Cerro Grande Mining Corporation

Consolidated Financial Statements

September 30, 2013 and 2012

(expressed in thousands of U.S. dollars)

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,** 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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.

KPMG LLP was appointed as the Company's independent auditor during the year. Their report outlines the scope of their examination and their opinion.

"Stephen W. Houghton"
Chief Executive Officer

"Peter W. Hogg"
Chief Financial Officer

December 9, 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cerro Grande Mining Corporation

We have audited the accompanying consolidated financial statements of Cerro Grande Mining Corporation, which comprise the consolidated statement of financial position as at September 30, 2013, the consolidated statements of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising 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 International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 our 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, we consider 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 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 consolidated financial position of Cerro Grande Mining Corporation as at September 30, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes that the Company has prepared the consolidated financial statements applicable for a going concern. For the year ended September 30, 2013, the Company incurred a net loss of $6.2 million and net operating cash outflows of $2.3 million and has been reliant on debt financing from third parties and related parties to finance its operations and working capital. These conditions along with other matters as set forth in Note 1 indicate the existence of material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern.

Other Matter

The consolidated financial statements of Cerro Grande Mining Corporation as at and for the year ended September 30, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on December 7, 2012.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
December 9, 2013

Cerro Grande Mining Corporation

Consolidated Statements of Financial Position
For the years ended September 30, 2013 and 2012
(Expressed in thousands of U.S. dollars)

	September 30 2013	September 30, 2012
	$	$
Assets		
Current assets		
Cash and cash equivalents	53	1,336
Accounts receivable	1,126	2,394
Recoverable taxes	101	59
Inventory (note 4)	2,601	2,306
	3,881	6,095
Non-current assets		
Receivable from a related party (note 15)	196	322
Mining properties, plant and equipment (note 5)	19,656	20,391
Total assets	23,733	26,808
Liabilities and Shareholders' equity		
Current liabilities		
Trade and other payables	2,449	3,587
Payable to related parties (note 15)	432	1,747
Current portion of long-term debt (note 6)	813	538
	3,694	5,872
Non-Current liabilities		
Long-term debt (note 6)	1,879	1,019
Due to related parties (note 15)	2,585	-
Reclamation and remediation (note 9)	2,113	1,727
Deferred income tax liability (note 12)	-	881
Total liabilities	10,271	9,499
Shareholders' equity		
Share capital (note 7)	80,256	78,496
Warrants (note 8)	211	211
Contributed surplus	7,781	7,493
Convertible unsecured debenture	479	154
Deficit	(75,265)	(69,045)
Total shareholders' equity	13,462	17,309
Total liabilities and shareholders' equity	23,733	26,808

Going concern (note 1)
Commitments (note 13)

Approved by the Board of Directors

(Signed) Paul J. DesLauriers Chairman **Frederick D. Seeley** Director

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

Cerro Grande Mining Corporation

Consolidated Statements of Loss and Other Comprehensive Loss

For the years ended September 30, 2013 and 2012

(Expressed in thousands of U.S. dollars)

	Year ended	
	September 30, 2013	**September 30, 2012**
Revenue	**$**	**$**
Sales	18,677	25,549
Services (note 15)	101	1,896
	18,778	27,445
Expenses		
Operating costs (note 10)	18,581	21,100
Operating costs for services	85	1,760
Reclamation and remediation (note 9)	42	58
General, sales and administrative (note 10)	3,499	3,368
Foreign Exchange	16	126
Interest	315	127
Other gains and losses (net) (note 10)	42	96
Impairment charges (note 5)	2,140	-
Exploration costs (note 10)	1,186	3,392
	25,906	30,027
Loss and comprehensive loss before income taxes	(7,128)	(2,582)
Income tax expense (note 12)	(201)	(249)
Deferred income tax (note 12)	1,109	(881)
	908	(1,130)
Loss and comprehensive loss for the period	(6,220)	(3,712)
Basic and diluted loss per share (note 7 (d))	(0.06)	(0.04)
Weighted average number of shares outstanding	96,734,879	94,595,467

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

Cerro Grande Mining Corporation

Consolidated Statement of Changes in Shareholders' Equity

For the years ended September 30, 2013 and 2012

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

	Share capital (note 7)	*Warrants (note 8)*	*Contributed surplus*	*Convertible unsecured debenture*	*Deficit*	*Total equity*
Balance - October 1, 2011	**78,110**	**211**	**7,351**	**154**	**(65,333)**	**20,493**
Warrants exercised, expired and modified	-	-	46	-	-	46
Share-based compensation	386	-	96	-	-	482
Net loss	-	-	-	-	(3,712)	(3,712)
Balance - September 30, 2012	**78,496**	**211**	**7,493**	**154**	**(69,045)**	**17,309**
Balance - October 1, 2012	**78,496**	**211**	**7,493**	**154**	**(69,045)**	**17,309**
Convertible unsecured debenture	1,510	-	-	325	-	1.835
Share-based compensation	250	-	288	-	-	538
Net loss	-	-	-	-	(6,220)	(6,220)
Balance - September 30, 2013	**80,256**	**211**	**7,781**	**479**	**(75,265)**	**13,462**

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

Cerro Grande Mining Corporation

Consolidated Statements of Cash Flows
For the years ended September 30, 2013 and 2012
(Expressed in thousands of U.S. dollars, except per share amounts)

Cash provided by (used in) Operating activities		
	2013	**2012**
	$	$
Loss for the period	(6,220)	(3,712)
Non-cash ítems:		
Amortization, depreciation and impairment	4,678	2,286
Accretion of interest on long-term debt	77	62
ARO accretion	42	58
Foreign exchange gain (loss)	33	(24)
Deferred income tax	(1,109)	881
Gain of disposal of fixed assets	8	-
Stock-based compensation	400	482
	(2,091)	33
Change in non-cash working capital relating to operations (note 16)	(247)	593
	(2,338)	626
Investing activities		
Additions to mining properties, plant and equipment	(3,161)	(2,781)
	(3,161)	(2,781)
Financing activities		
Shares issued on options	74	-
Issuance of long-term debt (note 6)	3,184	987
Loans from related parties	1,404	1,225
Capital leases	(446)	(471)
	4,216	1,741
Decrease in cash and cash equivalents during the year	(1,283)	(414)
Cash and cash equivalents - Beginning of year	1,336	1,750
Cash and cash equivalents - End of year	**53**	**1,336**

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

1. Nature of the Company

Cerro Grande Mining Corporation (the Company or CEG) and its subsidiaries is a mining, exploration and development company which produces gold, silver and copper, with operations mainly in Chile. The Company was incorporated under the Canada Business Corporations Act, and its Common Shares are listed on the Toronto Stock Exchange ("TSX") trading under the symbol "CEG" and on the OTCQX trading under the symbol CEGMF. The Company is domiciled in Canada and the address of its records office is 1 King Street West, Suite 4009 Toronto Ontario M5H 1A1, Canada. The registered office is 79 Wellington Street West, Suite 2300, Toronto, Ontario M5K 1H1, Canada.

The company's only significant subsidiary is Compania Minera Pimenton (Pimenton).

These consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2013, the Company had a working capital surplus of $187.

While the Company has operations generating revenue, in the last two fiscal years it has not achieved profitable operations and incurred a net loss of $6,220 and an operating cash outflow of $2,338 in the year ended September 30, 2013 and has been reliant on debt financing from third parties and related parties to finance its operations and working capital. While the Company is seeking to reduce operating costs, the certainty of future profitability expectations and availability of sources of additional financing if required in the future cannot be assured at this time and accordingly, these uncertainties may cast a significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to the carrying values and classifications of recorded assets and liabilities and related revenues and expenses that might be necessary should the Company be unable to continue as a going concern.

2. Basis of presentation

a. Statements of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretation of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for the incorporation into Part I of the handbook of the Canadian Institute of Chartered Accountants. The consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The Company has consistently applied the accounting policies used in the preparation of these consolidated financial statements throughout all the periods presented. The preparation of consolidated financial statements requires managements to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses.

The Board of Directors approved the statements on December 9, 2013.

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

b. Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis, except for the certain financial assets and liabilities that are measured at fair value through profit and loss including derivative instruments. All amounts are expressed in thousands of US dollars, except share and per share amounts.

c. Use of estimates and judgments

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

i) Significant judgments in applying accounting policies

The areas which require management to make significant judgments in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a) Mineral Reserves

The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation and amortization.

b) Depreciation, depletion and amortization

Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

c) Taxes

The Company is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

ii) Significant Accounting Estimates and Assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Mineral Reserves

Proven and probable mineral reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable mineral reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The estimation of future cash flows related to proven and probable mineral reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable mineral reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation and amortization.

b) Depreciation, depletion and amortization

Plants and other facilities used directly in mining activities are depreciated using the UOP method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment is depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves.

c) Provision for reclamation and remediation

The Company assesses its provision for reclamation and remediation on an annual basis. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing

laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

d) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Company consolidates subsidiaries where they have the ability to exercise control. Control is achieved when we have the power to govern the financial and operating policies of the entity. Control is normally achieved through direct ownership of more than 50 percent of the voting shares.

b) Foreign currency translation and transactions

The Company presents its financial statement in U.S. dollars. This is also the functional currency of CEG and its subsidiaries.

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

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses

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

resulting from the settlement of such transactions and year-end translation are recognized in the statement of loss and comprehensive loss under "Foreign exchange".

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value.

d) Financial instruments

At initial recognition, the company classifies its financial instruments in the following categories:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. All derivatives have been classified as held-for-trading. The Company has issued warrants that qualify as derivative liabilities. All financial instruments in this category are recognized initially and subsequently at fair value, transaction costs are expensed in the consolidated statement of loss and other comprehensive loss, and gains and losses arising from changes in fair value are presented in the consolidated statement of loss within "other gains and losses (net)" in the period in which they arise.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise accounts receivable, accounts receivable from related parties, and cash and cash equivalents that are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade and other payables, accounts payable to related parties, and long term debt. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(iv) Compound financial instruments: Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued is fixed. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound

financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

e) Inventory

Doré, concentrate, materials and supplies inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. Doré and concentrate inventory costs include direct labour, direct material costs, mine site overhead, depreciation and depletion. Cost is allocated to the various doré and concentrate inventories based on the relative net revenues of each. When inventories have been written down to net realizable value, a new assessment of net realizable value is made in each subsequent period. Net realizable value is determined with reference to relevant market prices less estimated costs of completion and estimated costs necessary to make the inventory saleable. If the circumstances that caused a write-down no longer exist, the write-down is reversed.

f) Mining properties, plant and equipment

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

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

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

- Mining properties and development - UOP
- Building 5 years on a straight line basis (which does not exceed the expected life of the mine)
- Plant and Equipment 1- 5 years on a straight line basis (which does not exceed the expected life of the mine)

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

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

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

g) Leased assets

Leases, the terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long-term debt. The finance cost is charged to the consolidated statement of income and other comprehensive income over the lease period.

h) Exploration and development costs

Acquisition and exploration costs of resource properties are expensed as incurred until resources have been determined and then the development costs are capitalized. Upon reaching commercial production, these capitalized development costs are transferred from exploration properties to mining properties, plant and equipment and are amortized in the statement of income and other comprehensive income 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.

Expenditures related to extensions of mineral deposits which are already being mined or developed, are capitalized as a mine development cost when the Company is able to conclude that a future economic benefit is probable.

i) Revenue recognition

Revenue from the sale of concentrates and gold doré is recognized following the transfer of title and risk of ownership in accordance with contractual arrangements with customers. Risk and title is transferred when the gold doré is picked up at the mine site and, in the case of the concentrate, when delivered to the premises of customers. Generally, the final settlement price is computed with reference to quoted metal prices for a specified period of time. Revenues are based on the currently prevailing metals prices, quantities delivered and provisional assays as agreed between the Company and customers for each shipment. Doré and 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 doré and concentrates shipped to customers and revenue from these by-products are recognized on the same criteria as those used for gold revenues.

The terms of these contracts result in embedded derivatives because of the timing difference between the prevailing metal prices for provisional payments and the actual contractual metal prices used for final settlement. These embedded derivatives are adjusted to fair value at the end of each reporting period through to the date of final price determination with any adjustments recognized in revenue.

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

j) Income taxes

Income tax is comprised of current and deferred tax. Income tax is recognized in the consolidated statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects either accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

k) Stock-based compensation

The Company has a share option plan, as discussed in note 7 (c). Compensation expense is recorded when share options are issued to directors, officers or employees under the Company’s share option plan, based on the fair value of options granted. Stock-based compensation granted 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 and the expense is recognized over the vesting period of the options with a corresponding increase in shareholder’s equity. The exercise price is the share price at the grant date which 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.

When the options are exercised, any consideration paid is credited to share capital and the contributed surplus resulting from stock-based compensation is transferred to share capital.

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

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. 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 and on the if - converted method for convertible securities.

m) Reclamation and remediation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, restoration and reclamation. The obligation is attributable to mining properties when the asset is installed or the environment is disturbed at the production location. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore.

The periodic unwinding of the discount applied in establishing the net present value of provisions over time is recognized in the consolidated statement of income and other comprehensive income as interest. Changes in rehabilitation estimates attributable to development will be recognized as additions or charges to the corresponding asset and rehabilitation liability when they occur.

n) Changes in accounting standards issued but not yet applied

The following new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company have been set out below.

IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and measurement, replacing the current classification and measurement criteria for financial asset and liabilities with only two classification categories: amortized cost and fair value. IFRS 9 has an effective date for annual periods beginning on or after date of January 1, 2015, with early adoption permitted. The Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

IFRS 10 Consolidated Financial Statements replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC 12, Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. This standard is required to be applied for annual periods commencing on or after

January 1, 2013 and is not anticipated to have a significant impact on the Company's financial position or disclosures upon application.

IFRS 11 Joint Arrangements replaces IAS 31, Interests in Joint Ventures. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31. This standard is required to be applied for annual periods commencing on or after January 1, 2013 and is not anticipated to have a significant impact on the Company's financial position or disclosures upon application.

IFRS 12 Disclosures of Interests in Other Entities sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28, Investments in Associates. This standard is required to be applied for annual periods commencing on or after January 1, 2013 and is not anticipated to have a significant impact on the Company's disclosures upon application.

IFRS 13 Fair value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS l3 applies when another IFRS requires or permits fair value measurement or disclosures about fair value measurements (and measurements such as fair value less costs to sell, based on fair value or disclosures about those measurements) except for: transactions within the scope of IFRS 2 and IAS l7 and certain measurements that have some similarities to fair value but that are not fair value. This standard is required to be applied for annual periods commencing on or after January 1, 2013 and is not anticipated to have a significant impact on the Company's financial position or disclosures upon application.

IAS 27 Consolidated and Separate Financial Statements is renamed "Separate Financial Statements" and deals solely with separate financial statements, the guidance for which remains unchanged. This standard is required to be applied for annual periods commencing on or after January 1, 2013 and is not anticipated to have a significant impact on the Company's financial position or disclosures upon application.

IAS 28 Investments in Associates and Joint ventures prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture). This standard is required to be applied for annual periods commencing on or after January 1, 2013 and is not anticipated to have a significant impact on the Company's financial position or disclosures upon application.

IFRIC 21 Levies ("IFRIC 21") was issued in May 2013 and is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant

legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014 and the Company is assessing the impact of this new standard, if any, on the consolidated financial statements.

4. Inventory

	September 30, 2013	September 30, 2012
	$	$
Ore and concentrate stockpiles	1,664	1,253
Materials and supplies	937	1,053
	2,601	**2,306**

5. Mining properties, plant and equipment

Cost	Building	Plant & Equipment*	Mining property development	Others	Total
	$	$	$	$	$
Balance - October 1, 2012	5,464	11,900	18,021	365	35,750
Additions	303	1,513	1,748	43	3,607
Disposals	-	-	(8)	-	(8)
Changes in Reclamation and remediation liability (note 9)	-	-	344	-	344
Balance - September 30, 2013	**5,767**	**13,413**	**20,105**	**408**	**39,693**

Accumulated depreciation	Building	Plant & Equipment*	Mining property development	Others	Total
	$	$	$	$	$
Balance - October 1, 2012	2,530	6,429	6,223	177	15,359
Depreciation and amortization expenses	292	1,323	884	39	2,538
Impairment charges **	-	697	1,443	-	2,140
Balance - September 30, 2013	**2,822**	**8,449**	**8,550**	**216**	**20,037**
Net book value as at September 30, 2013	**2,945**	**4,964**	**11,555**	**192**	**19,656**

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

Cost	**Building**	**Plant & Equipment***	**Mining property development**	**Others**	**Total**
	$	**$**	**$**	**$**	**$**
Balance - October 1, 2011	4,853	10,504	18,357	334	34,048
Additions	634	1,548	1,214	31	3,427
Changes in Reclamation and remediation liability (note 9)	-	-	(1,550)	-	(1,550)
Disposals	(23)	(152)	-	-	(175)
Balance - September 30, 2012	**5,464**	**11,900**	**18,021**	**365**	**35,750**

Accumulated depreciation	**Building**	**Plant & Equipment***	**Mining property development**	**Others**	**Total**
	$	**$**	**$**	**$**	**$**
Balance - October 1, 2011	2,302	5,280	5,330	161	13,073
Depreciation and amortization expenses	228	1,149	893	16	2,286
Balance - September 30, 2012	**2,530**	**6,429**	**6,223**	**177**	**15,359**
Net book value as at September 30, 2012	**2,934**	**5,471**	**11,798**	**188**	**20,391**

* The Company leases equipment and vehicles under finance leases contracts. As of September 30, 2013, the net carrying value of leased equipment and vehicles were $887 and $509, respectively. (2012- $356 and $513). During 2013, the Company acquired equipment under finance lease of $575. All leases provide the Company with the option to buy the equipment at a beneficial price.

** Non-current assets are tested for impairment when events or changes in circumstance suggest that the carrying amount may not be recoverable. During the current year ended September 30, 2013, it was determined there are potential indicators of impairment. The recoverable amount is calculated using the value-in-use method, which is the expected present value of future cash flows from the asset, using a pre-tax discount rate of 10.8%. In the current year, the Company recorded an impairment charge of $2,140 related to the Pimenton project, primarily as a result of the decrease in long-term gold and copper prices.

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

6. Long-term debt

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

Description	Interest rate	September 30, 2013 $	September 30, 2012 $
C and D debentures (a)	6.00%	307	247
Auromin and Chañar blanco debenture (b)	0.00%	588	-
Bice Bank mortgage (c)	5.13%	790	888
Finance Leases	4% -5.2%	1,007	422
Sub total		2,692	1,557
Less: Current portion		(813)	(538)
Long-term debt		1,879	1,019

The maturities of long-term debt and interest payments are as follows for the year ended September 30:

Ended September 30,	
2014-2026	3,585
	3,585
Less: Future accretion	(893)
	2,692

Interest paid by the Company was $106 for the year ended September, 30, 2013 (2012- $60).

a) On April 21, 2010 the Company issued $300 of convertible unsecured debentures (the "C Debentures"). The maturity date of these debentures is April 21, 2015. The conversion price of the C Debentures is CA$0.40 per share convertible into up to 782,100 common shares of the Company. Interest rate on the C Debentures is 6% payable annually. In addition with the C Debenture, the company issued 782,100 common share purchase warrants exercisable for 60 months from the date of issuance at CA$0.50 per share. For accounting purposes, the convertible unsecured debentures have a liability component and an equity component, which are separately presented in the consolidated statement of financial position. The $300 face value of the convertible unsecured debentures has been allocated to the liability and equity components proportionately, based on their respective fair values. The fair value of the conversion feature of convertible unsecured debentures was determined using the Black-Scholes valuation model, assuming a risk-free interest rate of 3.09%, no dividend and a volatility factor of 132%. 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, the Company had allocated $112 to equity, $114 to warrants and $230 to debt.

On May 11, 2010 the Company issued $330 of convertible unsecured debentures (the "D Debentures"). The maturity date of these debentures is May 11, 2015. The conversion price of the D Debentures is CA$0.40 per share convertible into up to 826,155 common shares of the Company. Interest rate on the D Debentures is 6% payable annually. In addition with the D Debenture, the Company issued 826,155 common share purchase warrants per common share exercisable for 60 months from the date of issuance at CA$0.5 per share. On August 20, 2010 $230 of the D Debentures were converted into 575,805 common shares. For accounting purposes, the convertible unsecured debentures have a liability component and an equity component, which are separately presented in the consolidated statement of financial position. The value of the convertible unsecured debentures has been allocated to the liability and equity components proportionately, based on their respective fair values. The fair value of the conversion feature of convertible unsecured debentures was determine using the Black-Scholes valuation model, assuming a risk-free interest rate of 2.93%, no dividend and a volatility factor of 132%. 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, the Company allocated $43 to equity, $97 to warrants and $77 to debt.

b) On July 30, 2013 the Company issued $1,010 of convertible unsecured debentures. The maturity date of these debentures is July 30, 2018. The conversion price of the Debentures is CA$0.10 per share convertible into up to 10,102,114 common shares of the Company. The debentures do not bear interest. For accounting purposes, the convertible unsecured debentures have a liability component and an equity component. The fair value of the liability component was determined by discounting the future interest and principal payments at an estimated borrowing rate to the Company of 12%. As a result, the Company had allocated $437 to the equity component and $588 to the liability component. The Debentures have been issued in payment of cash advances made in April and May 2013 by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also director of the Company and Compañía Minera Auromín Ltda. a Company owned by David Thomson, who is also director of the Company. Under the term of the debentures, the maximum amount convertible into Common Shares is such that each of Hernandez and Thomson do not hold, directly or indirectly, more than 19.99% of the issued and outstanding Common Shares of the Company as at the date of conversion.

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

7. Share capital

a) Authorized capital

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

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

b) Issued and outstanding

	Number of shares	Amount
		$
Balance – September 30, 2012	94,925,714	78,496
Options exercised 7(c(f))	650,000	118
Options exercised 7(c(g))	725,000	132
Private placement (i)	5,228,076	1,510
Balance – September 30, 2013	101,528,790	80,256

i) On November 15, 2012 the Company issued $1,568 in convertible unsecured debentures. The maturity date of these debentures is November 15, 2017. The conversion price of the Debentures is CA$0.30 per share convertible into up to 5,228,076 common shares of the Company. Interest rate on the Debentures is 6% payable quarterly. For accounting purposes, the convertible unsecured debentures have a liability component and an equity component. The fair value of the liability component was determined by discounting the future stream of interest and principal payments at an estimated borrowing rate to the Company of 15%. As a result, the Company has allocated $474 to equity and $1,130 to debt, of which $36 were accreted. The Debentures have been issued in payment of cash advances by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also a director of the Company and Compañía Minera Auromín Ltda. a Company owned by David Thomson, who is also a director of the Company. On June 26, 2013 the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice Presidents and directors of the Company elected to convert the $1,568 convertible unsecured debentures into 5,228,076 common shares at a conversion price of CA$0.30 per share. These shares were recorded at the carrying amount of the equity and liability components of the debentures on the date of conversion, resulting in an amount of $1,626 recorded as capital stock.

c) Share option plan

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

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

A summary of the Company's Plan at September 30, 2013 is presented as follow:

	Number of options	**Weighted average exercise price CA$**
Balance – September 30, 2012	7,615,999	0.58
Granted (a)	195,000	0.18
Granted (b)	150,000	0.18
Granted (c)	250,000	0.18
Granted (d)	3,325,000	0.10
Granted (e)	233,953	0.15
Exercised (f)	(650,000)	0.10
Exercised (g)	(725,000)	0.10
Expired	(4,303,953)	0.45/0.90
Balance – September 30, 2013	6,090,999	0.32

a) On February 7, 2013 seven employees who are not officers of the Company were granted 195,000 Common Stock Options to replace 195,000 options which expired on January 9, 2013. These new options have a five year life with immediate vesting at a price of CA$0.18 per share. These options were fair valued at $32 using the Black –Scholes valuation model, assuming a risk-free rate of 0.78%, no dividend, and volatility factor of 152% and expensed as stock-based compensation.

b) On February 7, 2013 150,000 Common Stock Options to an employee who is not an officer of the Company at an exercise price of CA$0.18 per share, exercisable for a period of five years, 30,000 to vest one year from the date of grant, 30,000 to vest two years from the date of grant, 30,000 to vest three years from the date of grant, 30,000 to vest four years from the date of grant and the balance of 30,000 to vest on the fifth anniversary of the date of grant. These options were fair valued at $16 using the Black –Scholes valuation model, assuming a risk-free rate of 0.78%, no dividend, and volatility factor of 152% and expensed as stock-based compensation over the appropriate period.

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

d) The Company renewed 3,325,000 options that were due to expire on March 7, 2013 and on April 2, 2013. The new grant of stock options were issued on April 16, 2013 exercisable at CA$0.10 per share

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

for a period of five years from the date of issuance with immediate vesting and 3,250,000 options were issued to Directors of the Company and 75,000 options were issued to an employee. These options were fair valued at $284, using the Black –Scholes valuation model, assuming a risk-free rate of return of 0.58%, no dividend and volatility factor of 146% and expensed as stock-based compensation over the appropriate period.

e) The Company renewed 233,953 options that were due to expire on April 30, 2013. The new grant of stock options were issued on May 9, 2013 exercisable at CA$0.15 per share for a period of five years from the date of issuance with immediate vesting and were issued to a Director of the Company. These options were fair valued at $32, using the Black –Scholes valuation model, assuming a risk-free rate of return of 0.75%, no dividend and volatility factor of 162% and expensed as stock-based compensation.

f) On May 23, 2013 Mr. Mario Hernández, who is a director of the Company exercised 650,000 options granted on April 16, 2013 at a price of CA$0.10 per share for net proceeds of $118. The carrying amount of $56 assigned to these options, along with the cash proceeds received, were transferred to share capital.

g) On June 20, 2013 Mr. David Thomson, who is a director of the Company exercised 650,000 options granted on April 16, 2013 at a price of CA$0.10 per share for net proceeds of $118. The carrying amount of $56 assigned to these options was transferred to share capital. In addition an employee of the Company exercised 75,000 options granted on April 16, 2013 at a price of CA$0.10 per share for net proceeds of $14. The carrying amount of $6 assigned to these options, along with the cash proceeds received, were transferred to share capital.

During the year ended September 30, 2013 and 2012 the Company recognized total stock based compensation expense of $400 and $482 respectively. Options outstanding as at September 30, 2013 are as follows:

Exercise price CA$	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price CA$	Options exercisable
0.40-0.60	1,226,046	0.87	0.44	1,051,046
0.35-0.35	1,505,572	1.55	0.35	1,505,572
0.79-0.79	730,428	2.58	0.79	730,428
0.10-0.18	2,628,953	4.53	0.12	2,428.953
0.10-0.79	6,090,999	2.82	0.32	5,715,999

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

d) Basic and diluted loss per share

	2013 $	2012 $
Loss for the year	(6,220)	(3,712)
Weighted average number of shares outstanding	96,374,879	94,595,467
Basic loss per share	(0.06)	(0.04)
Diluted loss per share	(0.06)	(0.04)

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.

8. Warrants

Equity	Number of warrants	$
Balance – September 30, 2012	1,608,254	211
Balance – September 30, 2013	1,608,254	211

The following table summarizes information about the warrants outstanding as at September 30, 2013:

Number of warrants outstanding	Weighted average remaining warrant life (years)	Weighted average exercise price CA$
1,608,254	1.58	0.50

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

9. Reclamation and remediation

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

		September 30, 2013	September 30, 2012
		$	$
Balance – beginning of period		1,727	3,201
Change in interest rate		9	18
Accretion		42	58
Reclamation and remediation provision adjustment	(i)	335	(1,550)
Balance end of period		**2,113**	**1,727**

(i) The Company recalculated the cash flow estimation under updated parameters. The expected undiscounted remediation of $2,360 as at September 30, 2013 (2012 - $1,988) is expected to be incurred over 5 years. These new estimated cash flows are discounted using a long term Chilean interest rate of 2.24% as at September 30, 2013 (2012 – 2.55%). The effect was an increase in the mine closure provision and development cost of $335 (2012 – decrease $1,550).

10. Expenses by nature

Operating costs are comprised of the following:

	September 30, 2013	September 30, 2012
	$	$
Direct labor costs	7,371	7,444
Stock based compensation	-	386
Other direct mining and mill costs (i)	7,592	9,506
Depreciation, depletion and amortization	2,538	2,286
Royalties	1,080	1,478
Total operating costs	18,581	21,100

(i) Other operating costs consists of direct mining and milling costs; which include fuel and electricity, maintenance and repair costs as well as operating supplies, external services and third party smelting and refining fees.

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

General, sales and administrative costs consist of the following:

	September 30, 2013	September 30, 2012
	$	$
Office and overhead costs	754	760
Salaries and wages	784	722
Stock-based compensation	400	95
Listing fees	235	180
Professional fees	884	1,146
Sales expenses	442	465
Total general, sales and administrative expenses	3,499	3,368

Other gains and losses are comprised of the following:

	September 30, 2013	September 30, 2012
	$	$
Fixed asset gain (loss) on sale	8	(12)
Other income (expenses)	(50)	(84)
Total other net gains and (losses)	(42)	(96)

Exploration costs by project are comprised of the following:

	September 30, 2013	September 30, 2012
	$	$
Santa Cecilia (note 15)	343	2,313
Catedral	58	56
La Bella	142	637
Cal Norte	5	5
Tordillo	307	68
Bandurrias	28	33
Services	280	280
Other	23	-
Total exploration costs	1,186	3,392

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

Exploration costs by category are comprised of the following:

	September 30, 2013	September 30, 2012
	$	$
Drilling and geological studies	561	1,767
Claims costs	293	526
Services	280	825
Professional fees	20	146
Others	32	128
Total exploration costs	1,186	3,392

11. Segment information

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

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

The Company's Pimenton segment includes a gold mine and mill operating in Chile. As at September 30, 2013 and 2012, segmented information is presented as follows:

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

	September 30, 2013		
	Pimenton	Corporate	Total
	$	$	$
Sales revenue	18,677	-	18,677
Services revenue	101	-	101
Operating costs	(16,043)	-	(16,043)
Amortization and depreciation	(2,504)	(34)	(2,538)
Operating costs - services	(85)	-	(85)
Reclamation and remediation	(42)	-	(42)
General, sales and administrative	(1,895)	(1,604)	(3,499)
Foreign exchange	(75)	59	(16)
Interest	(58)	(257)	(315)
Other gains and losses (net)	(42)	-	(42)
Impairment charges	(2,140)	-	(2,140)
Exploration costs	-	(1,186)	(1,186)
Income tax expense	(201)	-	(201)
Deferred income tax	881	228	1,109
Total other income (expenses)	(6,161)	(2,794)	(8,955)
Income (loss) and other comprehensive income (loss) for the year	(3,426)	(2,794)	(6,220)
Mining property, plant and equipment	17,820	1,836	19,656
Total assets	21,642	2,091	23,733

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

				September 30, 2012
		Pimenton	**Corporate**	**Total**
		$	**$**	**$**
Sales revenue		25,549	-	25,549
Services revenue		1,896	-	1,896
Operating costs		(18,814)	-	(18,814)
Amortization and depreciation		(2,268)	(18)	(2,286)
Operating costs - services		(1,760)	-	(1,760)
Reclamation and remediation		(58)	-	(58)
General, sales and administrative		(1,417)	(1,951)	(3,368)
Foreign exchange		(27)	(99)	(126)
Interest		(21)	(106)	(127)
Other gains and losses (net)		(96)	-	(96)
Exploration costs		-	(3,392)	(3,392)
Income tax expense		(249)	-	(249)
Deferred income tax		(881)	-	(881)
Total other income (expenses)		(6,777)	(5,566)	(12,343)
Income (loss) and other comprehensive income (loss) for the year		1,854	(5,566)	(3,712)
Mining property, plant and equipment		18,508	1,883	20,391
Total assets		24,375	2,433	26,808

12. Income taxes

The income tax expense (recovery) balance consists of:

	September 30, 2013	September 30, 2012
	$	**$**
Current income tax:		
Based on taxable income for the period	201	249
	201	249
Deferred income tax:		
Original/reversal of temporary differences	(1,109)	881
	(1,109)	881
Income tax expense (recovery)	(908)	1,130

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

The Company operates in multiple industries and jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian tax rate reflects the federal and provincial tax rates in effect in Ontario, Canada for each applicable year. A reconciliation of the combined Canadian effective rate of income tax is as follows:

	September 30, 2013	**September 30, 2012**
	$	**$**
Loss before taxes	(7,128)	(2,582)
Combined Canadian tax rate	**26.50%**	**26.90%**
Income tax (recovery) expense at combined rate	(1,889)	(695)
Difference in foreign tax rates	321	(83)
Non-deductible amounts	531	(3)
Previously unrecognized future tax assets	(228)	1,798
Adjustment for prior years	158	-
Change in deferred tax assets not recognized	199	113
Income tax expense (recovery)	(908)	1,130

The deferred income tax assets (liabilities) balance reported on the balance sheet is comprised of the temporary differences as presented below:

	September 30, 2013	**September 30, 2012**
	$	**$**
Deferred income tax assets:		
Property, plant and equipment, net	-	404
Reclamation and remediation obligations	355	345
Other long-term liabilities	119	144
Tax loss carry forward	288	-
Deferred income tax assets-gross	762	893
Set-off against deferred income tax liabilities	(762)	(893)
Deferred income tax assets-per balance sheet	-	-
Deferred income tax liabilities:		
Property, plant and equipment, net	(650)	(1,609)
Convertible unsecured debenture	(112)	-
Other	-	(165)
Deferred income tax liabilities-gross	(762)	(1,774)
Set-off of deferred income tax assets	762	893
Deferred income tax liabilities-per balance sheet	-	(881)

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

The deferred income tax liability continuity summary is as follows:

	September 30, 2013	September 30, 2012
	$	$
Balance - September 30, 2012	(881)	(881)
Recognized in profit/loss	881	-
Balance - September 30, 2013	-	(881)

A Geographic split of the Company's tax losses not recognized and the associated expiry dates of those losses and credits are as follows:

	Expiry Date	September 30, 2013	September 30, 2012
		$	$
Tax losses - gross			
Canada	2028-2033	6,891	6,857
Chile	None	2,783	-
United States	2026-2033	1,409	1,243
Tax losses - gross		11,083	8,100
Set-off against taxable temporary differences		1,303	-
Total deductible temporary differences not recognized		9,780	8,100

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

13. 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
Cal Norte	Capital contribution of $1,800 to earn 60% equity interest	1,800	1,561
Tordillo	As compensation for services rendered in connection with Tordillo, the Company entered into an agreement to pay $250 within 50 days of first cash flow from the property.	250	-
Cerro del Medio	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 share of a drilling campaign on the property consisting of a minimum of 7,200 metres of drilling which is expected to cost approximately $4,000 in total. In order to obtain 65.6% participation in the project, CEG is committed to fund an estimated $2,624 of this drilling campaign. Mario Hernandez and David Thomson, and an arm's length third party (the majority shareholders in aggregate) are owners of 65.6% of CDM. On June 5, 2013 an amendment agreement was signed which extended the term of the original agreement to June 12, 2014.	2,624	2,656

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

b) Lease commitments

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

	September 30, $
2014	489
2015	393
2016	191
	1,073
Interest	(66)
	1,007

14. Compensation of key management

Key management includes directors (executive and non-executive) and senior executives. The compensation paid or payable to key management for employee services is presented below:

Year ended September 30,	2013	2012
	$	$
Salaries and short-term director benefits (iii)	122	124
Directors fees (iv)	40	45
Other long - term director benefits (Options)	330	46
Services contract (i), (ii)	280	410
	772	625

(i) On April 1, 2010, Compañía Minera Auromin Ltda a Company owned by David Thomson, entered into a services contract with the Company for a period of two years, which was renewed for an additional two year period in the prior year. Under the terms of the contract, the Company will pay $300 per year to Compañía Minera Auromin Ltda. The services to be provided by Compañía Minera Auromin Ltda. include, seeking new mining projects, performing geological studies and designing drill programs for

the Company on exploration projects, conducting preliminary design of the mining plan for designated project and providing other services related to the exploration and development of mining projects. As of September 30, 2013 accounts payable and accrued liabilities included $175 related to this contract (2012 - $225).

(ii) On April 1, 2010 Compañía Minera Chañar Blanco S.A a Company owned by Mario Hernández, entered into a services contract with the Company for a period of two years, which was renewed for an additional two year period in the prior year. Under the terms of the contract, the Company will pay $110 per year to Compañía Minera Chañar Blanco S.A. The services to be provided by Minera Chañar Blanco S.A. include, maintaining title and ownership of mining properties acquired by the Company, acquiring water rights or request concessions of water rights on the properties acquired by the Company and negotiating the acquisition of new mining properties for the Company. As of September 30, 2013 accounts payable and accrued liabilities included $64 related to this contract (2012 - $83).

(iii) On April 1, 2010, the Chief Executive Officer (CEO), who is also a Director of the Company, entered into a management contract for a period of two years, which was renewed for an additional two year period in the prior year. Under the terms of the contract, the Company will pay $110 per year to the CEO plus a travel allowance. As of September 30, 2013 the Corporation paid $12 (2012 - $14) for travel expenses and $110 (2012 - $110) for salary.

(iv) On June 21, 2011 the Board of Directors approved a resolution that non-executive directors be paid $1 per meeting attended. As at September 30, 2013 amounts due to the directors for these director fees were $26 (2012- $33).

15. Related party transactions

A company owned by the CEO (who is also a director) billed $8 to the Company at September 30, 2013 (2012- $7) in relation to office space and services used by the Company. In addition, the Company has a receivable of $196 (2012 - $322) consisting of $132 of cash advances, net of salary and travel expenses, and two loans totaling $64, net of the market value at September 30, 2013 of 653,200 common shares of the Company, owned by him, which collaterizes one of the loans. The cash advances and loans bear no interest rate or specific repayment terms.

A company controlled by the Chief Financial Officer of the Company (the "CFO") billed $52 to the Company for accounting and administration services rendered at September 30, 2013 (2012 - $51). Accounts payable and accrued liabilities include $12 in relation to such services at September 30, 2013 (2012 - $9).

A law firm, of which a director of the Company is a partner, billed the Company $196 at September 30, 2013 (2012 - $236) for legal services. Accounts payable and accrued liabilities include $134 at September 30, 2013 (2012- $6).

Accounts payable and accrued liabilities include $36 at September 30, 2013 (2012-$85) for royalties due to Mario Hernández, who is also a director of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. This officer was paid $589 in royalty payments in 2013 (2011 - $767). Accounts payable and accrued liabilities also include cash advances of $36 at September 30, 2013 (2012 - $612).

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

Accounts payable and accrued liabilities include $36 at September 30, 2013 (2012-$85) for royalties due to David Thomson, who is also a director of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. This officer was paid $589 in royalty payments in 2013 (2012 - $767). Accounts payable and accrued liabilities also include $52 (2012 - $9) of which $41 is for interest not paid on the Debenture issued to him in 2006 and 2012 and which was converted on June 9, 2009 and on June 26, 2013, respectively. Accounts payable and accrued liabilities further include cash advances of $nil at September 30, 2013 (2012 - $613).

In the end of July 2013, Pimenton, a subsidiary of the Company entered into a loan agreement of $3,000 in lieu of repayment of advances provided by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also director of the Company and Compañía Minera Auromín Ltda. a Company owned by David Thomson, who is also director of the Company. The loan 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, 2013 the amount due is $2,585.

In October 2011 Pimenton entered into a services contract with CDM (note 13). The services to be provided by Pimenton include management, machinery and equipment rental. In the year ended September 30, 2013 Pimenton recognized revenue of $101 (2012 - $1,896). The costs related to these services amounted to $85 (2012 - $1,760). As at September 30, 2013 account payable include $26 (2012– receivable $416) related to this contract.

16. Supplemental cash flow information

	September 30, 2013 $	September 30, 2012 $
Changes in non-cash working capital relating to operations		
Receivables	1,394	(926)
Inventories	(295)	333
Recoverable taxes	(75)	137
Accounts payable and accrued liabilities, excluding interest in accrued liabilities	(1,271)	1,049
	(247)	593
Significant non-cash financing and investing activities		
Conversion of advances to convertible debentures		
Shares and warrants issued	-	386
Total interest paid (note 6)	106	60
Total income tax paid	297	44

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

17. Financial instruments

(a) Financial assets and liabilities

The Company's financial instruments at September 30, 2013 and 2012 consist of cash and cash equivalents, accounts receivable, account receivable from related parties, trade and other payable, payables to related parties, warrant liabilities and current and long-term debt.

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

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, 2013, 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
Accounts receivable arising from sales of metal concentrates	$494

At September 30, 2013, 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 measured at fair value in the balance sheet

At September 30, 2013 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:

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

Credit Risk

Accounts receivable consist of:

	September 30, 2013	September 30, 2012
	$	$
Accounts receivable from customers	494	782
Other sundry receivables	632	1,612
Total receivables	**1,126**	**2,394**

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 owned by the State of Chile.

Accounts receivable are subject to normal industry credit risks and are considered low.

During the year ended September 30, 2013 approximately 65% (2012 – 66%) of the Company's sales were 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. During the same period 35% (2012 – 34%) of the Company's sales were to Empresa Nacional de Mineria (Enami) to smelter its gold and copper concentrate. Enami is owned by the State of Chile through its ownership of Corporacion Nacional del Cobre (CODELCO). Enami pays for approximately 60% of the value of shipments the week following delivery and the balance is paid one to two months following the initial payment.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. At September 30, 2013, the Company had a positive working capital of approximately $187. At September 30, 2013 the Company's accumulated deficit was approximately $75,265 and shareholders' equity was approximately $13,462.

The following are the maturities of the Company's liabilities as of September 30, 2013:

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**Over 4 years**
	$	$	$	$
Accounts payable and accrued liabilities	2,449	2,449	-	-
Amount due to related parties	3,017	432	2,585	-
Long term debt and finance leases (note 6)	2,692	813	1,269	610
Total Contractual Obligations	**8,158**	**3,694**	**3,854**	**610**

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

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian Dollar and Chilean Peso.

The Company's risk management objective is to manage cash flow risk related to foreign denominated cash flows.

The Company is exposed to currency risk related to changes in rates of exchange between the US$ and the local currencies of the Company's principal operating subsidiaries. The Company's revenues and certain debt are denominated in US dollars, while most of the Company's operating and capital expenditures are denominated in the local currency. A significant change in the currency exchange rates between the US dollar and foreign currencies could have a material effect on the Company's net earnings and on other comprehensive income.

The following table summarizes, in U.S. dollar equivalents, the Company's major currency exposures as at September 30, 2013:

	Canadian Dollars	Chilean Pesos
Cash and cash equivalents	2	11
Accounts receivable	-	584
Inventory	-	912
Trade and other payables	(238)	(1,957)
Long-term debt	-	(570)
Total as at September 30, 2012	(236)	(1,020)

The impact of the US dollar strengthening or weakening by 10% at September 30, 2013 against the Company's foreign currencies with all other variables held constant would result in a $81 increase or decrease in the Company's other comprehensive income.

Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices of gold, silver, and cooper.

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

The Company is particularly exposed to the risk of movements in the price of gold. Declining market prices for gold could have a material effect on the Company's profitability, and the Company's policy is not to hedge its exposure to gold. The average gold price, in USD per ounce, was $1,541 in 2013 (2012: $1,646). The Company estimates that an increase or decrease in the commodity prices by 10% in 2013 with all other variables held constant would have resulted in an increase or decrease in net income of approximately $1,628.

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 significant expenditure 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.