

CERRO GRANDE MINING CORPORATION

**Report to Shareholders
for the
First Quarter Ending
December 31, 2015
(These statements have not been audited)**

**Listed on the Canadian Securities Exchange
Symbol: CEG
and
The OTCQB International
Symbol: CEGMF**

The Company's auditors have not reviewed these condensed interim consolidated financial statements for the three month period ended December 31, 2015.

Management's responsibility for financial reporting

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

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

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

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

"Stephen W. Houghton"
Chief Executive Officer

"Peter W. Hogg"
Chief Financial Officer

March 9, 2016

Cerro Grande Mining Corporation
Condensed Interim Consolidated Statements of Financial Position
As at December 31, 2015
(Unaudited)

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

	December 31,	September
	2015	30,
	\$	2015
	\$	\$
Current assets		
Cash and cash equivalents	149	252
Accounts receivable (Note 3)	678	509
Recoverable taxes	36	142
Inventory (Note 4)	709	787
	1,572	1,690
Non-current assets		
Receivable from a related party (Note 11)	403	402
Fixed assets, plant and equipment (Note 5)	8,236	8,728
	8,639	9,130
Total assets	10,211	10,820
Current liabilities		
Trade and other payables (Note 6)	1,435	1,967
Due to related parties (Note 11)	5,285	7,714
Current portion of long-term debt (Note 7)	145	209
	6,865	9,890
Non-Current liabilities		
Long-term debt (Note 7)	624	637
Due to related parties (Note 11)	-	-
Reclamation and remediation	1,474	1,471
	2,098	2,108
Total liabilities	8,963	11,998
Shareholders' equity		
Share capital (Note 8)	87,119	83,653
Warrants (Note 9)	379	379
Contributed surplus	8,042	8,042
Convertible unsecured debenture	65	65
Deficit	(94,357)	(93,317)
Total shareholders' equity	1,248	(1,178)
Total liabilities and shareholders' equity	10,211	10,820

Approved by the Board of Directors

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

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

Cerro Grande Mining Corporation
Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss
For the three months ended December 31, 2015 and 2014
(Unaudited)

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

	Three months ended	
	Dec 31,	Dec 31,
	2015	2014
	\$	\$
Revenue		
Sales	2,646	2,464
	<u>2,646</u>	<u>2,464</u>
Expenses		
Operating costs	3,024	3,285
Reclamation and remediation	-	19
General, sales and administrative	649	564
Foreign exchange	(49)	(20)
Interest	49	53
Other gains and (losses) net	13	(23)
	<u>3,686</u>	<u>3,879</u>
Loss and comprehensive loss before income taxes	(1,040)	(1,415)
Income tax (expense)/recovery	-	-
Deferred income tax	-	-
Loss and comprehensive loss for the period	<u>(1,040)</u>	<u>(1,415)</u>
Basic and diluted loss per share	<u>(0.003)</u>	<u>(0.008)</u>
Weighted average number of shares outstanding	267,852,410	174,977,010

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

Cerro Grande Mining Corporation

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

For the three months ended December 31, 2015 and 2014

(Unaudited)

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

	Share capital (Note 9 (b))	Warrants (Note 10)	Contributed surplus	Convertible unsecured debentures	Deficit	Total equity
Balance - October 1, 2014	81,163	211	7,779	117	(80,412)	8,858
Convertible unsecured debenture	-	-	-	(59)	-	(59)
Private placements	2,863	-	-	-	-	2,863
Net loss	-	-	-	-	(1,415)	(1,415)
Balance - December 30, 2014	84,026	211	7,779	58	(81,827)	10,247
Balance - October 1, 2015	83,653	379	8,042	65	(93,317)	(1,178)
Convertible unsecured debenture	-	-	-	-	-	-
Private placements	3,466	-	-	-	-	3,466
Net loss	-	-	-	-	(1,040)	(1,040)
Balance - December 30, 2015	87,119	379	8,042	65	(94,357)	1,248

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

Cerro Grande Mining Corporation

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended December 31, 2015 and 2014

(Unaudited)

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

	December 31, 2015	December 31, 2014
	\$	\$
Net loss for the period	(1,040)	(1,415)
Non-Cash items:		
Amortization and depreciation	673	597
Accretion of interest on long-term debt	5	65
Foreign exchange gain	(49)	(20)
	<u>(411)</u>	<u>(773)</u>
Change in non-cash working capital relating to operations	358	975
	<u>(53)</u>	<u>202</u>
Investing activities		
Additions to mining properties, plant and equipment	(180)	(475)
	<u>(180)</u>	<u>(475)</u>
Financing activities		
Loan from related parties	230	432
Repayment of gold loan	(17)	100
Finance leases	(100)	(101)
	<u>130</u>	<u>431</u>
Effect of foreign exchange on cash held in foreign currency	-	(3)
	<u>(103)</u>	<u>158</u>
Increase (decrease) in cash and cash equivalents during the period	(103)	158
Cash and cash equivalents - Beginning of period	<u>252</u>	<u>87</u>
Cash and cash equivalents - End of period	<u><u>149</u></u>	<u><u>245</u></u>

Cerro Grande Mining Corporation

Notes to the Consolidated Financial Statements

December 31, 2015 and September 30, 2015.

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

1. Nature of the Company and Going concern assumption

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 Canadian Securities Exchange (“CSE”) trading under the symbol “CEG” and on the OTCQB 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 Royal Bank Plaza, South Tower, 200 Bay Street Suite 3800, Toronto, ON M5J 2Z4, Canada.

The company’s only significant subsidiary is Compañía Minera Pimentón (Pimentón).

These consolidated financial statements have been prepared on a “going concern” 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 December 31, 2015, the Company has a negative working capital of \$ 5,293 (September 30, 2015 – negative \$8,200).

While the Company has operations generating revenue it continues to be reliant on financing from related parties to finance its operations and working capital. While the Company continues to seek 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 material uncertainties cast 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 would be necessary should the Company be unable to continue as a going concern and those adjustments may be material.

2. Basis of presentation

a. Statements of compliance

These unaudited condensed interim consolidated financial statements are expressed in thousands of US dollars and have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Standards Board (“IASB”) including IAS34 Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2014 which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies and the application adopted are consistent with those disclosed in Note 3 to the Company’s consolidated financial statements for the year ended September 30, 2015 except as described below.

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

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

All financial information presented in USD has been rounded to the nearest thousand unless otherwise stated.

These condensed interim consolidated financial statements were approved by the Board of Director on March 9, 2016.

b. Use of estimates and judgments

The preparation of the condensed interim consolidated 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 condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

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

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

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

3. Receivables

	December 31, 2015	September 30, 2015
	\$	\$
Accounts receivable from customers	389	216
Advances and other sundry receivables	289	293
Total receivables	678	509

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

4. Inventory

	December 30, 2015	September 30, 2015
	\$	\$
Ore and concentrate stockpiles	278	404
Materials and supplies	431	383
	709	787

5. Mining property, plant and equipment

Cost	Building	Plant & equipment *	Mining property development	Others	Total
	\$	\$	\$	\$	\$
Balance - October 1, 2015	5,769	13,855	20,370	658	40,652
Additions	-	161	19	-	180
Disposals	-	-	-	-	-
Changes in reclamation and remediation liability	-	-	-	-	-
Balance - December 31, 2015	5,769	14,016	20,389	658	40,832

Accumulated depreciation	Building	Plant & equipment	Mining property development	Others	Total
	\$	\$	\$	\$	\$
Balance - October 1, 2015	3,325	10,946	17,418	235	31,924
Depreciation and amortization expenses	60	305	308	-	673
Impairment/Write offs	-	-	-	-	-
Balance - December 31, 2015	3,385	11,251	17,726	235	32,597
Net book value as at December 31, 2015	2,385	2,765	2,663	423	8,236

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

Cost	Building	Plant & equipment *	Mining property		Total
			development	Others	
	\$	\$	\$	\$	\$
Balance - October 1, 2014	5,769	13,556	19,859	657	39,841
Additions	-	299	936	1	1,236
Changes in reclamation and remediation liability	-	-	(425)	-	(425)
Balance - September 30, 2015	5,769	13,855	20,370	658	40,652

Accumulated depreciation	Building	Plant & equipment	Mining property		Total
			development	Others	
	\$	\$	\$	\$	\$
Balance - October 1, 2014	3,305	9,465	9,737	216	22,723
Depreciation and amortization expenses	20	1,481	944	19	2,464
Impairment **	-	-	6,737	-	6,737
Balance - December 31, 2014	3,325	10,946	17,418	235	31,924
Net book value as at September 30, 2015	2,444	2,909	2,952	423	8,728

* The Company leases equipment and vehicles under finance lease contracts. As of December 31, 2015, the net book values of leased equipment and vehicles were \$409 and \$125, respectively (2015- \$499 and \$170). During 2015, the Company did not acquire equipment under finance leases. 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 year ended September 30, 2015 the Company has recorded an impairment charge of \$ 6,556 related to the Pimenton project, primarily as a result of the decrease in the grade and future gold and copper price. The recoverable amount was calculated using the value-in-use method, which is the expected present value of future cash flows from the asset, using a pre-tax discounted rate of 7.9%. The remaining \$181 impairment charge relates to the Til Til project and represents a full write down of the mining properties.

6. Trade and other payables

	December 31, 2015	September 30, 2015
	\$	\$
Accounts payable to suppliers Pimenton	460	885
Accounts payable Canada	280	283
Accounts payable Til Til	11	11
Staff holiday provision	464	472
Other sundry payables	220	316
Total Payables	1,435	1,967

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

7. Long-term debt

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

Description	Interest rate	December 31,	September 30,
		2015	2015
		Principal	Principal
		\$	\$
Auromin and Chañar Blanco debenture (a)	0.00%	125	122
Bice Bank mortgage (b)	5.13%	517	525
Gold Loan debenture (c)	10.00%	49	57
Finance Leases	4% -5.2%	78	142
Sub total		769	846
Less: Current portion		(145)	(209)
Long-term debt		624	637

- a) 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. In the month of December 2013 the equivalent of \$ 850 were exercised and converted into 8,500,000 common shares. This resulted in the reclassification of \$518 from long-term debt and \$362 from the equity component of convertible debentures to share capital. At September 30, 2014 the carrying value classified within long-term debt was \$107 and within the equity component of convertible debentures was \$65. The Debentures had 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 and officer of the Company and Compañía Minera Auromín Ltda. a Company owned by David Thomson, who is also director and officer of the Company. As of December 31, 2015 \$125 remains in debt and \$65 in equity related to these convertible unsecured debentures.
- b) On November 7, 2011 the Company obtained a mortgage with Bice Bank of Unidad de Fomento (UF) 19,600 (\$721). 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 (\$4) plus interest until the year 2027. The mortgage is secured by certain fixed assets with an approximate value of \$1,000. The mortgage is payable in Chilean pesos (19,600 UF) and has been translated into US dollars using the closing exchange rate at December 31, 2015.
- c) On November 5, 2014 the company issued a Debenture for \$100 with a maturity date of November 5, 2017 related to a “Gold Loan” agreed to by the parties for an equivalent amount. The debenture bears a fixed annual interest rate of 10% on the outstanding principal amount and is payable on a quarterly basis

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

on the 5th day of February, May, August and November of each year. The payment of the principal is semi-annually on May 6 and November 6 of each year plus the difference in the average gold price per ounce in excess of US\$ 1,057 per ounce calculated on 15.77 ounces of gold.

8. Share capital

a) Authorized capital

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

b) Issued and outstanding

	<u>Number of shares</u>	<u>Amount</u>
		\$
Balance – October 1, 2013	101,528,790	80,256
Private placement (i)	8,500,000	880
Options exercised	60,000	2
Private placement (ii)	500,000	25
Balance – September 30, 2014	110,588,790	81,163
Private placement (iii)	15,743,000	321
Private placement (iv)	48,645,220	2,169
Balance – September 30, 2015	174,977,010	83,653
Private placement (v)	92,875,400	3,466
Balance – December 31, 2015	267,852,410	87,119

- i) On December 23, 2013 each of Chañar Blanco and Auromin which are owned by Mario and David Thompson respectively, both offices and directors of the Company, partially converted the debentures on the basis of 1,000 common shares for each \$100 of outstanding principal up to an aggregate of 8,500,000 Common Shares. As a result, \$511 of debt was extinguished and \$880 was credited to Common Shares.

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

- ii) On July 17, 2014 the Company entered a Corporate Advisories Agreement with Westmount Capital. A Swiss Public Relations and Investor Relations Advisory Firm, for a Private Placement by the way of a Gold Loan with a nominal value of \$2,500 whereby Cerro Grande agreed to pay Westmount a one-time retainer fee of 500,000 common shares at a price of CAD \$0.05.
- iii) On October 24, 2014 Mr. David Thomson and Mr. Mario Hernandez, both officers and directors of the Company, through their respective companies have (i) Subscribed to a Private Placement of units of the Company for cash proceeds of US\$700 (the "Placement"), and (ii) agreed to extinguish certain outstanding indebtedness owed to the Directors by receipt of common shares of the Company (each, a "Common Share") in settlement of such debt (the "Debt Settlement"). The Private Placement and Debt Settlement has been completed in order to immediately improve the financial position of the Company.

Pursuant to the Private Placement the Company has issued an aggregate of 15,743,000 units of securities of the Company (each, a "Unit") at CDN\$0.05 per Unit, with each Unit comprising one Common Share and one Common Share purchase warrant (each, a "Warrant"), with each Warrant exercisable for a period of 5 years to purchase one Common Share at CDN\$0.07.
- iv) Pursuant to the Debt Settlement, the Company has extinguished, during the first quarter of 2015, outstanding indebtedness in the aggregate amount of US\$2,163, owed to these Directors and Officers, such indebtedness being made up of accrued but unpaid royalty payments, service fees owed to the Directors and Officers and cash advances made to the Company by the Directors and Officers and interest thereon, by issuing an aggregate of 48,645,220 Common Shares (representing an issue price of CDN\$0.05 per share) in full and final settlement thereof. All dollar amounts have been converted at an exchange rate of CND\$1.1245 per US\$1.00.
- v) On November 6, 2015 the Company reported that it has agreed in principle to extinguish certain outstanding indebtedness owed to David Thomson and Mario Hernandez (the "Related Parties"), both directors and officers of the Company, by issuing common shares of the Company (each, a "Common Share") in settlement of such debt (the "Debt Settlement"). The Debt Settlement was completed in order to immediately improve the financial position of the Company given the serious financial difficulties it is currently facing.

Pursuant to the Debt Settlement, the Company extinguished outstanding indebtedness in the aggregate amount of US\$3,465 owed to the Related Parties, such indebtedness being made up of cash advances made to the Company by the Related Parties, by issuing an aggregate of 92,875,400 Common Shares (representing an issue price of CDN\$0.05 per share) in full and final settlement thereof. All dollar amounts have been converted at an exchange rate of CDN\$1.34 per US\$1.00.

With the completion of the Debt Settlement on November 12, 2015, the Related Parties hold 200,516,530 Common Shares representing approximately 74.86% of the issued and outstanding Common Shares.

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

c) Share option plan

The Company has a share option plan (the Plan) whereby, from time to time at the discretion of the Board of Directors, share options are granted to directors, officers, employees, certain consultants and service providers. The maximum number of common shares issuable under the Plan is 12,578,754 common shares and 5,000,000 common shares issuable under the share bonus plan, within the Plan, to eligible participants. The Board of Directors determines the vesting period for each award granted under the plans at its discretion. As of this date this Option Plan has been frozen and the remaining 3,364,381 share options can be exercised by the holders before their maturity date at which time they will expire if not exercised.

A summary of the Company's Plan at December 31, 2015 is presented as follow:

	Number of options	Weighted average exercise price CA\$
Balance – September 30, 2015	5,664,952	0.32
Expired	<u>(2,300,571)</u>	0.37
Balance – December 31, 2015	<u>3,364,381</u>	0.27

Cerro Grande Mining Corporation 2015 Incentive Stock Option Plan

This Option Plan was approved in May of 2015 and is summarized as follows:

- a) Shares Reserved under the Plan – the aggregate number of shares which may be issued shall not exceed 10% of the issued and outstanding shares.
- b) Share Bonus Plan – the maximum number of shares cannot exceed 2% of the issued and outstanding shares. These shares are included in the maximum indicated in a) above

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

Options outstanding as at December 30, 2015 are as follows:

Exercise price CA\$	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$	Options exercisable
0.10 - 0.13	1,950,000	2.40	0.10	1,950,000
0.14 - 0.16	233,953	2.39	0.15	233,953
0.17 - 0.49	450,000	2.11	0.18	450,000
0.50 - 0.79	730,428	0.33	0.79	730,428
	3,364,381	1.85	0.27	3,364,381

9. Warrants

Equity	Number of warrants	\$
Balance – September 30, 2015	15,743,000	379
Balance – December 31, 2015	15,743,000	379

Number of warrants outstanding	Weighted average remaining warrant life (years) years	Weighted average exercise price CA\$
15,743,000	3.83	0.07

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

10. 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 December 31, 2015 and 2014, segmented information is presented as follows:

	Three months ended December 31, 2015		
	Pimenton	Corporate	Total
	\$	\$	\$
Sales revenue	2,625	21	2,646
Operating costs	2,351	-	2,351
Amortization and depreciation	666	7	673
Reclamation and remediation	-	-	-
General, sales and administrative	372	277	649
Foreign exchange	13	(62)	(49)
Interest	40	9	49
Other gains and losses (net)	(2)	15	13
Exploration costs	-	-	-
Income tax recovery	-	-	-
Total other expenses (income)	1,089	246	1,335
Loss and other comprehensive loss for the year	(815)	(225)	(1,040)
Mining property, plant and equipment	6,785	1,451	8,236
Total assets	8,594	1,617	10,211

Cerro Grande Mining Corporation
Notes to the Consolidated Financial Statements
December 31, 2015 and September 30, 2015.

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

	Three months ended December 31, 2014		
	Pimenton	Corporate	Total
	\$	\$	\$
Sales revenue	2,464	-	2,464
Operating costs	2,688	-	2,688
Amortization and depreciation	597	-	597
Reclamation and remediation	-	19	19
General, sales and administrative	284	280	564
Foreign exchange	(19)	(1)	(20)
Interest	45	9	54
Other gains and losses (net)	(23)	-	(23)
Exploration costs	-	-	-
Income tax recovery	-	-	-
Total other expenses (income)	884	307	1,191
Loss and other comprehensive loss for the year	(1,108)	(307)	(1,415)
Mining property, plant and equipment	14,828	2,398	17,226
Total assets	17,663	2,156	19,819

11. Related party transactions

The Company has a receivable from the CEO (who is also a Director) of \$469 (2015 - \$476) consisting of \$151 (2015 - \$158) of cash advances, net of salary and travel expenses, and two loans totaling \$318 (2015 - \$318). One of the loans is collateralized at December 31, 2015 by 653,200 common shares of the Company, owned by him. 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 \$16 to the Company for accounting and administration services rendered during the first quarter of 2016 (2014 - \$17). Trade and other payables include \$42, which includes the above mentioned \$16, in relation to such services at December 31, 2015 (2014 - \$31).

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

A law firm, of which a director of the Company is a partner, billed the Company \$11 during the first quarter at December 31, 2015 (2014 - \$31) for legal services. Trade and other payables include \$130, which include the above mentioned \$11, at December 31, 2015 (2014- \$130).

Due to related parties include \$326 accumulated to December 31, 2015 (2014 - \$71) for royalties due to Mario Hernández, a Director and Officer of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. Due to related parties also include cash advances for \$115 and salaries due of \$138 at December 31, 2015 (2014 - \$343).

Due to related parties include \$327 at December 31, 2015 (2014 - \$71) for royalties due to David Thomson, who is also a Director and Officer of the Company, and the owner of a net smelter royalty on the Pimenton gold mine. Due to related parties also include cash advances for \$115 and salaries due of \$375 at December 31, 2015 (2014 - \$390).

At the end of the month of July 2013, Pimenton, a subsidiary of the Company entered into a loan agreement of \$3,000, included in due to related parties, in lieu of repayment of advances provided by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also Director and Officer of the Company and Compañía Minera Auromin Ltda. a Company owned by David Thomson, who is also a Director and Officer of the Company. The loan which will be paid at the end of a three year term bears a 5% interest rate – interest payable outstanding at December 31, 2015 \$188. The loan is secured by certain fixed assets and mining rights. As at December 31, 2015 the amount due is \$3,000 and total of \$188 (2014 - \$38) of interest payable to these companies. Negotiations are underway to extend this loan.

On June 21, 2011 the board approved a resolution that non-executive directors be paid \$1 per meeting attended. Amounts due to the directors for these director fees as at December 31, 2015 were \$102 (2015 - \$98) and are included in due to related parties.

Directors* and Officers

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

Toronto, ON, Canada

Chairman

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

Stephen W. Houghton*

Santiago, Chile

Chief Executive Officer

Founder of Cerro Grande Mining Corporation

Mario Hernandez A.*

Santiago, Chile

Executive Vice President and Director, Claims and
Land Management

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

Rockwood, ON, Canada

Principal, William Hill Mining Consultants, Ltd.

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

Toronto, ON, Canada

Fernando Saenz Poch*

Concepción, Chile

Juan A Proaño* (3)

Washington Crossing,

Pennsylvania, USA

Director of Minera Poderosa S.A.

A gold mining company located in Peru

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

West Falmouth, Massachusetts, USA

Chairman, Givens Hall Bank and Trust Limited

David R. S. Thomson*

Santiago, Chile

Executive Vice President and Director of
Exploration

Peter W. Hogg

Toronto, ON, Canada

Chief Financial Officer

(1) Member, Audit Committee

(2) Member, Compensation Committee

Corporate Information

Website: www.cegmining.com

Canadian Securities Exchange

Stock Symbol: CEG

OTCQB International

Stock Symbol: CEGMF

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South Tower

200 Bay Street

Suite 3800

Toronto, ON M5J 2Z4

Toronto Office

1 King Street West , Suite 4009

Toronto, Ontario M5H 1A1, Canada

Santiago Office:

Av. Santa María 2224

Providencia, Santiago, Chile

Telephone: 56-2-569-6200

Solicitors:

Norton Rose Fulbright LLP

Toronto, Ontario, Canada

Auditors:

KPMG LLP

Toronto, Ontario, Canada

Stock Registrar and Transfer Agent

Computershare Investor Services

Toronto, Ontario, Canada

(3) Technical Committee

(4) Corporate Governance and Nomination
Committee