Cerro Grande Mining Corporation

(Formerly South American Gold and Copper Company Limited)

Consolidated Financial Statements

September 30, 2011 and 2010

(expressed in thousands of U.S. dollars)

December 9, 2011

Management's responsibility for financial reporting

The consolidated financial statements and other information in this report were prepared by the management of **Cerro Grande Mining Corporation** (formerly South American Gold and Copper Company Limited)**,** reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors.

Management is responsible for the preparation of the consolidated financial statements and believes that they fairly represent the Company's financial position and the results of its operations, in accordance with Canadian generally accepted accounting principles.

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

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

PricewaterhouseCoopers LLP were appointed as the Company's external auditors at the Annual General Meeting of the Shareholders. Their report outlines the scope of their examination and their opinion.

"Stephen W. Houghton"
Chief Executive Officer

"Peter W. Hogg"
Chief Financial Officer

Independent Auditor's Report

December 9, 2011

To the Shareholders of
Cerro Grande Mining Corporation

We have audited the accompanying consolidated financial statements of Cerro Grande Mining Corporation (formerly South American Gold and Copper Company Limited) and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and 2010 and the consolidated statements of operations, comprehensive income (loss) and deficit and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cerro Grande Mining Corporation (formerly South American Gold and Copper Company Limited) and its subsidiaries as at September 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

Cerro Grande Mining Corporation

(Formerly South American Gold and Copper Company Limited)

Consolidated Balance Sheets

As at September 30, 2011 and 2010

(expressed in thousands of U.S. dollars)

	2011 $	2010 $
Assets		
Current assets		
Cash	1,750	1,470
Accounts receivable (notes 7)	1,403	757
Recoverable taxes	172	1,406
Inventory (note 4)	2,639	855
	5,964	4,488
Receivable from an officer and director (note 15)	387	237
Mining properties, plant and equipment (note 5)	20,553	17,125
Total assets	26,904	21,850

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

Cerro Grande Mining Corporation

(Formerly South American Gold and Copper Company Limited)

Consolidated Balance Sheets

As at September 30, 2011 and 2010

(expressed in thousands of U.S. dollars)

	2011 $	2010 $
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,728	3,342
Short-term amounts due to related parties (notes 15)	351	-
Current portion of long-term lease (note 14(b))	238	295
Current portion of long-term debt (note 9)	-	1,944
	3,317	5,581
Long-term debt (note 9)	188	128
Long-term lease (note 14(b))	82	236
Long-term amounts due to related parties (notes 15)	-	832
Reclamation and remediation (note 12)	2,306	2,145
Total liabilities	5,893	8,922
Shareholders' Equity		
Share capital (note 8(b))	78,305	73,060
Contributed surplus (note 11)	5,341	4,494
Convertible subordinated debentures (note 9(b))	154	154
Options (note 8(c))	1,876	1,805
Warrants (note 10)	247	1,752
Accumulated deficit and comprehensive loss	(64,912)	(68,337)
Total shareholders' equity	21,011	12,928
Total liabilities and shareholders' equity	26,904	21,850

Commitments (note 14)

Approved by the Board of Directors

(Signed) Paul J. DesLauriers Chairman **(signed) Stephen W. Houghton** Chief Executive Officer

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

Cerro Grande Mining Corporation

(Formerly South American Gold and Copper Company Limited)

Consolidated statements of operations, comprehensive income (loss) and deficit

For the years ended September 30, 2011 and 2010

(expressed in thousands of U.S. dollars)

	2011 **$**	**2010** **$**
Revenues		
Gold	20,707	9,998
Copper and silver	3,582	951
Other revenues	-	10
	24,289	10,959
Expenses		
Operating cost	13,415	9,828
Amortization and depreciation	2,207	1,512
Reclamation and remediation	161	150
General and administrative	3,203	1,782
Stock-based compensation (notes 8(c))	567	1,072
Warrants revaluation	112	206
Foreign exchange gain	(53)	(324)
Interest on long-term debt	245	333
Other income	(97)	(657)
Other expenses	42	65
Exploration costs (note 6)	1,062	2,240
Income (loss) and comprehensive income (loss) for the year	3,425	(5,248)
Accumulated Deficit - Beginning of year	(68,337)	(63,089)
Accumulated Deficit - End of year	(64,912)	(68,337)
Basic and diluted income (loss) per share (note 2)	0.04	(0.01)

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

Cerro Grande Mining Corporation

(Formerly South American Gold and Copper Company Limited)

Consolidated Statements of Cash Flows

For the years ended September 30, 2011 and 2010

(expressed in thousands of U.S. dollars)

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Income (loss) for the year	3,425	(5,248)
Non-cash items		
Amortization an depreciation	2,207	1,512
Accretion of interest on long-term debt	60	119
Foreign exchange gain	(53)	(324)
Taxes and penalty	-	15
Exploration costs	1,062	2,240
Provision	221	574
Reclamation and remediation	161	150
Royalties	-	633
Gain (loss) on conversion of convertible unsecured debentures	-	(167)
Other income	-	(382)
Non-cash employee options (note 8 (c))	567	1,072
Non-cash warrant revaluation	112	206
	7,762	400
Changes in non-cash working capital relating to operations (note 16)	(1,721)	379
	6,041	779
Investing activities		
Additions to properties, plant and equipment	(5,629)	(1,395)
Additions to explorations properties	(1,062)	(895)
Receivable from an officer and director	(150)	(23)
	(6,841)	(2,313)
Financing activities		
Shares issued (note 8(b))	3,258	1,536
Long term debt	-	423
Amount due to related parties	-	830
Capital lease	223	725
Repayment of capital leases	(451)	(428)
Repayment of debt (note 9(a))	(1,944)	(933)
	1,086	2,153
Effect of foreign exchange on cash and cash equivalents held in foreign currency	(6)	(4)
Increase in cash during the year	280	615
Cash - Beginning of year	1,470	855
Cash - End of year	1,750	1,470

Supplemental cash flow information (note 16)

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

(expressed in thousands of U.S. dollars)

1 Summary of significant accounting policies

These consolidated financial statements are presented in U.S. dollars and have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

A summary of the significant accounting policies are set out below:

a) Principles of consolidation

These consolidated financial statements include the accounts of Cerro Grande Mining Corporation (the Company or CEG) and its subsidiaries:

South American Gold and Copper Bermuda Ltd. (Bermuda)
SAGC Cathedral Limited (Cathedral)
SAGC Management, Inc. (Management)
SAGC Pimenton Limited
Compañía Minera Til Til Limitada (Til Til)
Compañía Minera Pimenton (Pimenton)
Compañía Minera Vizcachas (Vizcachas)
Compañía Minera Catedral (Catedral)
Compañía Cal Norte (Cal Norte)
Compañía Minera Tordillo Limitada
Minera Bandurria SAGC Limitada
Compañía Minera La Bella SAGC Limitada

All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation and transactions

The Company's functional currency is the U.S. dollar. The Company's foreign currency transactions, balances and integrated operations denominated in foreign currencies are translated into the Company's reporting currency, U.S. dollars, as follows:

Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, with the exception of amortization, which is translated at the historic rate of the related asset. Translation gains and losses are reflected on the consolidated statements of operations, deficit and comprehensive loss.

c) Use of estimates

Generally accepted accounting principles require management to make assumptions and estimated that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimated.

(expressed in thousands of U.S. dollars)

Significant estimates used in the preparation of these consolidated financial statements include, amongst other things, the recoverability of accounts receivable, the estimated net realizable value of inventories, any asset retirement obligation, recoverability of mineral properties including exploration properties, stock–based compensation and the provision for income taxes and composition of future income tax assets and liabilities.

d) Cash and restricted cash

Cash and restricted cash consist of cash. The restricted cash components are presented separately on the consolidated balance sheets. The current portion of restricted cash is pledged as security for principal and interest payments due within the year.

e) Inventory

Ore stockpile and concentrate stockpile inventories are valued at the lower of production cost and net realizable value. Production costs include direct costs of materials and labour related directly to mining and processing activities, including depreciation and amortization of property, plant and equipment directly involved in the related mining and production process and directly attributable overhead costs. Materials and supplies inventories are valued at the lower of cost and net realizable value.

f) Accounts receivable

Accounts receivable include the provisional invoicing of the sale of concentrates. These invoices are based on the Company's weights and assays, and are subject to review and final agreement by the customer. Changes between the prices recorded upon recognition of revenue and final price due to fluctuation in price of gold are taken to revenue.

g) Mining properties, plant and equipment

Expenditures for facilities and equipment and expenditures that extend the useful lives of facilities and equipment are capitalized at cost and are amortized over their estimated useful lives, which do not exceed the estimated useful mine life, based on "proven and probable" mineral reserves and "mineral measured resources."

Expenditures for the continued development of the property are capitalized as incurred and are amortized using the unit of production method over the estimated useful life of the mine based upon proven and probable reserves and mineral measured resources. These costs include building access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development.

Impairment is recognized when the carrying amount of the mining properties, plant and equipment exceeds the estimated future undiscounted cash flows relating to the mining properties,

plant and equipment. Such impairment loss recognized is calculated as the excess of the carrying amount over the fair value of the mining properties, plant and equipment.

h) Exploration and development costs

Acquisition and exploration costs of resource properties are expensed as incurred until resources have been determined and then these expenses are capitalized. Upon reaching commercial production, these capitalized costs are transferred from exploration properties to mining properties, plant and equipment as mine development costs and are amortized into operations using the units of production method, based on proven and probable mineral reserves and mineral resources.

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

i) Revenue recognition

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

j) Stock-based compensation

The Company has a share option plan, as discussed in note 8(c). Compensation expense is recorded when share options are issued to directors, officers or employees under the Company's share option plan, based on the fair value of options granted. Consideration paid by optionees on exercise of an option is recorded in share capital. Stock-based compensation given to outside service providers is recorded at the fair value of consideration received or consideration given, whichever is more readily determinable. The fair value of options granted or consideration given is determined using the Black-Scholes valuation model, with volatility factors and risk-free rates existing at the grant date. The share price at the grant date is considered to be equal to the closing price of the Company's stock on the TSX on the business day preceding the grant date.

(expressed in thousands of U.S. dollars)

k) Income taxes

The asset and liability method is used for determining income taxes. Under this method, future income tax assets and liabilities are determined, based on differences between the financial reporting and income tax bases of assets and liabilities, and are measured using the income tax rates substantively enacted at the consolidated balance sheet dates that are expected to apply when the assets are realized or the liabilities are settled. Net future income tax assets are offset by valuation allowances to the extent that they are considered not more likely than not to be realized.

l) Earnings and loss per share (EPS)

Basic EPS is computed by dividing the income or loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares when the conditions necessary for issuance have been met. Diluted EPS is calculated in a manner similar to basic EPS, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants on the as-if converted method for convertible securities.

m) Reclamation and remediation

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

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

n) Financial instruments recognition, measurement, disclosure and presentation

Financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the balance sheet date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognised or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the

(expressed in thousands of U.S. dollars)

normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in net loss.

o) Recent accounting pronouncements

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public entities will have to adopt IFRS effective for the fiscal years beginning on or after January 1, 2011. The Company will issue consolidated financial statements in accordance with IFRS commencing the first quarter ending December 31, 2011, with comparative information. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB. The Company will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook - Accounting ("Canadian GAAP") for the periods beginning on October 1, 2011 when it will start to apply International Financial Reporting Standards as published by the International Accounting Standards Board. Consequently, future accounting changes to Canadian GAAP are not discussed in these consolidated financial statements as they will not applied by the Company.

2 Basic and diluted gain/ (loss) per share

	2011 $	2010 $
Gain (loss) for the year	3,425	(5, 248)
Weighted average number of shares outstanding - basic	85,527,140	80,670,005
Basic and diluted gain/(loss) per share	0.04	(0.07)

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

(expressed in thousands of U.S. dollars)

3 Income taxes

The Company's future income tax liability has been calculated as follows:

	2011 $	2010 $
Income (loss) before income taxes and non-controlling interest in consolidated subsidiary's loss	3,425	(5,248)
Income tax recovery provision at Canadian federal and provincial statutory rates (2011 – 28.77%; 2010 - 32.00%)	(985)	1,680
Effect of expenses incurred in non-taxing jurisdictions	(21)	(9)
Effect of difference in regional income taxes compared with Canadian rates	683	(396)
Expenses not deductible for income tax purposes	(320)	(454)
Effect of losses incurred for book purposes, the income tax benefits of which have not been recognized in these consolidated financial statements	(544)	(821)
Recognizing tax benefit for items not previously recognized in the financial statements	1,187	-
(Recovery of) provision for future income taxes	-	-

The Company's net future income tax asset (liability) as at September 30 is summarized as follows:

	2011 $	2010 $
Mining properties, plant and equipment and exploration properties	(601)	536
Non-capital losses carried forward	1,777	2,257
Other	673	
	1,849	2,793
Valuation allowance	(1,849)	(2,793)
Net future income tax liability	-	-

As at September 30, 2011, the Company and its subsidiaries had available Canadian income tax loss carry-forwards of approximately $5.5 million that expire between 2015 and 2031, and U.S. tax loss carry-forwards of approximately $1.1 million that can be carried forward 20 years.

The Company has recorded a valuation allowance in the amount of $1,849 as at September 30, 2011 (2010 - $2,793) because management currently believes that the future income tax assets are not more likely than not to be realized in the allowable loss carry-forward periods.

(expressed in thousands of U.S. dollars)

Realization of future income tax assets is dependent on many factors, including the ability of the Company to generate sufficient taxable income within the allowable loss carry-forward periods in order to use the available income tax loss carry-forwards.

The country of Bermuda currently imposes no income, withholding or capital gains taxes. In the event that such taxes are enacted, the Company is exempt from the imposition of Bermudian taxes until 2016.

4 Inventory

	2011	2010
Ore and concentrate stockpiles	1,859	548
Materials and supplies	780	307
	2,639	855

5 Mining properties, plant and equipment

				2011
	Estimated useful life	Cost $	Accumulated amortization $	Net $
Mining properties	UOP	3,969	1,361	2,608
Buildings and equipment	1-10 yea	15,638	7,690	7,948
Mine development	UOP	13,928	3,931	9,997
		33,535	12,982	20,553

				2010
	Estimated useful life	Cost $	Accumulated amortization $	Net $
Mining properties	UOP	3,999	1,073	2,926
Buildings and equipment	1-10 yea	11,029	6,663	4,366
Mine development	UOP	12,956	3,123	9,833
		27,984	10,859	17,125

The cost of assets under capital leases and the related accumulated amortization amounted to $948 in 2011 (2010 - $837) and $157 in 2011 (2010 - $90), respectively.

The Company capitalized $972 in mine development costs for the twelve months ended September 30, 2011 ($nil – 2010).

Mining properties and mine development are amortized into operations using the unit-of production method (UOP) over the estimated useful lives of the related ore reserves. Amortization expenses were $1,127 for the year ended September 30, 2011 (2010-$588).

6 Exploration properties

During the year end September 30, 2011 the Company expensed acquisition and exploration costs totalling $1,062 (2010 - $2,240).

a. Catedral

The Company owns 50.1% of the Catedral prospect through its subsidiaries Catedral and CM Catedral, which encompasses the Catedral and Rino limestone deposits. The deposits are hosted by the Los Valdes Formation, which stretches along a significant distance of the high Cordillera. Two officers and directors hold the remaining non-controlling interest in Catedral (note 14).

While the changing economic situation will enable the Company to continue its efforts to become a supplier of lime to the Chilean copper industry, it also strengthens the Company's position as it reviews alternative strategies for the sale, joint venture or spin-off of the Catedral/Rino and Cal Norte limestone properties.

The Company expensed $170 for the year ended September 30, 2011 (2010 -$208) of mining properties and explorations costs on Catedral as the properties had been on care and maintenance for more than three years.

b. Cal Norte

In July 1999, the Company entered into a formal agreement with Compañía Minera Quelon (Quelon) for the formation of Cal Norte. Under the agreement, the Company acquired a 60% interest in Cal Norte, consisting principally of exploration properties, valued at $332. This acquisition was funded by the non-controlling interest. Other assets and liabilities of Cal Norte were insignificant. Quelon contributed its mining equipment, related mine facilities and limestone deposits. The Quelon mining properties are located north of Santiago, Chile. The Company has agreed to fund up to $1,800 to Cal Norte as its contribution toward a project to develop a manufacturing operation (note 14).

As at September 30, 2011, the Company had contributed $1,551 (2010 - $1,545) to finance a bankable feasibility study on the project and for environmental permitting and further mine development on the project.

c. Tordillo

The Company holds mining claims on Tordillo which is located south-southwest of Pimenton. It is in the early exploration stage and to date the Company has identified several gold vein structures similar to those at Pimenton and an area of potential porphyry copper mineralization. Tordillo is located in an area of intense exploration activity. Tordillo was acquired by the Company in 2006. The Company is deferring exploration activities while it is developing Pimenton. Management had decided not to continue further exploration of this property and expensed the annual carrying value of $93 during the year ended September 30, 2011 (2010 - $272).

d. Bandurrias

The Company has made the decision to renew a part its claims on the Bandurrias prospect.

During the twelve months ended September 30, 2011, the Company expensed a total of $30 (September 2010 - $22) relating to mining property costs and exploration costs on Bandurrias.

e. La Bella

The Company signed an option agreement (the "La Bella Option Agreement") in 2007, which was modified on December 18, 2009 and again on December 16, 2010. The new agreement provide for an earn in of a 100% interest on claims covering the La Bella prospect area (formerly the "inner circle"). The Company has also put down additional claims covering the El Chilque project area (formerly the "outer circle") to earn a 100% interest which encompasses an additional area southwest of Santiago, Chile. See "Liquidity and Capital Resources – La Bella Option Agreement" for a discussion of the option payments required under the La Bella Option Agreement.

Under the modified agreement entered into on December 16, 2010 on the inner circle the Company has paid $377. The remaining payment obligations will be paid as follows: $100 in December 2011; $200 in December 2012; $300 in December 2013 and $875 in December 2014. The Company will pay a 3% net smelter royalty from production thereafter.

On the outer circle, under the new agreement the Company has paid $228. The remaining payment obligations will be paid $100 in December 2011; $200 in December 2012; $300 in December 2013 and $875 in December 2014. The Company will pay a 3% net smelter royalty from production thereafter.

During the twelve months ended September 30, 2011, the Company expensed a total of $481 (September 2010 - $1,015) relating to mining property costs and exploration costs on La Bella.

(expressed in thousands of U.S. dollars)

7 Accounts Receivable

Accounts receivable consist of:

	2011 $	2010 $
Accounts receivable from customers	969	454
Other sundry receivables	434	303
	1,403	757

8 Share capital

a) Authorized capital

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

On March 28, 2011 at the Company's annual and special meeting, the shareholders approved a special resolution authorising consolidation of the Company's issued and outstanding common shares on the basis of one consolidated common share for each ten old common share and average number of shares outstanding have been restated to reflect the shares consolidation.

b) Issued and outstanding

	Number of shares	Amount $
Balance – September 30, 2009	792,440,170	70,919
Bonus share (i)	500,000	14
Private placement (ii)	32,586,888	928
Private placement (iii)	14,650,575	417
Bonus share (iv)	1,000,000	28
Private placement (v)	5,758,050	192
Private placement (vi)	19,890,185	562
Balance – September 30, 2010	866,825,868	73,060

(expressed in thousands of U.S. dollars)

Warrants exercised 10 (c)	1,209,888	43
Warrants exercised 10 (d)	2,142,510	112
Warrants exercised 10 (e)	7,561,800	395
Warrants exercised 10 (f)	4,928,485	428
Warrants exercised 10 (g)	1,414,050	74
Bonus share (vii)	2,100,000	127
Warrants exercised 10 (h)	8,243,644	532
Warrants exercised 10 (i)	6,406,970	412
Options exercised 8(c(e))	12,500,000	810
Balance – March 28, 2011	913,333,215	75,993
10 for 1 share consolidation - March 28, 2011	91,333,287	75,993
Warrants exercised 10(j)	2,550,827	2,046
Warrants exercised 10(k)	306,600	266
Balance – September 30, 2011	94,190,714	78,305

The following descriptions regarding share transactions that took place before March 28, 2011 have not been adjusted to reflect the 10 for 1 share consolidation.

i) On April 19, 2010, the board of directors approved the issuance of 500,000 bonus shares to an employee. The shares were valued at $15, using the TSX closing price.

ii) On April 21, 2010 the holders, Thomson and Hernandez through their respective companies Compania Minera Auromin Ltda (Auromin), and Compania Minera Chanar Blanco S.A. (Blanco), each acquired one debenture convertible into common shares of the Company (each, an "A Debenture"). Hernandez acquired an A Debenture in the aggregate principal amount of $716 which is convertible into up to 16,312,866 common shares of the Company. Thomson acquired an A Debenture in the aggregate principal amount of $714 which is convertible into up to 16,274,022 common shares. The A Debentures were issued in payment of past due interest and royalties payable to Hernandez and Thomson through to December 31, 2009 by Compania Minera Pimenton (Pimenton). The conversion price of the five year A Debentures is CA$ $0.045 per share convertible into an aggregate of up to 32,586,888 common shares of the Company. The interest rate on the A Debentures is 6% payable annually. The Company has the right to call the A Debentures at any time one year after the date of issue on 30 days notice to the holders. On June 29, 2010 the holders, Thomson and Hernandez elected to convert the $1,431 convertible unsecured Debenture A, into 32,586,888 common shares at a conversion price $0.045 per share. These common shares were valued at $928 using the TSX closing price of CA$0.030 on June 29, 2010 resulting in a gain of $524 of which $223 was recorded as other income and $301 was recorded as contributed surplus.

iii) On April 21, 2010 the holders, Thomson and Hernandez through their respective companies Auromin and Blanco. Thomson acquired a B Debenture in the aggregate principal amount of $250 which is convertible into up to 6,407 common shares together with up to 6,407 common

share purchase warrants exercisable at CA$ $0.05 per common share. Hernandez also acquired a B Debenture in the aggregate principal amount of $322 which is convertible into up to 8,244 common shares together with up to 8,244 common share purchase warrants exercisable at CA$ $0.05 per common share. The B Debentures were issued in payment of cash advances by Hernandez and Thomson to the Company totalling $572 which cash advances were used for working capital and to fund capital expenditures on Pimenton. The conversion price on the five year B Debentures is CA$ $0.04 per share convertible into an aggregate of up to 14,650,575 common shares of the Company. Interest rate on the debentures is 6% payable annually. Net proceeds of the placement were $356, of which $216 was assigned to the warrants. The fair value of the warrants was assigned using the Black-Scholes valuation model assuming a risk-free interest rate of 3.2%, no dividend and a volatility factor of 132%. On June 29, 2010, Thomson and Hernández converted $572 convertible unsecured debenture B into 14,650,575 common shares. The exercised shares issued on the conversion of the debenture were valued at $417 using the TSX closing price of CA$0.030 on June 29, 2010 resulting in a loss of $56 of which $53 was recorded as a reduction in other income and $3 was recorded as contributed surplus.

iv) On July 5, 2010 1,000,000 bonus shares were issued for corporate financial services rendered to the Company and were valued at $28 using the TSX closing price of CA $0.03 per share.

v) On May 11, 2010 $330 of convertible unsecured debentures (the "D Debentures") were issued. The conversion price of the D Debentures is CA$0.04 per share convertible into up to 8,261,550 shares of common shares of the Company. Interest rate on the D Debentures is 6% payable annually. In addition 8,261,550 common share purchase warrants per common share of the Company exercisable for 60 months from the date of issuance at CA$0.05 per share were issued. Net proceeds of the placement were $233, of which $97 was assigned to the warrants. The fair value of the warrants was assigned using the Black-Scholes valuation model assuming a risk-free interest rate of 2,93%, no dividend and a volatility factor of 132%. On August 20, 2010, $230 of the D Debentures was converted into 5,758,050 common shares. The exercised shares were valued at $192 using the TSX closing price of CA$0.035 on August 20, 2010 resulting in a loss of $18 of which $2 was recorded as a reduction in other income and $16 was recorded as contributed surplus.

vi) On September 9, 2010, the board of directors approved the issuance of 12,199,200, bonus shares to Auromín. The bonus shares issued were in lieu of 92% of the services for the period of January 1, 2009 to March 31, 2010 value at $345 using the TSX closing price of CA $0.03 per share using the TSX closing price of CA$ 0.03 per share. The board of directors also approved the issuance of 4,473,040, bonus shares to Chañar Blanco. The bonus shares issued were in lieu of 92% of the services for the period of January 1, 2009 to March 31, 2010 value at $126 using the TSX closing price of CA $0.03 per share using the TSX closing price of CA$ 0.03 per share. The board of directors also approved the issuance of 3,217,945, bonus shares to the Chief Executive Officer (the "CEO") of the Company, who is also director of the Company. The bonus shares issued were in lieu of 92% of the salary from the period January 1, 2009 to March 31, 2010 and were valued at $91,005 using the TSX closing price of CA$ 0.03 per share.

(expressed in thousands of U.S. dollars)

vii) On January 18, 2011 2,100,000 bonus shares were issued to seven employees who are not officers of the Company. They were valued at $127 using the TSX closing price of CA $0.06 per share.

c) Share option plan

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

A summary of the Company’s Plan for the years ended September 30 is as follows:

	$	Number of options	Weighted average exercise price CA$
Balance – September 30, 2009	1,479	85,610,000	0.060
Changes during the year			
Granted (a)	-	8,000,000	0.045
Granted (b)	856	28,555,714	0.035
Vested	203	-	
Cancellation(c)	(297)	(20,000,000)	0.043
Expired	(436)	(15,695,714)	0.070
Balance – September 30, 2010	1,805	86,470,000	0.055
Changes during the year			
Granted (d)	-	600,000	0.060
Exercised (e)	(375)	(12,500,000)	0.035
Vested	72	-	
Expired	(215)	(5,714,286)	0.065
Balance – March 28, 2011	1,287	68,855,714	0.058
10 for 1 share consolidation - March 28, 2011	1,287	6,885,571	0.58
Granted (f)	-	186,000	0.79
Granted (g)	452	571,428	0.79
Granted (h)	-	51,000	0.60
Vested	137	-	
Balance – September 30, 2011	1,876	7,693,999	0.60

The following descriptions regarding share transactions that took place before March 28, 2011 have not been adjusted to reflect the 10 for 1 share consolidation.

a) On October 19, 2009 the CEO was granted 8,000,000 options to replace 8,000,000 options which expired on September 27, 2009. Each option is exercisable for a period of five years until October 19, 2014 for one common share of the Company at CA$0.045 per share, 1,600,000 to vest immediately, 1,600,000 to vest one year from the date of grant, the balance of 1,600,000 to vest on the second anniversary of the date of grant, the balance of 1,600,000 to vest on the third anniversary of the date of grant, and the balance of 1,600,000 to vest on the fourth anniversary of the date of grant. The options were valued at a fair value of $302, using the Black-Scholes valuation model, assuming a risk –free rate of 2.36%, no dividend, and volatility factor of 130%, of which $73 was expensed as stock-based compensation.

b) The Company renewed 12,555,714 common stock options that were due to expire on April 5, 2010. The new grants of stock option were issued on April 19, 2010 exercisable at CA$0.035 per share for a period of five years from the date of issuance with immediate vesting, which were issued to (i) Directors of the Company (10,155,714 options) and (ii) Employees (2,400,000 options). These options were fair valued at $376, using the Black –Scholes valuation model, assuming a risk-free rate of return of 2.54%, no dividend and volatility factor of 132% and expensed as stock-based compensation. In addition, 16,000,000 of new options were issued on April 19, 2010 exercisable at CA$0.035 per share for a period of five years from the date of issuance, which were issued to: (i) Directors of the Company (13,500,000 options); (ii) CFO (1,000,000) and (iii) employees (1,500,000 options). These options were fair valued at $478, using the Black –Scholes valuation model, assuming a risks-free rate of 2.54%, no dividend, and volatility factor of 132% and expensed as stock-based compensation.

c) The former President of the Company resigned on November 4, 2009. 20,000,000 options were cancelled.

d) On January 11, 2011 the Company issued 600,000 Common Stock Options exercisable at CA.$ 0.06 per share for a period of three years from the date of issuance. The vesting period is between date of grant and three years and was issued to an employee who is not an officer of the Company. These options were fair valued at $29 using the Black –Scholes valuation model, assuming a risks-free rate of 1.03%, no dividend, and volatility factor of 142% and expensed as stock-based compensation.

e) On February 28, 2011 Mr. Mario Hernández, Executive-Vice President-Director of Claims and Administration and a director of the Company and Mr. David Thomson, Executive-Vice President-Director of Exploration and a director of the Company exercised 9,000,000 options granted on April 19, 2010 at a price of CA$0.035 per share for net proceeds of $583. The fair value of $270 assigned to these options was transferred to share capital. In addition an employee of the Company exercised 3,500,000 options granted on April 19, 2010 at a price of CA$0.035 per share for net proceeds of $227. The fair value of $105 assigned to these options was transferred to share capital.

(expressed in thousands of U.S. dollars)

f) On April 29, 2011 the Company issued 186,000 Common Stock Options exercisable at CA$ 0.79 per share for a period of five years from the date of issuance. The vesting periods are between the date of the grant and three years, and were issued to ten employees who are not officers of the Company. These options were fair valued at $147 using the Black –Scholes valuation model, assuming a risks-free rate of 1.963%, no dividend, and volatility factor of 170% and expensed as stock-based compensation.

g) The Company renewed 571,428 common stock options that were due to expire on March 1, 2011. The new grant of stock options were issued on April 29, 2011 exercisable at CA$0.79 per share for a period of five years from the date of issuance with immediate vesting and were issued to Directors of the Company. These options were fair valued at $452, using the Black –Scholes valuation model, assuming a risk-free rate of return of 1.96%, no dividend and volatility factor of 170.23% and expensed as stock-based compensation.

h) On July 26, 2011 the Company issued 51,000 Common Stock Options exercisable at CA$ 0.60 per share for a period of five years from the date of issuance. The vesting period is between the date of the grant and three years and they were issued to three employees who are not officers of the Company. These options were fair valued at $31 using the Black –Scholes valuation model, assuming a risks-free rate of 1.50%, no dividend, and volatility factor of 169% and expensed as stock-based compensation.

The Company recognized total stock based compensation expense of $567 (2010 - $1,073).

Options outstanding as at September 30, 2011 are as follows:

				2011
Exercise price CA$	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price CA$**	**Options exercisable**
0.45-0.90	4,053,953	1.45	0.69	3,947,163
0.40-0.60	1,226,046	2.81	0.43	687,837
0.35-0.35	1,605,571	3.55	0.35	1,605,571
0.60-0.79	808,429	4,59	0.79	650,428
0.35-0.90	7,693,999	2,37	0.60	6,890,999

(expressed in thousands of U.S. dollars)

9 Long-term debt

		2011	2010
Description	**Interest rate**	**Principal $**	**Principal $**
Pimenton note, due August 15, 2011 (a)	5%	-	1,944
C and D Debentures (b)		188	128
		188	2,072
Less: Current portion		-	1,944
Long-term debt		188	128

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

Fiscal year ended September 30,	
2011-2015	401
	401
Less: Future accretion	(213)
	188

Interest paid by the Company was $104 and $145 for the years ended September 30, 2011 and 2010, respectively.

a) The Pimenton notes, which were due on August 15, 2011, had $77 being charged to interest expense for the twelve month period ended September 30, 2011(2010 - $97).

On August 18, 2011 the Pimenton notes were fully paid.

b) On April 21, 2010 the Company issued $300 of convertible unsecured debentures (the "C Debentures"). The conversion price of the C Debentures is CA$0.04 per share convertible into up to 7,821,000 shares of common shares of the Company. Interest rate on the C Debentures is 6% payable annually. In addition the C Debenture holders were issued 7,821,000 common share purchase warrants of the Company exercisable for 60 months from the date of issuance at CA$0.05 per share.

For accounting purposes, the convertible unsecured debentures have a liability component, a warrant component and an equity component, which are separately presented in the consolidated balance sheets. The $300 face value of the convertible unsecured debentures has been allocated to the liability, warrants

and equity components proportionately, based on their respective fair values. The fair value of the conversion feature of convertible unsecured debentures was measured using the Black-Scholes valuation model, assuming a risk-free interest rate of 3.09%, no dividend and a volatility factor of 132%, and such fair value was credited to contributed surplus. The fair value of the liability component was determined by discounting the future stream of interest and principal payments at an estimated borrowing rate to the Company of 20%. As a result, as of September 30,2011the Company had allocated $112 to equity, $114 to warrants and $140 to debt, with $65 being accreted.

On May 11, 2010 the Company issued $330 of convertible unsecured debentures (the "D Debentures"). The conversion price of the D Debentures is CA$0.04 per share convertible into up to 8,261,550 shares of common shares of the Company. Interest rate on the D Debentures is 6% payable annually. In addition the D Debenture holders were issued 8,261,550 common share purchase warrants per common share of the Company exercisable for 60 months from the date of issuance at CA$0.05 per share. On August 20, 2010 $230 of the D Debentures was converted into 5,758,050 common shares.

For accounting purposes, the convertible unsecured debentures have a liability component, a warrant component and an equity component, which are separately presented in the consolidated balance sheets. The value of the convertible unsecured debentures has been allocated to the liability, warrants and equity components proportionately, based on their respective fair values. The fair value of the conversion feature of convertible unsecured debentures was measured using the Black-Scholes valuation model, assuming a risk-free interest rate of 2.93%, no dividend and a volatility factor of 132%, and such fair value was credited to contributed surplus. The fair value of the liability component was determined by discounting the future stream of interest and principal payments at an estimated borrowing rate to the Company of 20%. As a result, as of September 30, 2011 the Company allocated $43 to equity, $97 to warrants and $48 to debt, with $14 being accreted.

(expressed in thousands of U.S. dollars)

10 Warrants

	Number of warrants	$
Balance – September 30, 2009	120,630,596	1,454
Modified (a)	-	206
Issued (note 8(iii))	14,650,614	216
Issued (note 9 (b))	7,821,000	114
Issued (note 9 (b))	8,261,550	97
Expired warrants	(37,431,530)	(335)
Balance – September 30, 2010	113,932,230	1,752
Modified (b)	-	112
Exercised (c)	(1,209,888)	(13)
Exercised (d)	(2,142,510)	(17)
Exercised (e)	(7,561,800)	(59)
Exercised (f)	(4,928,485)	(78)
Exercised (g)	(1,414,050)	(23)
Exercised (h)	(8,243,644)	(122)
Exercised (i)	(6,406,970)	(93)
Balance – March 28, 2011	82,024,883	1,459
10 for 1 share consolidation – March 28, 2011	8,202,465	1,459
Exercised (j)	(2,550,827)	(531)
Exercised (k)	(306,600)	(48)
Expired	(3,136,784)	(633)
	2,208,254	247

The following descriptions regarding share transactions that took place before March 28, 2011 have not been adjusted to reflect the 10 for 1 share consolidation.

(a) On December 1, 2009 the TSX agreed to further extend the expiration date on the 46,187,485 outstanding common share purchase warrants (the "Warrants") and 5,616,936 outstanding common share purchase warrants (the "Broker Warrants") which were due to expire on December 17, 2009, all of which were issued in connection with a private placement on December 17, 2007. The fair value of these modified warrants and broker warrants of $188, in excess of the fair value of the original warrants immediately prior to the modification date of $nil, was charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 1.28%, no dividend and a volatility factor of 142%. These warrants were further extended to December 17, 2010, at which time they expired.

(b) On December 6, 2009 the TSX agreed to further extend the expiration date on the 46,187,485 outstanding common share purchase warrants (the "Warrants") and 5,616,936 outstanding common share purchase warrants (the "Broker Warrants") which were due to expire on December 17, 2010, all of which were issued in connection with a private placement on December 17, 2007. The fair value of these modified warrants and broker warrants of $112, was charged to expense. The fair values of the warrants were assigned using the Black-Scholes valuation model, assuming a risk-free interest rate of 1.24%, no dividend and a volatility factor of 143%. These warrants were further extended to June 17, 2011, at which time they expired.

(c) On November 22, 2010, the holders of broker warrants in a Private placement completed in December 18, 2008 exercised 1,209,888 warrants at a price of CA$0.025 per share for net proceeds of $43. The fair value of $13 assigned to these warrants was transferred to share capital.

(d) On December 18, 2010, Compañía Minera Chañar Blanco S.A which is owned by Mr. Mario Hernández, Executive-Vice President-Director of Claims and Administration and a director of the Company, exercised 2,142,510 warrants issued in conjunction with a private placement completed on December 18, 2008 at a price of CA$0.045 per share for net proceeds of $112. The shares were issued on January 4, 2011. The fair value of $17 assigned to these warrants was transferred to share capital.

(e) On December 18, 2010 an arms length shareholder, who participated in a private placement completed on December 18, 2008, exercised 7,561,800 warrants at a price of CA$0.045 per share for net proceeds of $394. The shares were issued on January 4, 2011. The fair value of $59 assigned to these warrants was transferred to share capital.

(f) On January 11, 2011 Compañía Minera Chañar Blanco S.A, which is owned by Mr. Mario Hernández, Executive-Vice President-Director of Claims and Administration and a director of the Company, exercised 4,928,485 warrants issued on January, 15 2008 at a price of CA$0.07 per share for net proceeds of $428. The fair value of $78 assigned to these warrants was transferred to share capital.

(g) On January 28, 2011, the participants in a Private placement exercised 1,414,050 warrants issued on March 6, 2009 at a price of CA$0.036 per share for net proceeds of $74. The fair value of $24 assigned to these warrants was transferred to share capital.

(h) On February 28, 2011 Compañía Minera Chañar Blanco S.A, which is owned by Mr. Mario Hernández, Executive-Vice President-Director of Claims and Administration and a director of the Company, exercised 8,243,644 warrants issued on April 21, 2010 at a price of CA$0.05 per share for net proceeds of $532. The fair value of $122 assigned to these warrants was transferred to share capital.

(i) On February 28, 2011 Compañía Minera Auromin Ltda, owned by Mr. David Thomson, Executive-Vice President-Director of Exploration and a director of the Company, exercised 6,406,970 warrants issued on April 21, 2010 at a price of CA$0.05 per share for net proceeds of $412. The fair value of $93 assigned to these warrants was transferred to share capital.

(expressed in thousands of U.S. dollars)

(j) From April 21, 2011 to June 17, 2011 the holders in a private placement exercised 2,089,981 warrants issued at a price of CA$0.60 per share for net proceeds of $1,740 and 460,846 broker warrants issued at a price of CA$0.45 per share for net proceeds of $306. The fair value of $439 assigned to these warrants and the fair value of $92 assigned to these broker warrants was transferred to share capital. The shares were issued in connection with a private placement on December 17, 2007. These warrants were further extended to June 17, 2011, at which time they expired.

(k) On September 14, 2011 the holder in a private placement exercised 306,600 warrants issued at a price of CA$0.70 per share for net proceeds of $266. The fair value of $49 assigned to these warrants was transferred to share capital.

The following table summarizes information about the warrants outstanding as at September 30, 2011:

		2011
Number of warrants outstanding	**Weighted average remaining warrant life (years)**	**Weighted average exercise price CA$**
600,000	0.90	2.50
1,608,254	3.58	0.50
2,208,254	2.86	1.04

11 Contributed surplus

	2011 **$**	**2010** **$**
Balance - beginning of year	4,494	3,145
Warrants expired (note 10)	612	335
Broker warrants expired	20	-
Options expired (note 8(c))	215	436
Options cancellation (note 8(c))	-	297
Settlement of A, B and D Debentures (note 8(b (ii, iii, v)))	-	281
Balance - end of year	5,341	4,494

(expressed in thousands of U.S. dollars)

12 Reclamation and remediation

The Company's mining and exploration activities are subject to various Chilean laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are becoming more restrictive. Key assumptions on which the fair value of the asset retirement obligations is based include the estimated future cash flows, the timing of those cash flows and the credit-adjusted risk-free rate on which the estimated cash flows have been discounted. The total undiscounted amount of estimated cash flows of $3,825 is expected to be incurred over a period extending to ten years. These estimated cash flows are discounted using a credit-adjusted risk-free rate of 7.5%. The actual asset retirement obligation and closure costs may differ significantly based on future changes in operations, cost of reclamation and closure activities, regulatory requirements and the outcome of legal proceedings.

The Company's reclamation and remediation liability as at September 30 is summarized as follows:

	2011 $	2010 $
Balance - Beginning of year	2,145	1,995
Accretion (i)	161	150
Balance - End of year	2,306	2,145

i) The Pimenton Mine achieved commercial production on October 1, 2008. Effective this date reclamation and remediation costs were estimated. Expense was $161 for the year ended September 30, 2011 (2010-$150).

13 Segment information

The Company has one operating segment, which is the exploration and development of mineral properties. The Company's principal operations are carried out in Chile. The Company's geographic segments are located as follows:

i) the Company's mineral properties in Chile
ii) corporate offices in Chile and Canada;

The Company's Pimenton segment includes a gold mine and mill operating in Chile. As at, and for the years ended September 30, 2011 and 2010, segmented information is presented as follows:

(expressed in thousands of U.S. dollars)

	2011		
	Pimenton $	Corporate $	Total $
Revenues	24,289	-	24,289
Operating cost	(15,622)	(161)	(15,783)
Other income (expenses)			
Write-off of exploration costs	-	(1,062)	(1,062)
General and administrative	(1,886)	(1,317)	(3,203)
Stock-based compensation	-	(567)	(567)
Warrants revaluation	-	(112)	(112)
Foreign exchange	150	(97)	53
Interest expense	(163)	(82)	(245)
Other expenses	(42)	-	(42)
Other income	78	19	97
Total other income (expenses)	(1,863)	(3,218)	(5,081)
Income (loss) for the year	6,804	(3,379)	3,425
Total assets	28,719	(1,815)	26,904
Capital expenditures	6,319	372	6,691

	2010		
	Pimenton $	Corporate $	Total $
Revenues	10,959	-	10,959
Operating cost	(11,466)	(24)	(11,490)
Other income (expenses)			
Write-off of exploration costs	-	(2,240)	(2,240)
General and administrative	(744)	(1,038)	(1,782)
Stock-based compensation	-	(1,072)	(1,072)
Warrants revaluation	-	(206)	(206)
Foreign exchange	377	(53)	324
Interest expense	(244)	(89)	(333)
Other expenses	(65)	-	(65)
Other income	394	263	657
Total other income (expenses)	(282)	(4,435)	(4,717)
Income (loss) for the year	(789)	(4,459)	(5,248)
Total assets	25,057	(3,207)	21,850
Capital expenditures	1,395	895	2,290

(expressed in thousands of U.S. dollars)

Of the corporate segment's losses of $3,379 and $4,459 in 2011 and 2010, respectively, approximately $985 and $1,472, respectively, relate to Chilean activities, with the remainder reflecting primarily corporate activities in Canada, the United States and Bermuda.

14 Commitments

a) Project commitments

Project	Description	Total potential commitment $	Paid to date $
Catedral and Rino	A loan for development costs	up to 2,500	250
La Bella	La Bella inner was acquired in December 2007 by the Company by way of an option agreement of the property. Under the modified agreement entered into on December 16, 2010 on the inner circle $25 was paid on December 17, 2010. The remaining payments obligations will be paid $100 in December 2011; $200 in December 2012; $300 in December 2013 and $875 in December 2014. The Company will pay a 3% net smelter royalty from production thereafter. On the outer circle under the new agreement $25 was paid on December 17, 2010. The remaining payments obligations will be paid $100 in December 2011; $200 in December 2012; $300 in December 2013 and $875 in December 2014. The Company will pay a 3% net smelter royalty from production thereafter.	2,950	629
Cal Norte	Capital contribution of $1,800 to earn 60% equity interest	1,800	1,552
Tordillo	As a compensation for services rendered in connection with Tordillo, the Company entered into an agreement to pay $250 within 50 days of first cash flow from the property.	250	-

(expressed in thousands of U.S. dollars)

b) Lease commitments

The Company is committed to future minimum lease payments under capital lease arrangements:

Year ending	September 30, 2011 $
2012	110
2013	177
2014	44
	331
Interest	(11)
	320

15 Related party transactions

A company owned by the CEO (who is also a director) billed the Company $13 for the twelve month period ended September 30, 2011 (2010 - $26) for the provision of office space and services used by the Company. Receivable from such officer and director of the Company of $387 as at September 30, 2011 (2010 - $237) of which $286 (2010 - $190) was the net amount of a non-interest-bearing note receivable, $32 was a loan in August 2011, and $68 (2010 - $46) was net of cash advances, salary and truck expenses reimbursement. The note has been extended to September 30, 2012 and is collateralized by 653,200 common shares owned by this officer and director.

A company controlled by the Chief Financial Officer of the Company (the “CFO”) billed the Company $52 for accounting and administration services rendered for the twelve month period ended September 30, 2011 (2010 - $41). Accounts payable and accrued liabilities include payables to this officer of $8 for such services at September 30, 2011 (2010 - $5).

A law firm of which a director of the Company is a partner billed the Company $203 in the twelve month period ended September 30, 2011 (2010 - $178) for legal services. Accounts payable and accrued liabilities include $4 and $71 as at September 30, 2011 and 2010, respectively.

During 2007, the Executive Vice President and Director of Land and Administration, who is also a director of the Company, purchased an interest in the Pimenton notes and royalty from a non-related party. The present value of this note was $nil at September 30, 2011 (2010 - $975) and interest expense was $36,211 for the twelve month ended September 30, 2011 (2010 - $49). Accounts payable and accrued liabilities include $nil (2010- $37) for interest and $114 for royalties as at September 30, 2011 (2010 - $255).

Accounts payable and accrued liabilities include $nil and $36 as at September 30, 2011 and 2010, respectively, for interest due to the Executive Vice President - Director of Exploration who is also a

director of the Company who holds one of the Pimenton notes. The Pimenton note has a present value amount of $nil and $969 as at September 30, 2011 and 2010, respectively, and interest expense was $40 for the twelve month ended September 30, 2011 (2010 - $48). In addition accounts payable and accrued liabilities include $114 and $255 as at September 30, 2011 and 2010, respectively, for royalties due to this officer and director who is the owner of a net smelter royalty on the Pimenton gold mine. Accounts payable also include $9 for interest not paid on the Debenture issued to him in 2006 and which was converted on June 9, 2009.

Working capital of $330 was provided between April and July 2010, by Compañía Minera Auromin Ltda. which is owned by the Executive Vice-President of Exploration and who is a director of the Company. On January 26, 2011 the Company repaid this amount in full.

Working capital of $500 was provided in June 2010, by Minera Chañar Blanco S.A. which is owned by the Executive-Vice President-Director of Claims and Administration and who is a director of the Company. During the period December 18, 2011 to February 28, 2011 this amount was repaid in full.

On April 1, 2010, a Company owned by David Thomson, who is Executive-Vice President-Director of Exploration and a director of the Company, Compañía Minera Auromin Ltda, entered into a services contract with the Company for a period of two years, which can be renewed for an additional two year period at the end of each year. Under the term of the contract, Compañía Minera Auromin Ltda. is to be paid $300 per year. The services to be provided by Compañía Minera Auromin Ltda. Include, seeking new mining projects, performing geological studies and design drill programs for the Company on exploration projects, conducting preliminary design of the mining plan for designated project and providing other services related to the explorations and development of mining projects. As of September 30, 2011 accounts payable and accrued liabilities included $75 related to this contract.

On April 1, 2010 a Company owned by Mr. Mario Hernández, who is Executive-Vice President-Director of Claims and Administration and a director of the Company, Compañía Minera Chañar Blanco S.A., entered into a services contract with the Company for a period of two years, which can be renewed for an additional two year period at the end of each year. Under the term of the contract, Compañía Minera Chañar Blanco S.A. is to be paid $110 per year. The services to be provided by Minera Chañar Blanco S.A. include, maintaining title and ownership of mining properties acquired by the Company, acquiring water rights or request concessions of water rights on the properties acquired by the Company, and negotiations the acquisition of new mining properties for the company. As of September 30, 2011 accounts payable and accrued liabilities included $28 related to this contract.

The Company made payments and issued of securities to certain directors and officer. For the twelve month ended September 30, 2011 the expense related to this was $60 ($25 – 2010).

On April 1, 2010, The CEO, who is also a director of the Company, entered into a management contract for a period of two years, which can be renewed for an additional two year period at the end of each year. Under the terms of the contract, the “CEO” is to be paid $110 per year. Additionally, during the term of the agreement, the Corporation will provide him with a diesel truck or its equivalent with all expenses paid. As of September 30, 2011 the Corporation paid $45 for the truck and $12 for expenses.

(expressed in thousands of U.S. dollars)

On June 21, 2011 the board approved a resolution that non-executive directors be paid $1 per meeting attended. As at September 30, 2011 amounts due to the directors for these director fees were $11.

On July 11, 2011 CEG signed a Letter of Agreement with the majority shareholders representing 65.6% of the outstanding shares of Compania Minera Cerro del Medio, (CDM) the 100% owner of the Santa Cecilia project which is located in the Maricunga gold district of Chile and adjacent to Exeter Resources Caspiche project. Under the terms of the agreement between July 31, 2011 and July 31, 2013 CEG must fund the CDM majority shareholders, and any option shareholders, the pro rata of a drilling campaign on the property consisting of a minimum of 7,200 meters of drilling, at an aggregate cost of approximately US $4,000. CEG is committed to fund an estimated US $2,624 or 65.6% of this drilling campaign. Mario Hernandez Dr. David Thomson, both EVP's and Directors of the Company and an arms length third party (the majority shareholders in aggregate) are owners of 65.6% of CDM.

16 Supplemental cash flow information

	2011 $	2010 $
Changes in non-cash working capital relating to operations		
Receivables	(646)	(310)
Inventories	(1,784)	(379)
Recoverable taxes	1,287	1,043
Accounts payable and accrued liabilities, excluding interest in accrued liabilities	(578)	166
Taxes payable (VAT)	-	(141)
	(1,721)	379
Significant non-cash financing and investing activities		
Shares and warrants issued	(5,244)	(2,143)
Total interest paid	226	88

No income taxes were paid during 2011 and 2010

17 Financial instruments

(a) Financial assets and liabilities

The Company's financial instruments at September 30, 2011 and 2010 consist of cash, accounts receivable, accounts payable and accrued liabilities and current and long-term debt.

Classification of financial assets and liabilities

Cash is classified as held-for-trading. Accounts receivable arising from sales of metal concentrates are designated and classified as held-for-trading. Held-for-trading financial assets are measured at fair value with mark-to-market gains and losses recorded in earnings in the period they occur. The carrying amounts of cash approximate their fair values. The change in fair values of accounts receivable arising from sales of metal concentrates result from changes in metal market prices to which the related revenues are subject. These changes are recorded in revenue in the period they occur. Accounts receivable not arising from sales of metal concentrates are classified as loans and receivables. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

Fair value measurements of financial assets and liabilities recognized in the balance sheet

The amendments to Section 3862 introduce a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs that are not based on observable market data.

At September 30, 2011, the levels in the fair value hierarchy into which the Company's financial assets and liabilities measured and recognized in the balance sheet at fair value are categorized are as follows:

	Level 2
Cash	$1,750
Accounts receivable arising from sales of metal concentrates	969

At September 30, 2011, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as level 3 in the fair value hierarchy above.

Fair values of financial assets and liabilities not already measured and recognized at fair value in the balance sheet

(expressed in thousands of U.S. dollars)

At September 30, 2011 the carrying amounts of accounts receivable not arising from sales of metal concentrates and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments.

(b) Management of Financial Risk

The Company's financial instruments are exposed to financial risks as summarized below:

Credit Risk

The Company, in the normal course of business, is exposed to credit risk from its two customers: a gold refinery in Europe and an entity owed by the State of Chile. Accounts receivable are subject to normal industry credit risks and are considered low.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. As at September 30, 2011, the Company had a positive working capital of approximately $2,647 which included cash of $1,750. At September 30, 2011 the Company's accumulated deficit was approximately $64,912 and shareholders' equity was approximately $21,011.

To preserve its cash position the Company plans to concentrate its efforts on Pimenton.

Sensitivity Analysis

As of September 30, 2011, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

The Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) There would be no impact on the cash held as the Company does not earn any interest on this cash.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

Economic dependence

In May, 2010 the Company started to produce its own gold doré at the mine site. In the same month the Company started to ship the gold doré bars directly to a gold refinery in Europe. The refinery pays for 90% of the value of gold shipment the week following delivery and the balance of the payment is made less than a month from the day of receipt of the initial payment. For the year ended at September 30, 2011 the Company has sold approximately 58% to a gold refinery in Europe, and 42% to Enami to smelter its gold

(expressed in thousands of U.S. dollars)

and copper concentrate for the year ended at September 30, 2011. Enami is owed by the State of Chile through its ownership of CODELCO. Enami pays for approximately 60% of the value of shipment the week following delivery and the balance of the payment is made one to two months following the initial payment.

18 Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

The acquisition, exploration, financing and development of natural resources require the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of common shares, the exercise of options and common share purchase warrants, promissory notes and debentures, bank debt and extended terms from creditors.

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