MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Expressed in thousands of United States dollars, except per share amounts)

The following discussion is a review of the activities, results of operations and financial condition of Cerro Grande Mining Corporation and its consolidated subsidiaries ("CEG" or the "Company") for the year ended September 30, 2013, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of December 7, 2013. This discussion should be read in conjunction with the audited consolidated financial statements as at September 30, 2013, which are available on SEDAR at www.sedar.com. The Company's interim consolidated financial statements and financial data have been prepared using accounting policies consistent with IFRS.
All dollar amounts are expressed in thousands United States dollars, except as otherwise indicated.

Contents of the MD&A

1. Forward Looking Statements
2. Overview
3. Highlights
4. Summary Financial Results
5. Operations at the Pimenton Mine
6. Exploration and Development Projects
7. Investing
8. Financing
9. Liquidity and Capital Resources
10. Off-Balance Sheet Arrangements
11. Related Party Transactions
12. Critical Accounting Estimates
13. Securities Outstanding
14. Controls
15. Qualified Person

1. FORWARD LOOKING STATEMENTS

This management's discussion and analysis contains or refers to forward-looking statements. All information, other than information regarding historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "may", "could", "potential", "should" "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Such forward-looking information includes, without limitation, information regarding the Company's expected or planned targets with respect to its operations and projects, estimates and/or anticipated levels and grades of future gold and/or copper production, the estimated mine life of the Pimenton gold mine, expectations regarding future production levels at Pimenton, potential mineralization, exploration results and the Company's future exploration plans, development and operational plans and objectives (including delineating additional mineral resources), expectations regarding cash flows, revenue and expenses, expectations regarding the timing for the calculation of mineral reserves, management's beliefs regarding the value of its deposits, expectations with respect to the level and funding of working capital, the expected increase in concentration of gold in its Knelson concentrate resulting from the new gold table and gold furnace and the Company's expectations regarding its dividend policy.

The forward-looking statements in this management's discussion and analysis reflects the current expectations, assumptions or beliefs of the Company based on information currently available to the Company. With respect to forward-looking statements contained in this management discussion and analysis, the Company has made assumptions regarding, among other things, the Company's ability to generate sufficient cash flow from operations and capital markets to meet its future obligations, the regulatory framework in Chile, with respect to, among other things, permits, licenses, authorizations, royalties, taxes and environmental matters, the ability of management to increase commercial mining operation at Pimenton, and the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand.

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

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

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

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

2. OVERVIEW

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

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

3. HIGHLIGHTS

Operational Highlights

- Gold produced by the Pimenton Mine for the year ended September 30, 2013 was 10,835 oz compared to 12,583 oz in the prior year.
- Pimenton's cash cost for the year ended September 30, 2013 was $1,191 per ounce of gold produced net of by product credits, compared to $1,086 per oz in the prior year.
- Pimenton's production cost, which includes depreciation and amortization, for the year ended September 30, 2013 was $1,422 per ounce of gold produced net of by product credit compared to $1,203 per oz in the prior year.
- The average gold recovery for the year ended September 30, 2013 was 94.28% compared to 94.17% in the prior year.

- The Company expects the mine to maintain milling rates of 120 tons per day depending on the rate of conversion of its known resources to reserves.
- Currently the plant has been permitted to operate at an average of 166 tons per day. The Company has prepared but not yet submitted permits to take the mine up to 500 tons per day.

Financial Highlights

- Loss before income taxes for the year was $7,128 which included an impairment charge of $2,140 (2012 - $2,582). Loss before income taxes for the three month ended September 30, 2013 was $806 (2012 – income $654).
- Average price per ounce of gold sold for the 2013 fiscal year was $1,536 (2012 - $1,646). Average price per ounce during the three months ended September 30, 2013 was $1,327 (2012- $1,668).
- Net loss after income taxes for the 2013 fiscal year was $6,220 compared to $3,712 in fiscal 2012. Net loss after income taxes for the three months ended September 30, 2013 was $10 compared to $432 in the same three month period in 2012.
- Basic loss per share for fiscal 2013 was a loss of 0.06 cents per share compared to a loss of 0.04 cents per share in 2012.
- At September 30, 2013, the Company had cash and cash equivalents of $53 compared to $1,336 at September 30, 2012.
- Cash flow from operations as at September 30, 2013 was negative $2,338 (2012- positive $626).

Other Highlights

- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, the Santa Cecilia project, Tordillo exploration and the Catedral/Rino and Cal Norte limestone deposits are not reflected in the Company's market capitalization. The Company will continue its effort to enhance the underlying values of its assets.
- In December 2012, the Company has made the decision not to renew its claims on the La Bella prospect. This prospect has now been abandoned.

4. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated profit and loss for the fourth quarter and year ended September 30, 2013 with comparatives for the same periods in 2012.

	Three months ended		Twelve months ended	
	September 30, 2013	**September 30, 2012**	**September 30, 2013**	**September 30, 2012**
Revenue	**$**	**$**	**$**	**$**
Sales	3,598	7,675	18,677	25,549
Services	0	0	101	1,896
	3,598	7,675	18,778	27,445
Expenses				
Operating costs	3,659	5,655	18,581	21,100
Operating costs for services	0	0	85	1,760
Reclamation and remediation	10	3	42	58
General, sales and administrative	529	960	3,499	3,368
Foreign exchange	50	10	16	126
Interest	80	23	315	127
Other gains and losses (net)	(5)	(1)	42	96
Impairment charges	0	0	2,140	0
Exploration costs	81	371	1,186	3,392
	4,404	7,021	25,906	30,027
Loss and comprehensive loss before income taxes	(806)	654	(7,128)	(2,582)
Income tax expense	(43)	(205)	(201)	(249)
Deferred income tax	839	(881)	1,109	(881)
Loss and comprehensive loss for the period	(10)	(432)	(6,220)	(3,712)

1) Consolidated statements of loss and other comprehensive loss for the three month periods ended September 30, 2013 and 2012:

    a) Revenue for the three month period ended September 30, 2013 decreased over the same period in 2012 due to a decrease in gold sales to 3,031oz compared to 6,620 oz in the three month period ended September 30, 2012. This was combined with a lower average closing price of gold on the LME of $1,522 for the quarter ended September 30, 2013 (2012-$1,660).

    b) Operating expenses for the three months ended September 30, 2013 were $3,659 compared to $5,655 for the same period in 2012. The decrease of $1,996 consists of decreases in direct costs of $833; labor cost of $548; net smelter return of $233; indirect costs of $262, of which $55 related to mine insurance and $128 related to a measurement and monitoring program. In addition, refining and metallurgical charges decreased by $44 and inventory variation decreased by $183. These decreases were offset by a reduction of depreciation and amortization of $107.

c) General and administrative costs for the three months ended September 30, 2013 were $529 compared to $960 for the same period in 2012. This $431 decrease was due to decreases of $57 in stock based compensation; professional fees of $206; salaries of $92 and increases in insurance and other expenses of $119. These were further offset by an increase in sales expenses of $43.

d) The Company expenses its exploration costs on all properties until a NI 43 -101 compliant resource has been established on a property. As a result, during the three month period ended September 30, 2013, the Company expensed $81 (2012 – $371) of exploration costs as follows: La Bella $nil (2012 – $59); Bandurrias $2 (2012 – $2); Santa Cecilia $6 (2012 - $240); Tordillo $3 (2012- $nil); and other $70 (2012 -$70).

2) Consolidated statements of income (loss) and other comprehensive income (loss) for the year ended September 30, 2013 and 2012:

a) Revenue for the year ended September 30, 2013 decreased compared to the same period in 2012 due to lower gold sales of 10,591 oz compared to 13,576 oz in the year ended September 30, 2012. This was combined with a lower average closing price of gold on the LME of $1,536 for the year ended September 30, 2013 (2012 - $1,646)

b) Operating expenses for the year ended September 30, 2013 were $18,581 compared to $21,100 for the same period in 2012. The change of $2,519 consists of decreases in labor costs of $460; direct costs of $529; indirect costs of $197; refining and metallurgical charges of $38; net smelter return of $398; inventory variation of $1,016 and expansion cost of $133. This was off set by an increase in of depreciation and amortization in the amount of $252. Costs from services provided by Pimenton to CDM including management, machinery and equipment rent was $85 (2012 - $1,760).

c) General and administrative costs for the year ended September 30, 2013 were $3,499 compared to $3,368 for the same period in 2012. This $131 increase was due to increases of $62 in salaries; listing fees $55 and stock based compensation of $305. This was offset by reductions in professional fees of $262 and sales and office expenses of $29.

d) The Company expenses its exploration costs on all properties until a NI 43 -101 compliant resource has been established on a property. As a result, during the year ended September 30, 2013, the Company expensed $1,186 (2012 – $3,392) of exploration costs as follows: La Bella $142 (2012 – $637); Bandurrias $28 (2012 – $33); Santa Cecilia $343 (2012 - $2,313); Tordillo $308 (2012- $68); Catedral $58 (2012 – $56); Cal Norte $5 (2012 – $5); and other $302 (2012 -$280).

e) 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.

3) Consolidated Cash flow for the year ended September 30, 2013

Cash generated by the Pimenton Mine decreased due to operational problems and the drop in the price of gold. The operational problems related to delays in a main drive to reach known ore shoots below the existing levels.

David Thomson and Mario Hernandez, both Officers and Directors of Cerro Grande Mining Corporation through their respective companies have made cash advances to the Company to sustain its operations and keep its obligations to outside creditors up to date.

4) Consolidated Statement of Financial Position as at September 30, 2013

As at September 30, 2013, the Company had a positive working capital of $187 (2012–$223). David Thompson and Mario Hernandez provided funds for working capital during the current and prior year. $2,585 of these funds have been converted to a loan which will be repaid in July 2016 at a 5% interest rate.

The following information is provided for each of the eight most recent quarterly periods ending on the dates specified. The figures are extracted from underlying unaudited financial statements that have been prepared using accounting policies consistent with IFRS.

Summary of Quarterly Results

	September 30 2013	June 30, 2013	March 31, 2013	December 31 2012
Sales	3,598	2,423	6,225	6,532
Net income (loss) before extraordinary items	(600)	(3,185)	(561)	917
Per share	(0.006)	(0.031)	(0.006)	0.010
Per share diluted	(0.005)	(0.029)	(0.005)	0.009
Net income (loss) after extraordinary items	(878)	(4,148)	(1,082)	(112)
Per share	(0.009)	(0.041)	(0.011)	(0.001)
Per share diluted	(0.008)	(0.038)	(0.010)	(0.001)

	September 30 2012	June 30, 2012	March 31, 2012	December 31 2011
Sales	7,675	8,199	6,282	5,289
Net income (loss) before extraordinary items	1,057	(157)	(162)	420
Per share	0.011	(0.002)	(0.002)	0.004
Per share diluted	0.010	(0.001)	(0.002)	0.004
Net income (loss) after extraordinary items	(432)	(2,328)	(994)	42
Per share	(0.005)	(0.025)	(0.010)	0.000
Per share diluted	(0.004)	(0.022)	(0.009)	0.000

5. OPERATIONS AT THE PIMENTON MINE

Safety, Health and Environment

The following safety statistics have been presented for the fourth quarter and fiscal year ended in 2013 along with 2012 comparables:

Pimenton Mine Safety Statistics				
	For the 3 months ended September 30,		**For the year ended September 30,**	
	2013	**2012**	**2013**	**2012**
Lost time injury	3	2	15	9
Medical aid	4	3	12	20
Total	**7**	**5**	**27**	**29**
Total injury frequency rate (i)	23.43	12.90	26.29	15.00
Total disabling injury frequency rate (ii)	195	1,257	826	1,105
Lost days for medical aid	25	205	471	674
Man -hours worked	128,046	155,076	570,492	599,916

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

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

Overall, for the year ended September 30, 2013 Pimenton's accident record has improved compared to the prior year ended September 30, 2012, and the severity of these have decreased considerably, which is reflected in the total number of lost days. The Company has made significant changes to its safety staff including personnel changes and certified training programs.

There were no adverse environmental issues during the years ended September 30, 2013 and 2012.

Gold Production

Gold produced in Q4 of 2013 was 2,614 ounces, a 51.62% increase compared to the 1,724 ounces produced in Q3 of 2013 and a 30.64% decrease compared to 3,769 ounces produced in Q4 of 2012. Total gold production in fiscal 2013 was 10,835 ounces, a 13.89% decrease over the annual gold production in 2012 of 12,583.

The following table shows the tonnes milled, average mill grade, gold plant recovery and gold produced during each quarter of 2013 and 2012:

Quarter	Tonnes milled	Average mill grade Au (gr/ton)	% Gold recovery	Gold Produced Oz
Q1-2013	10,089	12.71	92.92	3,819.95
Q2-2013	9,356	11.43	93.10	2,676.65
Q3-2013	8,665	7.85	94.30	1,724.18
Q4-2013	8,673	10.50	94.56	2,614.43
	36,783	10.61	94.30	10,835.21

Quarter	Tonnes milled	Average mill grade Au (gr/ton)	% Gold recovery	Gold Produced Oz
Q1-2012	7,229	11.39	94.86	2,135.88
Q2-2012	9,397	9.73	92.93	2,861.43
Q3-2012	8,665	13.88	93.82	3,817.03
Q4-2012	9,045	13.65	95.08	3,768.92
	34,336	12.16	94.17	12,583.26

The drop in production in Q3-2013 was as a result of a 1,000 meter drift on the Esperaza 4 level which was being driven to the mines principal producing vein called the Lucho vein. It was expected this 1,000 meter drift would be completed in March, 2013 but it encountered very difficult rock conditions in the first 100 meters of drift causing a 3 month delay in reaching the Lucho vein. Once encountered, it was found that the vein had split into a loop form and that required additional underground drilling to confirm its true width and the grade of ore in each of the loops. In April the head grade into the mill was 8.87 g/t and .92% copper. In May, the plant was shut down for 10 day due to icing conditions during a snow storm and the head grade into the mill for the month dropped to 6.09 g/t and .81% copper. For the fiscal year ended September 30, 2013 the average head grade into the mill was 10.61 g/t. For the fiscal year ended September 30, 2012 the average head grade of gold into the mill was 12.16 g/t. On June 9th the ball mill was shut down for a period of 7 days due to a serious failure of the ball mill support at the exit end of the mill. This combined with a decrease in the grade, led to a production drop from 2,677 oz for the quarter ended March 31, 2013 to 1,724 oz for the quarter ended June 30, 2013.

Operating Costs

The cash cost per ounce of gold produced during the quarters from October 2012 to September 30, 2013 are set out in the table below.

Reconciliation of Non-IFRS Measures Cost of Production:

	Q1-2013	**Q2-2013**	**Q3-2013**	**Q4-2013**	**Total**
Gold ounces produced	3,819.95	2,676.65	1,724.18	2,614.43	10,835.21
Direct mine expenses	4,190	4,292	3,593	3,164	15,239
By product credits (deduct)	(718)	(783)	(282)	(547)	(2,330)
Cash Costs	3,472	3,509	3,311	2,617	12,909
Cash cost/Oz	**908.91**	**1,310.97**	**1,920.33**	**1,000.98**	**1,191.39**
Depreciation	358	386	434	451	1,629
amortization	296	218	140	221	875
Production costs	4,126	4,113	3,885	3,289	15,413
Production cost/Oz	**1,080.12**	**1,536.62**	**2,253.25**	**1,258.02**	**1,422.49**
Net Smelter return	376	358	136	206	1,076
Total costs	4,502	4,471	4,021	3,495	16,489
Total cost/Oz	**1,178.55**	**1,670.37**	**2,332.12**	**1,336.81**	**1,521.80**

Mineral Reserves and Resources

The Company has received a NI-43-101 Technical Report entitled "A Technical Report on the Pimenton Mine, The Surrounding Pimenton Property and the Nearby Tordillo Property in Central Chile", dated December 17, 2013, which gives Pimenton the following reserves:

	Tonnes	g Au/t	Contained oz Au	% Cu
Proven Reserves	28,000	11.0	9,600	1.2
Probable Reserves	110,000	11.1	38,000	1.2
Proven + Probable Reserves	138,000	11.1	47,600	1.2

Not included are inferred resources of 162,000 tonnes at a grade of 12.3 g Au/t and 1.3% Cu. Proven and probable reserves are sufficient to operate the mine for in excess of three years at its current rate of production of 120 tonnes per day. The Company also believes it will be successful in converting inferred resources into reserves.

Exploration and development are ongoing at the Pimenton mine. The rate of exploration and development at Pimenton is expected to increase during the fiscal year 2014.

Risks

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

- Increasing costs: Pimenton, and other Chilean miners, continue to experience significant upward cost pressures from labour and the costs associated with generating their own electricity at the mine.
- Reserve replacement: As is normal with exploration/development in narrow veins, activities at Pimenton may not identify sufficient resources of an adequate grade to replace ore which has been depleted by mining activities. Pimenton has embarked on development and exploration programs as set out under "Mineral Reserves and Resources" above.
- The Company does not use financial instruments to mitigate the risks of either change in the price of gold or currency fluctuations.
- The mining industry is intensely competitive in all of its phases. The Company competes with many companies possessing larger technical facilities and financial resources.
- All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed

projects and a heightened degree of responsibility for companies and their officers, directors and employees.

- The Company is subject to foreign exchange variations against its functional currency, the United States dollar, as it purchases certain goods and services in Chilean pesos and Canadian dollars. The Chilean peso fluctuates in line with a basket of currencies currently consisting of the US dollar, the Euro and the Japanese yen. The Central Bank of Chile from time to time re-weights the percentage of emphasis placed on a given currency in the basket and may from time to time replace one world currency in the basket with another world currency.
- The Company operates primarily in Chile and is exposed to the laws governing the mining industry in Chile. The Chilean government is currently supportive of the mining industry but changes in government regulations including taxation, repatriation of profits, restrictions on production, export controls, environmental compliance, expropriation of property and shifts in political stability of the country and labour unrest could adversely affect the Company's exploration efforts and production plans.
- The Company's mine is located in an area that can experience severe winter weather conditions that could adversely affect mining operations.

Opportunities

- Increased production: Pimenton's existing reserves and resources would support a further increase in production provided the necessary investments in the resource development can be made.
- Surplus capacity: The plant at the Pimenton Mine currently has a daily average milling capacity of over 150 tons per day. Any increased production arising from increased mining throughput could therefore be processed with little or no capital investment and incur only consumable costs to treat any increase throughput.
- Exploration success: Depending on future exploration success, Pimenton may be able to increase its production levels.

Outlook

The Company achieved annualized production of 10,835 ounces of gold in 2013, which is expected to be sustained and increased over next year. As a result of upgrades made to the plant during 2012, the plant has surplus capacity and can process additional ore.

The Company is able to produce its own gold doré at the mine site, allowing it to ship the gold doré bars directly to a gold refinery in Europe. 90% of the value of this gold shipment is paid during the week following delivery with the balance of amounts due being received a month from the day of receipt of the initial payment. For the year ended September 30, 2013, 65% of the Company's sales were to a gold refinery in Europe and 35% to the Enami smelter in Ventana, Chile. Enami is owned by the State of Chile through its ownership of CODELCO. Enami pays for approximately 60% of the value of shipment the week following delivery and the balance of the payment is made one to two months following the date of receipt of the initial payment.

6. EXPLORATION AND DEVELOPMENT PROJECTS

Pimenton - porphyry copper

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

The Company will continue exploration and drilling on the Pimenton porphyry copper deposits during the 2013 and 2014 exploration seasons.

Tordillo

The Company holds mining claims on Tordillo which is located 11.5 kilometers south-southwest of Pimenton and covers an area of 6,632 hectares (16,381 acres). Tordillo is in the early exploration stage and to date the Company has identified several gold/copper vein structures similar to those at Pimenton and an area of potential porphyry copper mineralization. The preliminary data suggests Tordillo contains the upper part of a deep-seated copper/gold and possibly copper molybdenum porphyry system associated with narrow high grade gold and copper veins which may be widespread and represent a separate exploration target. Tordillo is located in an area of intense exploration activity and was acquired by the Company in 2006.

Subsequent exploration should bring into perspective the vein potential and establish if the porphyry system is large enough to host possible economic copper mineralization. During the year ended September 30, 2013, the Company expensed a total of $308 (2012 - $68) relating to mining property costs and exploration costs on Tordillo. The Company started to do further exploration at Tordillo during 2013.

La Bella

In December 2012, the Company made the decision not to renew its claims on La Bella prospect. This prospect has now been abandoned.

During the year ended September 30, 2013, the Company expensed a total of $142 (2012 - $637) relating to mining property costs and exploration costs on La Bella. All these costs were incurred in the first quarter of the year.

Santa Cecilia

On July 11, 2011 CEG signed a Letter of Agreement with the majority shareholders representing 65.6% of the outstanding shares of Compania Minera Cerro del Medio (CDM), the 100% owner of the Santa Cecilia project which is located in the Maricunga gold district of Chile and adjacent to Exeter Resources Caspiche project. 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 $4,000. CEG is committed to fund an estimated $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. On June 5, 2013 an amendment agreement was signed which extended the term of the original agreement to June 12, 2014. At September 30, 2013 3,335 meters had been drilled at a total estimated contribution to CDM of $4,155 which includes $448 related to a geophysical study. Please see News Releases dated March 22, 2012, June 19, 2012 and March 20, 2013 for drill hole results on the Company's web site, www.cegmining.com.

During the year ended September 30, 2013, the Company expensed a total of $343 (2012 - $2,313) relating to mining property costs and exploration costs on CDM, the majority of which was expended in the first quarter of the year.

In October 2012, the Company began an Orian 3D geophysical study by Quantec Geoscience Toronto, Canada on Santa Cecilia. Based on the study, Quantec recommended twenty-three DC/IP/MT anomalies for future drilling, nearly all of which are located within the previously established five MMI (mobile metal ion) gold and copper anomalies at Santa Cecilia. One of the most interesting DC/IP/MT anomalies sighted for drilling lies 1,000 meters to the south west of Exeter Resources Caspiche orebody.

Under the terms of the Letter of Agreement dated July, 2011 CEG has engaged a qualified engineering firm to supervise the drilling campaign on Santa Cecilia. This firm will also update NI 43-101 technical reports on CEG's other projects and Santa Cecilia on completion of the drilling campaign.

Following the completion of the drilling campaign on Santa Cecilia, and receipt of the NI 43-101 technical reports, an evaluation of CEG and CDM will be undertaken by a competent, independent investment banking group to value CEG and CDM. On completion of a satisfactory evaluation, CEG will have 90 days in which to determine if it wishes to proceed with acquiring the interest of the Majority Shareholders in CDM.

Under the terms of the agreement, CEG or CDM may terminate the Letter of Agreement under certain circumstances. Depending on the circumstance, CEG will be reimbursed up to 125% of its share of drilling campaign costs. CEG may terminate the agreement at any time after having drilled not less than 1,500 meters.

Pending a full review of the Quantec geophysical study, the Company had postponed any further expenditures in fiscal 2013 on Santa Cecilia.

Since the letter of agreement has no immediate impact on the shareholdings of Mr. Hernandez and Dr. Thomson in CEG, CEG is unable to provide a description of any impact that a definite acquisition agreement may have on any shareholdings in CEG at this, or any other, time.

Final approval of any such acquisition will likely require CEG shareholder and Toronto Stock Exchange approval.

Bandurrias

During the year ended September 30, 2013 acquisition costs of $28 were expensed (2012- $33).

Limestone deposits

The Company holds interest in two limestone deposits. Lime is used by the Chilean mining industry in processing sulfide copper ores and in heap leaching of gold ores.

The Company's limestone deposits at Catedral and Cal Norte contain high grade limestone which, when calcined, can produce lime that the Company's management believes will qualify for use by the Chilean mining industry. While the changing economic situation will enable the Company to continue its efforts to become a supplier of lime to the Chilean copper industry, it also strengthens the Company's position as it reviews alternative strategies for the sale, joint venture or spin-off of the Catedral/Rino and Cal Norte limestone properties.

As at September 30, 2013, the Company had contributed a cumulative total of $4,027 (2012 - $3,969) to finance a drilling program on Catedral/Rino and complete a preliminary feasibility study for the construction of a 1,320 ton per day capacity cement manufacturing facility on the project as well as a preliminary feasibility study for construction of a 600 ton per day lime kiln on the Catedral property. During prior years the Company had written off $3,969 in mining properties and exploration costs relating to Catedral/Rino. For the year ended September 30, 2013 and 2012 the Company expensed $58 (2012 - $56) relating to mining property costs on Catedral/Rino.

As at September 30, 2013, the Company had contributed a total of $1,561 (2012 - $1,556) to Cal Norte, to finance a bankable feasibility study on the project, environmental permitting, and further mine development. Although the Company has incurred sufficient exploration expenditures to maintain the Cal Norte property in good standing, the Company expensed $1,556 in prior years as it focused its efforts on the Pimenton gold mine. For the year ended September 30, 2013 the Company expensed $5 (2012-$5) related to mining property costs on Cal Norte.

7. INVESTING

During the year ended September 30, 2013 the Company invested $3,153 (2012 - $2,763) in mining property, plant and equipment.

8. FINANCING

The Company financed all its operations using either funds on hand, funds generated by its operations, lease financing or convertible debentures. The only common stock issued during the year was for the early conversion of the November 15, 2012 convertible debentures issued to David Thompson and Mario Hernandez. A total of 5,228,076 shares were issued. No other common stock issuance took place during the year ended September 30, 2013 and none is currently planned. The Company's secured mortgage bears an interest rate of 5.13% and is secured by the building and land the Company uses for its office space.

9. LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2013, the Company shows a positive working capital of $187 (2012- $223).

As of September 30, 2013 the Company had potential liabilities for reclamation and remediation costs, if and when the Pimenton Mine is permanently closed, at an estimated present value cost of $2,113 (2012 - $1,727). The Company recalculated the cash flow estimation under updated parameters. The expected undiscounted remediation of $2,360 is expected to be incurred in 5 years. These estimated cash flows are discounted using a long term 5 year Chilean interest rate of 2.24% as at 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	2,991	406	2,585	-
Debt and finance leases	2,692	813	1,269	610
Conditional loan agreement (1)	2,500	-	-	2,500
Tordillo prospect (2)	250	-	-	250
Santa Cecilia agreement	26	26	-	-
Total Contractual Obligations	**10,908**	**3,651**	**3,854**	**3,360**

Note (1). Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to $1,250 each or $2,500 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totaling $500, which was paid during 1997.

Note (2). As compensation for services rendered in connection with Tordillo, the Company entered into an agreement to pay $250 within 50 days of first cash flow from the property.

The Company must make an additional capital contribution of $239 in Cal Norte to earn its 60% equity interest.

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

10. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

11. RELATED PARTY TRANSACTIONS

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 by September 30, 2013 (2012 - $236) for legal services. At September 30, 2013, accounts payable and accrued liabilities include $134 for these services (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 $36 at September 30, 2013 (2012 - $612).

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 $nil at September 30, 2013 (2012 - $613).

At the end of July 2013, Pimenton, a subsidiary of the Company entered into a loan agreement of $3,000 in lieu of working capital 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 and has a 5% interest rate. The loan is secured by certain fixed assets and mining rights. As at September 30, 2013 the amount of the loan payable was $2,585.

In October 2011 Pimenton entered into a services contract with CDM. 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) related to the agreement. 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.

In April 2013, Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also director of the Company entered into a rent contract with Compañía Minera Pimentón for a Los Andes office. For the year ended September 30, 2013 Pimenton has recognized expenses of $9 (2012 - $nil).

On June 21, 2011 the board approved a resolution that non-executive directors be paid $1 per meeting attended. The 2013 costs related to these director fees amounted to $40 (2012 - $45). At September 30, 2013 amounts due to the directors for these director fees were $26 (2012 - $33).

Two officers and directors of the Company hold the non-controlling interest in Catedral. Under an agreement dated November 27, 1996, the Company agreed to provide or cause to provide these officers and directors a loan of up to $1,250 each or $2,500 in total. Such loans are to pay their proportionate share of development costs if a bankable feasibility study demonstrates that the properties can be placed into commercial production, and to fund their combined 50% share of an option payment totaling $500, which was paid during 1997.

On February 9, 1999, the Board of Directors agreed to amend its November 27, 1996, agreement with Messrs. Hernandez and Thomson regarding the recovery of advances made to explore and develop the Catedral prospect. The Board of Directors agreed that all funds advanced will be recovered from 80% of the cash flow of the properties or from the sale thereof until the Company has recovered 125% of such advances. On September 11, 2000, the Board of Directors agreed to an additional amendment to this agreement limiting recovery of advances made through September 30, 2000, to $3,125 (and not the 125% of such advances). Such recovery will be from 60% (reduced from 80% previously agreed upon) of the cash flow from the property or the sale of the property. Future advances will also be recovered from 60% of the cash flow. Accordingly, such advances have been reflected in “Exploration and development costs.”

In 2001, the Board of Directors and Compensation Committee of the board approved the granting of a 3.2% net smelter royalty interest on Tordillo to the CEO, the Executive Vice President and Director of Exploration and the Executive Vice President and Director of Administration who are also Directors of the Company.

12. CRITICAL ACCOUNTING ESTIMATES

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

Mining properties, plant and equipment

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

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

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

- Mining properties and development - UOP
- Building 5 years (which does not exceed the expected life of the mine)
- Plant and Equipment 1- 5 years (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.

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

Exploration and development costs

Acquisition and exploration costs of exploration properties are expensed as incurred. Once resource potential has been established as defined by a National Instrument (NI) 43-101 report future costs are then capitalized. Upon reaching commercial production, these capitalized costs are transferred from exploration properties to mining properties, plant and equipment as mine development costs and are amortized into operations using the units of production method, based on proven and probable mineral reserves and mineral resources.

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

Revenue recognition

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

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

Stock-based compensation

The Company has a share option plan, as discussed in note 7 (c). Compensation expense is recorded when share options are issued to directors, officers or employees under the Company's share option plan, based on the fair value of options granted. Consideration paid by optionees on exercise of an option is recorded in share capital. Stock-based compensation given to outside service providers is recorded at the fair value of consideration received or consideration given, whichever is more readily determinable. The fair value of options granted or consideration given is determined using the Black-Scholes valuation model, with volatility factors and risk-free rates existing at the grant date. The share price at the grant date is considered to be equal to the closing price of the Company's stock on the TSX on the business day preceding the grant date.

Reclamation and remediation

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

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

13. SECURITIES OUTSTANDING

As of December 7, 2012, the Company has issued one class of common shares of which a total of 101,528,790 common shares were outstanding. As of December 7, 2013, the Company had 1,608,254 common share purchase warrants outstanding, each of which is exercisable into one common share at exercise prices of CA$0.50 through May, 2015. Options granted under the stock option plan of the Company (each, an "Option") outstanding as of December 7, 2013, totaled 6,090,999 of which 5,715,999, are currently exercisable into one common share at prices of CA$0.10 to CA$0.79 per common share expiring at various dates through April, 2018.

"CEG" is the stock trading symbol on the TSX for the Company and the OTCQX International Symbol CEGMF on the OTC market.

14. CONTROLS

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, the effective functioning of its audit committee and procedures in place to systematically identify matters warranting consideration of disclosure by the audit committee.

As at the end of the period covered by this management's discussion and analysis, management of the Company, with the participation of the CEO and the CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by applicable Canadian securities laws. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under applicable Canadian securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

Internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS and includes those policies and procedures that: (a) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the issuer; and are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

As at the end of the period covered by this management's discussion and analysis, management of the Company, under the supervision of the CEO and the CFO, evaluated the effectiveness of the Company's internal control over financial reporting as required by applicable Canadian securities laws. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this management's discussion and analysis, the internal control over financial reporting were effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

During the most recent quarter there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

15. QUALIFIED PERSON

Mineral Reserves and Mineral Resources Estimates

The Company has compiled with an independent qualified person under National Instrument 43-101, a Mineral Reserve and Mineral Resource estimate of the Pimenton Mine on December 17, 2013. These reports are filed on SEDAR at www.sedar.com.