are red to orange (as well as greenish) propylitic zones, white phyllic, argillic and silica-cap zones, and darker grey to greenish grey zones of potassic and chloritic alteration. The colours are dispersed down talus slopes and are interspersed with unaltered rock at higher altitude and glacial deposits in the valleys. In addition to topography, the visual effects are influenced by lithology and hydrothermal activity. Porous tuffs and breccias may be pervasively altered while near-by massive andesites may be little affected. The core zone of potassic alteration is directly related to porphyry intrusions which themselves are mineralized with sulphides. The white alteration zones tend to surround the potassic core, but also occur in isolation. Such isolated occurrences are believed to indicate underlying porphyry, but may also result from structurally controlled hydrothermal invasion.

The propylitic alteration constitutes the outer envelope in which weak sulphide mineralization in this setting is largely oxidized.

Three main target areas (Central, Breccia. and "Vein") were defined in the Pimenton Property area by AAC when they optioned the property in 2007/08. Since then, CEG has modified the interpretations as a result of MMI sampling and CSAMT geophysics and drilling in 2012-13. In particular, the Vein target has been widened to include "Mine Production Area Target", "Esperanza Portal Area Target", "Farellon Negro Target" and "Maria Elena Target". In addition CEG postulates the recognition of others after further exploration and study.

There is no certainty regarding directions of lateral expansion of fronts in the creation of accumulations of sulphide minerals at the Pimenton Property and recent drilling targets have been identified primarily from results of MMI sampling and CSAMT geophysics. Although WGM fully supports the use of these techniques as the best methods to identify targets beneath talus slopes and debris-filled valleys, perhaps more could be done to identify other clues to locating economic mineralization.

The six completed holes drilled in 2012-13 did not encounter economic mineralization, but potential is by no means fully tested. At this time the porphyry in the upper Pimenton Valley, previously explored by RT and AAC, represents an area of economic potential. Here, WGM in their 2010 report estimated an Inferred Resource of 40 million tonnes containing 0.37% Cu and 0.42 g Au/t that was classified by WGM as inferred because it extends to a depth of over 1,000 m; which will limit and may inhibit economic extractability and because it had been explored by only three drill holes. Under disclosure requirements in Section 2.4 of NI 43-101, the qualified person confirms that the resource is current and relevant at inferred reliability of grade and tonnage in the upper region of a mineralized system. It has not been re-evaluated for this report except to note that recent drilling north of the resource failed to encounter similar grades to the depth explored, and that previously recommended drilling to upgrade and verify the resource has not been done.

It has been variously recommended that MMI sampling at Pimenton be extended to cover the entire area of potential porphyry/stock-work/breccia type mineralization. WGM agrees with this recommendation. We recommend that CEG review their exploration mapping and applied methodology to determine whether improvements and revisions may be made (as discussed under Conclusions in this report). Thereafter we endorse exploration in two areas in particular: the Hondo valley and the north-south corridor surrounding the Pimenton mine and extending into the Colorado valley. Included in the budget is drilling of 4,000 m as planned by CEG to further explore CSMAT and MMI anomalies at the Esperanza Portal and Maria Elena targets. There is currently no provision for drilling in the Hondo valley, but, assuming availability of funds, WGM recommends further detailed assessment, and is confident that exploration drilling will be justified.

WGM repeats their earlier recommendation that consideration be given to drilling a hole from the Colorado Valley in a north-westerly direction. So placed, the drill hole would explore beneath the vein system across their direction of dip. Results from a hole such as is recommended by WGM may alter the conceptual image of the mine geology.

In WGM's opinion, the inferred resources at the Pimenton Valley porphyry should be verified up-dip by a minimum of two 500 m holes, and preferably three holes as recommended in our 2010 report. These, should be sited on sections 100 m apart in the up-dip vicinity of RT-04 to delineate and start expanding the resources reliably. There is no urgency to follow this recommendation and deferral is suggested until funds are more readily available. There is therefore no provision for this item in the budget.

Our previous recommendation is repeated that water analysis by undertaken in the Colorado and Hondo valleys to try to locate sources of metals and sulphur in the streams rather than to just monitor impact from mine effluent.

Tordillo Property

Recommendations for the Tordillo Property included geologically mapping and geochemical talus-fines sampling over the entire property with samples being tested for Cu, Mo, Pb, Zn, Au and Ag. Further investigation of geochemical anomalies by MMI geochemical sampling is expected to pin-point drill targets. This recommendation has not yet been completed and in WGM's opinion should be expanded to include trace-element analyses. CEG plans to drill 600 m to further explore the vein potential. While this may be followed by drifting, WGM has not included that phase in the proposed budget.

Budget

WGM has prepared the following budget on the basis that all of the drilling will be done using the company's rigs. It is assumed that all of the proposed exploration will be completed in three years.

BUDGET ESTIMATE		
Description		Cost (\$)
Drilling Pimenton (4,000 m) and Tordillo (600 m)	\$250/m	\$1,150,000
MMI and other surveys:		
	Pimenton	100,000
	Tordillo	<u>100,000</u>
Contingency (15% approximately)		150,000
Total Budget		\$1,500,000

SCHEDULE “B”**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS****I. PURPOSE**

The audit committee (the “**Audit Committee**”) is a committee of the board of directors (the “**Board of Directors**”) of South American Gold and Copper Limited (the “**Corporation**”). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation by:

reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;

recommending the appointment and reviewing and appraising the audit efforts of the Corporation’s external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;

servicing as an independent and objective party to monitor the Corporation’s financial reporting process and internal controls, the Corporation’s processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and

encouraging continuous improvement of, and fostering adherence to, the Corporation’s policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Part III of this Charter. The Audit Committee’s primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation’s management which is responsible for preparing the Corporation’s financial statements and it is the Corporation’s external auditors which are responsible for auditing those financial statements.

II. COMPOSITION AND MEETINGS

The Audit Committee is to be comprised of such number of directors as determined by the Board of Directors, all of whom must be “independent” directors (as such term is defined in Appendix I). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be “financially literate” (as such term is defined in Appendix I).

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management’s discussion & analysis (“**MD&A**”) and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Audit Committee are to be provided with full access to all corporate information and are to be permitted to discuss such

information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside Nova Scotia, upon not less than three days' prior notice to each of the members. Meetings of the Audit Committee may be held without three days' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chairman of the Audit Committee, any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

Generally

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.
3. Describe fully in the Corporation's management information circular or its annual information form ("AIF") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under Multilateral Instrument 52-110) in the Corporation's AIF.
4. Report periodically to the Board of Directors.
5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.

6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

Documents/Reports Review

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.
8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.
9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.
10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.
11. Provide insight to related party transactions entered into by the Corporation.

External Auditors

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.
13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.
14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.
15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.
16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.
17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.
19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

Financial Reporting Processes

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.
22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.
25. Following completion of the annual audit, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit.
26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.
27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.
28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.
29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

Ethical and Legal Compliance

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
31. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
32. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

Risk Management

33. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

Appendix I
SOUTH AMERICAN GOLD AND COPPER COMPANY LIMITED
CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS

Independence and Financial Literacy

Independence Requirement of Multilateral Instrument 52-110

Multilateral Instrument 52-110 - Audit Committees (“**MI 52-110**”) provides, in effect, that a member of the Audit Committee is “**independent**” if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member’s independent judgment. MI 52-110 provides that the following individuals are considered to have a “**material relationship**” with the Corporation and, as such, would not be considered independent:

- (a) an individual who is, or has been, an employee or executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (b) an individual whose immediate family member is, or has been, an executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Corporation’s current executive officers serve on the entity’s compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (f) an individual who
- (i) has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors; or
- (ii) receives, or whose immediate family member receives, more than Cdn\$75,000 per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors, unless the prescribed period since he or she ceased to receive more than Cdn\$75,000 per year in such compensation; and
- (g) an individual who is an affiliated entity of the Corporation or any of its subsidiary entities.

For purpose of the definition of “material relationship”, the terms set out below shall have the following meanings:

“affiliated entity” - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person or company is (i) both a director and an employee of an affiliated entity, or (ii) an

executive officer, general partner or managing member of an affiliated entity. A person will not be considered to be an affiliated entity of the Corporation if the person (a) owns, directly or indirectly, 10% or less of any class of voting securities of the Corporation; and (b) is not an executive officer of the Corporation;

“company” - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

“control” - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

“executive officer” of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

“person” - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative;

“prescribed period” - means the shorter of: (a) the period commencing on March 30, 2004 and ending prior to the date the determination as to the independence of the individual by the Board of Directors is made; and (b) the three year period ending immediately prior to the date the determination as to the independence of the individual by the Board of Directors is made; and

“subsidiary entity” - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other’s subsidiary entity.

Financial Literacy

MI 52-110 provides that a director will be considered “**financially literate**” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.