

**CERRO GRANDE MINING CORPORATION**

**Report to Shareholders  
for the  
Second Quarter Ending  
March 31, 2017  
(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 six month period ended March 31, 2017.**

## **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

May 30, 2017

**Cerro Grande Mining Corporation**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at March 31, 2017**  
**(Unaudited)**

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

	March 31, 2017	September 30, 2016
	\$	\$
<b>Current assets</b>		
Cash	65	118
Accounts receivable (Note 3)	361	379
Recoverable taxes	95	13
Inventory (Note 4)	631	707
	<b>1,152</b>	<b>1,217</b>
<b>Non-current assets</b>		
Receivable from a related party (Note 11)	676	852
Fixed assets, plant and equipment (Note 5)	5,946	7,385
	<b>6,622</b>	<b>8,237</b>
<b>Total assets</b>	<b>7,774</b>	<b>9,454</b>
<b>Current liabilities</b>		
Trade and other payables (Note 6)	3,978	4,241
Due to related parties (Note 11)	5,713	7,072
Current portion of long-term debt (Note 7)	52	156
	<b>9,743</b>	<b>11,469</b>
<b>Non-Current liabilities</b>		
Long-term debt (Note 7)	3,262	740
Reclamation and remediation	1,817	1,806
	<b>5,079</b>	<b>2,546</b>
<b>Total liabilities</b>	<b>14,822</b>	<b>14,015</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	87,119	87,119
Warrants (Note 9)	379	379
Contributed surplus	8,129	8,129
Convertible unsecured debenture	249	65
Deficit	(102,924)	(100,253)
<b>Total shareholders' equity</b>	<b>(7,048)</b>	<b>(4,561)</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,774</b>	<b>9,454</b>

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 six months ended March 31, 2017 and 2016**  
**(Unaudited)**

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

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Sales	1,367	1,707	2,505	4,353
	<u>1,367</u>	<u>1,707</u>	<u>2,505</u>	<u>4,353</u>
<b>Expenses</b>				
Operating costs	2,300	2,522	4,195	5,546
Reclamation and remediation	6	5	12	11
General, sales and administrative	435	544	795	1,190
Foreign exchange	(6)	28	(59)	(21)
Interest	101	71	183	120
Other (income) and expenses -net	16	(155)	50	(142)
	<u>2,852</u>	<u>3,015</u>	<u>5,176</u>	<u>6,704</u>
<b>Loss and comprehensive loss before income taxes</b>	(1,485)	(1,308)	(2,671)	(2,351)
Income tax (expense)/recovery	-	-	-	-
<b>Loss and comprehensive loss for the period</b>	<u>(1,485)</u>	<u>(1,308)</u>	<u>(2,671)</u>	<u>(2,351)</u>
<b>Basic and diluted loss per share</b>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>
<b>Weighted average number of shares outstanding</b>	267,852,410	267,852,410	267,852,410	267,852,410

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

## Cerro Grande Mining Corporation

### Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

For the six months ended March 31, 2017 and 2016

(Unaudited)

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

	Share capital (Note 8 (b))	Warrants (Note 9)	Contributed surplus	Convertible unsecured debentures	Deficit	Total equity
Balance - October 1, 2015	83,653	379	8,042	65	(93,317)	(1,178)
Private placements	3,466	-	-	-	-	3,466
Net loss	-	-	-	-	(2,351)	(2,351)
Balance - March 31, 2016	87,119	379	8,042	65	(95,668)	(63)
Balance - October 1, 2016	87,119	379	8,129	65	(100,253)	(4,561)
Convertible unsecured debenture	-	-	-	184	-	184
Net loss	-	-	-	-	(2,671)	(2,671)
Balance - March 31, 2017	87,119	379	8,129	249	(102,924)	(7,048)

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 six months ended March 31, 2017 and 2016

(Unaudited)

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

	Three months ended		Six months ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
<b>Operating activities</b>	\$	\$	\$	\$
<b>Net loss for the period</b>	(1,485)	(1,308)	(2,671)	(2,351)
Amortization and depreciation	748	633	1,506	1,193
Accretion of interest on long-term debt	154	115	256	120
Foreign exchange gain	(25)	28	(59)	(21)
	(608)	(532)	(968)	(1,059)
Change in non-cash working capital relating to operations	95	50	48	624
	(513)	(482)	(920)	(435)
<b>Investing activities</b>				
Additions to mining properties, plant and equipment	5	90	70	(70)
<b>Financing activities</b>				
Due to related parties	557	415	1,417	645
Repayment of long term debt	(30)	(9)	(40)	(26)
Repayment of financing leases	-	(13)	(508)	(113)
	527	393	869	506
<b>Increase (decrease) in cash and cash equivalents during the period</b>	19	1	19	1
<b>Cash - Beginning of period</b>	46	45	46	45
<b>Cash - End of period</b>	<b>65</b>	<b>46</b>	<b>65</b>	<b>46</b>

# **Cerro Grande Mining Corporation**

## **Notes to the Consolidated Financial Statements**

### **For the Six Months Ended March 31, 2017**

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

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#### **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 March 31, 2017, the Company has a negative working capital of \$8,591 (September 30, 2016 – negative \$10,252).

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. See also Note 12.

#### **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, 2016 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, 2016 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**  
**For the Six Months Ended March 31, 2017**

(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 May 30, 2017.

*b. Changes in accounting standards and recent accounting pronouncements*

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 15 Revenue from Contracts with Customers (“IFRS 15”) was issued to clarify the principles for recognizing revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of this standard on the consolidated financial statements.
- IFRS 9 Financial Instruments replaces the current standard IAS 39 Financial Instruments: Recognition and measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value. IFRS 9 is effective for annual periods commencing on or after January 1, 2018 with early adoption permitted. The Company has not yet assessed the impact of this new standard, if any, on the consolidated financial statements.

**3. Receivables**

	<b>March 31, 2017</b>	<b>September 30, 2016</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable from customers	85	2
Advances and other sundry receivables	276	377
<b>Total receivables</b>	<b>361</b>	<b>379</b>



**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

**4. Inventory**

	<b>March 31, 2017</b>	<b>September 30, 2016</b>
	\$	\$
Ore and concentrate stockpiles	300	328
Materials and supplies	331	379
	<b>631</b>	<b>707</b>

**5. Mining property, plant and equipment**

<b>Cost</b>	<b>Building</b>	<b>Plant &amp; equipment *</b>	<b>Mining property development</b>	<b>Others</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance - October 1, 2016	5,769	13,909	21,396	658	41,732
Additions	-	13	54	-	67
<b>Balance - March 31, 2017</b>	<b>5,769</b>	<b>13,922</b>	<b>21,450</b>	<b>658</b>	<b>41,799</b>

<b>Accumulated depreciation</b>	<b>Building</b>	<b>Plant &amp; equipment</b>	<b>Mining property development</b>	<b>Others</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance - October 1, 2016	3,565	12,132	18,395	255	34,347
Depreciation and amortization expenses	129	559	818	-	1,506
<b>Balance - March 31, 2017</b>	<b>3,694</b>	<b>12,691</b>	<b>19,213</b>	<b>255</b>	<b>35,853</b>
<b>Net book value as at March 31, 2017</b>	<b>2,075</b>	<b>1,231</b>	<b>2,237</b>	<b>403</b>	<b>5,946</b>

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

<b>Cost</b>	<b>Building</b>	<b>Plant &amp; equipment *</b>	<b>Mining property development</b>	<b>Others</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance - October 1, 2015	5,769	13,855	20,370	658	40,652
Additions	-	51	19	-	70
<b>Balance - March 31, 2016</b>	<b>5,769</b>	<b>13,906</b>	<b>20,389</b>	<b>658</b>	<b>40,722</b>

<b>Accumulated depreciation</b>	<b>Building</b>	<b>Plant &amp; equipment</b>	<b>Mining property development</b>	<b>Others</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Balance - October 1, 2015	3,325	10,946	17,418	235	31,924
Depreciation and amortization expenses	128	608	102	70	908
<b>Balance - March 31, 2016</b>	<b>3,453</b>	<b>11,554</b>	<b>17,520</b>	<b>305</b>	<b>32,832</b>
<b>Net book value as at March 31, 2016</b>	<b>2,316</b>	<b>2,352</b>	<b>2,869</b>	<b>353</b>	<b>7,890</b>

\*Non-current assets are tested for impairment when events or changes in circumstance suggest that the carrying amount may not be recoverable. During the quarter ended September 30, 2015 the Company 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 discount rate of 7.9%. The remaining \$181 impairment charge for that year relates to the Til Til project and represented a full write down of the mining properties.

**6. Trade and other payables**

	<b>March 31, 2017</b>	<b>September 30, 2016</b>
	\$	\$
Trade payables	1,417	1,430
Salaries and wages payable	1,903	2,317
Other payables and accrued liabilities	658	494
<b>Total Payables</b>	<b>3,978</b>	<b>4,241</b>

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

(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	March 31,	September 30,
		2017	2016
		Principal	Principal
		\$	\$
Auromin and Chañar Blanco 2013 debenture (a)	0.00%	144	136
Auromin and Chañar Blanco 2016 debenture (b)	8.00%	2,666	0
Bice Bank mortgage (c)	5.13%	504	529
Gold Loan debenture (d)	10 and 8%	190	231
Sub total		3,504	896
Less: Current portion		(242)	(156)
Long-term debt		3,262	740

- 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 to 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 March 31, 2017 \$144 remains in debt and \$65 in equity related to these convertible unsecured debentures.
- b) On December 7, 2016 the Company agreed in principle to extinguish certain outstanding indebtedness owed to David Thomson and Mario Hernandez (the “Related Parties”), both officers and directors of the Company by issuing convertible debentures. 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\$ 2,771,237 owed to the Related Parties, such indebtedness being made up of net smelter royalty, management fees, cash advances and interest thereon made to the Company by the Related Parties. The interest rate on these Debentures is 8% to be paid semi-annually.

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

- c) On November 7, 2011 the Company obtained a mortgage with Bice Bank of Unidad de Fomento (UF) 19,600 (\$772). 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 March 31, 2017.

- d) 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 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 \$ 1,057 per ounce multiplied by 15.77 ounces of gold. The derivative liability associated with the fluctuation of the price of gold in the contract as at March 31, 2017 is insignificant.

On August 22, 2016 the Company issued a second debenture for \$200 with a maturity date of August 22, 2019 related to a "Gold Loan" agreed to by the parties for an equivalent amount. The Company incurred transaction costs on this loan of \$14. The debenture bears a fixed annual interest rate of 8% on the outstanding principal amount and is payable on a quarterly basis on the 25th day of February, May, August and November of each year. The payment of the principal is semi-annually on Feb 25 and August 25 of each year plus the difference in the average gold price per ounce in excess of US\$ 1,260 per ounce multiplied by 26.455 ounces of gold.

The derivative liability associated with the fluctuation of the price of gold in the contract as at March 31, 2017 is insignificant.

## **8. Share capital**

### **a) Authorized capital**

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

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

**b) Issued and outstanding**

	<u>Number of</u> <u>shares</u>	<u>Amount</u> <u>\$</u>
Balance – October 1, 2014	<u>101,528,790</u>	<u>80,256</u>
Balance – September 30, 2015	<u>174,977,010</u>	<u>83,653</u>
Private placement (i)	92,875,400	3,466
Balance – September 30, 2016	<u>267,852,410</u>	<u>87,119</u>
Balance – March 31, 2017	<u>267,852,410</u>	<u>87,119</u>

- i) 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.

**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 aggregate number of shares which may be issued pursuant to stock options which remain outstanding shall not exceed 10% of the issued and outstanding shares. The Board of Directors determines the vesting period for each award granted under the plans at its discretion. The maximum number of shares which may be issued pursuant to the share bonus plan cannot exceed 2% of the aggregate number of shares issued and outstanding shares.

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

Options outstanding as at March 31, 2017 are as follows:

Exercise Price CDN\$	Number of options	Weighted average remaining contractual life	Options exercisable
0.02	9,287,000	3.98	3,095,667
0.10	1,950,000	1.04	1,950,000
0.15	233,953	1.11	233,953
0.18	450,000	0.86	450,000
	<b>11,920,953</b>	<b>3.27</b>	<b>5,729,620</b>

**9. Warrants**

Equity	Number of warrants	\$
Balance – September 30, 2016	15,743,000	379
Balance – March 31, 2017	15,743,000	379
<b>Number of warrants outstanding</b>	<b>Weighted average remaining warrant life (years) years</b>	<b>Weighted average exercise price CA\$</b>
<b>15,743,000</b>	<b>2.58</b>	<b>0.07</b>

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

(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 March 31, 2017 and 2016, segmented information is presented as follows:

	<b>Six months ended March 31, 2017</b>		
	<b>Pimenton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales revenue	2,505	-	2,505
Operating costs	2,689	-	2,689
Amortization and depreciation	1,496	10	1,506
Reclamation and remediation	12	-	12
General, sales and administrative	358	437	795
Foreign exchange	(21)	(38)	(59)
Interest	75	108	183
Other gains and losses -net	47	3	50
Income tax recovery	-	-	-
<b>Total other expenses (income)</b>	<b>1,967</b>	<b>520</b>	<b>2,487</b>
<b>Loss and other comprehensive loss for the year</b>	<b>(2,151)</b>	<b>(520)</b>	<b>(2,671)</b>
<b>Mining property, plant and equipment</b>	<b>5,043</b>	<b>903</b>	<b>5,946</b>
<b>Total assets</b>	<b>5,679</b>	<b>2,271</b>	<b>7,950</b>

**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

	<b>Six months ended March 31, 2016</b>		
	<b>Pimenton</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales revenue	4,353	-	4,353
Operating costs	4,365	-	4,365
Amortization and depreciation	1,181	12	1,193
Reclamation and remediation	11	-	11
General, sales and administrative	680	498	1,178
Foreign exchange	28	(49)	(21)
Interest	78	42	120
Other gains and losses -net	(151)	9	(142)
Income tax recovery	-	-	-
<b>Total other expenses (income)</b>	<b>1,826</b>	<b>512</b>	<b>2,339</b>
<b>Loss and other comprehensive loss for the year</b>	<b>(1,838)</b>	<b>(512)</b>	<b>(2,351)</b>
<b>Mining property, plant and equipment</b>	<b>6,378</b>	<b>1,512</b>	<b>7,890</b>
<b>Total assets</b>	<b>7,372</b>	<b>2,277</b>	<b>9,649</b>

**11. Related party transactions**

As at March 31, 2017, the Company has salaries and expenses payable to the CEO in the amount of \$221 which is shown net of due from related parties. Cash advances, and loans receivable from the CEO in the amount of \$600 are included in due from related parties. One of the loans receivable from the CEO is secured by 653,200 common shares of the Company owned by him valued at \$10 as at March 31, 2017. The cash advances and loans bear no interest or specific terms of repayment

A company controlled by the Chief Financial Officer of the Company (the "CFO") billed \$28 to the Company for accounting and administration services rendered during the six month period ended March 31, 2017 (2016 - \$37). Trade and other payables include \$47, which includes the above mentioned \$28, in relation to such services at March 31, 2017 (2016 - \$50).

Due to related parties include \$71 accumulated to March 31, 2017 (2016 - \$373) for royalties due to Mario Hernández, who is also a Director and Officer of the Company, and the owner of a net smelter royalty on the



**Cerro Grande Mining Corporation**  
**Notes to the Consolidated Financial Statements**  
**For the Six Months Ended March 31, 2017**

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

Pimenton gold mine. Due to related parties also include cash advances for \$1,174 and salaries (Management fees) due of \$55 at March 31, 2016 (2016 - \$502).

Due to related parties include \$71 at March 31, 2017 (2016 - \$373) 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 \$945 and salaries (Management fees) due of \$150 at March 31, 2017 (2016 - \$757).

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 March 31, 2017 \$50. The loan is secured by certain fixed assets and mining rights. As at March 31, 2017 the amount due is \$3,000 and a total of \$100 (2016 - 225) of interest is 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 March 31, 2017 were \$145 (2016 - \$114) and are included in due to related parties.

## **12. Subsequent Events**

On May 12, 2017 the Company reported the closure of the Pimenton mine which is held by its wholly owned subsidiary Compañía Minera Pimenton due to a combination of a lack of adequate working capital and a series of snow storms that have and will affect operations at the mine. All personnel have been taken out of the mine. The Company could not give a date in the future when and/or if mining operations could restart. The Company is currently investigating all alternatives for Compañía Minera Pimenton.

## 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.*

### **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

(3) Technical Committee

(4) Corporate Governance and Nominating  
Committee

## Corporate Information

**Website:** [www.cegmining.com](http://www.cegmining.com)

### **Canadian Securities Exchange**

Stock Symbol: CEG

### **OTCQB International**

Stock Symbol: CEGMF

### **Registered Office:**

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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:

### **Davidson & Company**

Vancouver, British Columbia, Canada

### **Stock Registrar and Transfer Agent**

### **Computershare Investor Services**

Toronto, Ontario, Canada