

**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, 2017, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of May 3, 2018. This discussion should be read in conjunction with the audited consolidated financial statements as at September 30, 2017, which are available on SEDAR at www.sedar.com. The Company’s condensed 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.

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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.

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 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 needs.

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.

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.

Non-IFRS financial measures

The Company has included certain non-IFRS financial measures in this document. These measures are not defined under IFRS and should not be considered in isolation. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The inclusion of these measures is meant to provide additional information and should not be used as a substitute for performance measures prepared in accordance with IFRS. These measures are not necessarily standard and therefore may not be comparable to other issues

2. OVERVIEW

The Company is an exploration, development and mining corporation focused in Chile.

The Company's only significant subsidiary was Compañía Minera Pimentón (Pimenton), which filed for voluntary bankruptcy on May 31, 2017. The Court approved this bankruptcy filing and named a Liquidator on July 18, 2017.

These consolidated financial statements do not include Pimenton's assets and liabilities, which have been eliminated and show a gain on deconsolidation of Pimenton of \$4,838. The consolidated statement of income includes the seven months of operations of Pimentón before the bankruptcy filing.

In accordance with Chilean law, the Court appointed bankruptcy Liquidator has taken possession of Pimenton and of all its assets and liabilities. They are also responsible for all ongoing costs of Pimentón until the successful sale or liquidation of Pimentón.

Any profits obtained or losses incurred by the Liquidator in the bankruptcy process have no impact in these consolidated financial statements as both financial assets and obligations are by law transferred to the Liquidator.

The Company's other projects, which are in various stages of exploration and development in Chile include "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, 2017 was 1,857 oz compared to 4,256 oz produced in the prior year.
- The average gold recovery for the year ended September 30, 2017 was 91.33% compared to 91.75% in the prior year.
- Non-IFRS Measures:
 - Pimenton's cash cost for the year ended September 30, 2017 was \$1,855 per ounce of gold produced net of by-product credits, compared to \$1,398 per oz in the prior year.
 - Pimenton's production cost including depreciation and amortization for the year ended September 30, 2017 was \$2,879 per ounce of gold produced net of by product credit compared to \$1,862 per oz in the prior year.

Financial Highlights

- Loss before income taxes for the year ended September 30, 2017 was \$375 (net of Pimenton write-off and sale of Til Til property) compared to a loss of \$6,936 in the same period in 2016.
- Average price per ounce of gold for the year ended September 30 2017 was \$1,184 (2016 – 1,145).
- Net loss after income taxes for the year ended September 30, 2017 was \$375 (net of Pimenton write-off and sale of Til Til property) compared to \$6,936 in the same period in 2016
- Basic loss per share for the period ended September 30, 2017 was a loss of \$0.00 per share (2016 – loss of \$0.03).
- At September 30, 2017 the Company had cash and cash equivalents of \$6 compared to \$118 at September 30, 2016.
- Cash flow from operations for the year ended September 30 2017 was negative \$1,573 (2016 – negative \$1,667).

Other Highlights

- Production was interrupted and the mine evacuated due to a snow storm at the beginning of May 2017, during which approximately 2 meters of snow accumulated at the mine site and closed off the road that accesses to the mine. Shortly afterwards, due to lack of income and operational capital to restart operations, Pimentón filed for voluntary bankruptcy effective May 31, 2017.
- 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, 2016 the Company issued \$2,771 of convertible unsecured debentures to David Thomson and Mario Hernandez (the "Related Parties"), to settle outstanding indebtedness in the aggregate amount of \$2,771 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 Debt Settlement was completed in order to immediately improve the financial position of the Company given the serious financial difficulties it was facing. The maturity date of these debentures is December 2019. The interest rate on these Debentures is 8% to be paid semi-annually. The Company recorded \$138 as the equity portion of the convertible debenture. The conversion price of the debentures is CA\$0.05 per share convertible into up to 71,538,374 common shares of the Company. During the year ended September 30, 2017 equivalent of \$1,315 were exercised and converted into 32,361,208 common shares. This resulted in the reclassification of \$1,252 from long-term debt and \$63 from the equity component of convertible debentures to share capital. At September 30, 2017 the carrying value classified within long-term debt was \$1,556 (2016 - \$nil) and within the equity component of convertible debentures was \$75 (2016 - \$nil).

Following the conversion of the Convertible Debenture, the Company has 300,213,618 shares outstanding (326,695,732 shares on a fully-diluted basis).

Following the conversion David Thomson holds 100,493,029 common shares of the Company, representing approximately 33.47% of the outstanding shares (approximately 39.62% on a fully-diluted basis).

Following the conversion Mario Hernandez holds 132,384,709 common shares of the Company, representing approximately 44.10% of the outstanding shares (approximately 39.48% on a fully-diluted basis).

On a fully diluted basis, Mr. Thomson and Mr. Hernandez hold an aggregate of 289,400,018 common shares of the Company, representing approximately 79.10% of the shares of the Company.

4. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated loss for the fourth quarter and years ended September 30, 2017 and 2016.

	Three months ended		Twelve months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Revenue				
Sales	89	62	3,325	5,887
	89	62	3,325	5,887
Expenses				
Operating costs	93	2,459	6,620	10,616
Reclamation and remediation	3	5	19	21
General, sales and administrative	164	173	1,076	1,871
Foreign exchange	22	49	(74)	64
Share-based compensation	-	87	41	87
Interest	144	39	359	211
Other (income) and expenses (net)	63	206	161	(47)
	489	3,018	8,202	12,823
Loss and comprehensive loss before income taxes	(400)	(2,956)	(4,877)	(6,936)
Gain on deconsolidation of Pimenton	111	-	4,838	-
Loss on sale of fixed assets	(336)	-	(336)	-
Profit/(Loss) for the period	(625)	(2,956)	(375)	(6,936)
Basic and diluted profit/(loss) per share	0.01	(0.01)	(0.00)	(0.03)
Weighted average number of shares outstanding	284,209,851	256,687,061	284,209,851	256,687,061

1) Consolidated statements for the three month period ended September 30, 2017 and 2016:

- a) Residual revenue for the three month period ended September 30, 2017 was \$89 due to the mine bankruptcy on May 31, 2017.
- b) Likewise, operating expenses for the three months ended September 30, 2017 were immaterial and residual in nature only at \$93.
- c) General sales and administrative costs for the three months ended September 30, 2017 were \$164 compared to \$173 for the same period in 2016

2) Consolidated statements for the twelve month period ended September 30, 2017 and 2016:

- a) Revenue for period ended September 30, 2017 decreased by \$ 2,562 over the same period in 2016 due to a drop in production over the seven month period prior to the Pimenton bankruptcy filing on May 31, 2017.
- b) Operating expenses for the period ended September 30, 2017 were \$6,620 compared to \$10,616 for the same period in 2016 due to close down and bankruptcy of the Pimentón mine.
- c) General sales and administrative costs for the twelve months ended September 30, 2017 were \$1,076 compared to \$1,871 for the same period in 2016.

3) Consolidated Cash flow for the twelve month period ended September 30, 2017:

Cash generated by the Pimenton Mine decreased due to operational problems, a drop in the price and grade of gold added to the fact that there was no production during the month of May and the mine was put into bankruptcy on May 31, 2017. The operational problems relate to delays in reaching known and expected ore shoots below the existing levels.

4) Consolidated Statement of Financial Position as at June 30, 2017:

As at September 30, 2017 the Company had a negative working capital of \$4,226 (2016–negative \$10,252).

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.

	Sept 30, 2017	June 30, 2017	Mar 31, 2017	Dec 31, 2016
Sales	89	572	1,525	1,138
Net income (loss)	(625)	2,921	(1,485)	(1,186)
Per share	0.00	0.01	(0.01)	(0.00)
Per share diluted	0.00	0.01	(0.01)	(0.00)

	Sept 30, 2016	June 30, 2016	Mar 31, 2016	Dec 31, 2015
Sales	62	1,478	1,701	2,646
Net income (loss)	(2,953)	(1,629)	(1,314)	(1,040)
Per share	(0.00)	(0.01)	(0.01)	(0.01)
Per share diluted	(0.00)	(0.01)	(0.01)	(0.01)

5. OPERATIONS AT THE PIMENTON MINE

Gold Production

The following table shows the tonnes milled, average mill grade, gold plant recovery and gold produced during each of the last eight quarters to September 30, 2017:

Quarter	Tonnes milled	Average mill grade Au (gr/ton)	% Gold recovery	Gold Produced Oz
Q1-2017	3,808	8.17	91.50	739.26
Q2-2017	4,187	8.13	91.30	1,017.96
Q3-2017	400	7.50	90.00	100.00
Q4-2017	-	0.00	0.00	0.00
	8,395	8.12	91.33%	1,857.22

Quarter	Tonnes milled	Average mill grade Au (gr/ton)	% Gold recovery	Gold Produced Oz
Q1-2016	9,254	7.73	92.73	2,137.99
Q2-2016	7,715	4.96	90.90	1,119.60
Q3-2016	5,527	6.05	91.30	998.74
Q4-2016	-	0.00	0.00	0.00
	22,496	6.37	91.75	4,256.33

Operating Costs

The cash cost per ounce of gold produced during the quarters from October 2016 to September 30, 2017 are set out in the table below.

Reconciliation of Non-IFRS Measures Cost of Production:

	<u>Q1-2017</u>	<u>Q2-2017</u>	<u>Q3-2017</u>	<u>Q4-2017</u>	<u>Total</u>
Gold ounces produced	739	1,018	100	-	1,857
Direct mine expenses	1,052	1,301	1,500	-	3,853
By product credits (deduct)	(145)	(208)	(55)	-	(408)
Cash Costs	907	1,093	1,445	-	3,445
Cash cost/Oz	1,227.19	1,073.67	1,445.00	0.00	1,855.14
Depreciation	339	337	300	-	976
Amortization	103	499	325	-	927
Production costs	1,349	1,929	2,070	-	5,348
Production cost/Oz	1,825.44	1,894.89	2,070.00	0.00	2,879.91
Net Smelter return	48	77	-	-	125
Total costs	1,397	2,006	2,070	-	5,473
Total cost/Oz	1,890.39	1,970.53	2,070.00	0.00	2,947.23

Risks

- With the exception of the Gold Loan Debentures, the Company does not use financial instruments to mitigate the risks of either change in the price of gold or currency fluctuations.
- 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.

- As noted earlier, a severe snowstorm shut down the mine in early May 2017 which was then followed by filing for Voluntary Bankruptcy.

Opportunities

Outlook

The other subsidiaries of CEG, including Compañía Minera Til Til, Compañía Minera Catedral, Compañía Minera Tordillo, Compañía Minera Bandurrias and Compañía Minera Cal Norte are not affected by the bankruptcy of Compañía Minera Pimenton. At this time management is determining the best course of action.

6. EXPLORATION AND DEVELOPMENT PROJECTS

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, 2017, the Company expensed a total of \$nil (2016 - \$nil) relating to mining property costs and exploration costs on Tordillo.

Bandurrias

During the year ended September 30, 2017 acquisition costs of \$nil were expensed (2016 - \$nil).

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, 2017, the Company had contributed a cumulative total of \$4,080 (2016 - \$4,080) 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 \$4,080 in mining properties and exploration costs relating to Catedral/Rino.

As at September 30, 2017, the Company had contributed a total of \$1,556 (2016 - \$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 this \$1,566 in prior years as it focused its efforts on the Pimenton gold mine.

7. INVESTING

During the year ended September 30, 2017 the Company invested \$nil (2016 - \$766) in mining plant, equipment, and mining properties

8. FINANCING

The Company finances its operations using either funds on hand, funds generated by its operations, cash advances by related parties or equity sold to related parties. Due to negative cash flow both Auromin (a company owned by David Thomson) and Chañar Blanco (a company owned by Mario Hernandez), both Directors and Officers of the Company, have made cash advances to cover the shortfalls.

Common stock issued during the year ending September 30, 2016 was as follows:

On November 6, 2015 the cash advances made during the year ended September 30, 2015 were converted into shares in the company in payment of this debt.

Debt settlement of US \$3,466 owed to Messrs. David Thomson and Mario Hernandez, both Directors and Officers of the Company, for which a total of 92,875,400 Common shares were issued.

Common stock issued during the year ending September 30, 2017 was as follows:

Debt settlement of US \$1,253 owed to Mr. Mario Hernandez, a Director and Officer of the Company, for which a total of 32,361,208 Common shares were issued.

Other Financing

The Company's secured mortgage bore 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 November 2026. The mortgage was secured by the Company's office property located in Santiago, Chile until it was sold.

During the year ended September 30, 2017, the Company sold buildings and equipment with a net book value of \$1,481 for consideration of \$1,145 to a Company controlled by Mario Hernandez, a director and officer of the Company. As consideration, the purchaser assumed the Bice bank mortgage held by the Company in the amount of \$501 with the balance of \$644 being settled as an offset to cash advances receivable from Minera Chañar Blanco (a company owned by Mario Hernandez, an officer and director of the Company).

During the month of November 2014, the Company signed a Gold Loan Debenture for \$100 bearing an annual interest rate of 10%. The principal is to be repaid semi-annually at a gold price of \$1,057 per ounce or higher if the average price during the six month period prior to any repayment date exceeds the agreed price for the equivalent of 15.77 ounces of gold payment.

The outstanding principal at the end of the quarter is \$17. During the fourth quarter ended September 30, 2017 repayments of principal of \$nil were made due to lack of funds.

On August 22, 2016 the company issued a second Gold Loan Debenture for \$200 with a maturity date of August 22, 2019. 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 February 25 and August 25 of each year plus the difference in the average gold price per ounce in excess of \$1,260 per ounce calculated on 26.455 ounces of gold.

The outstanding principal at the end of the quarter is \$165. During the fourth quarter ended September 30, 2017 the Company has repaid \$nil of principal due to lack of funds.

9. LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2017, the Company shows a negative working capital of \$4,226 (2016 - negative \$10,252).

On December 2016 the Company issued \$2,771 of convertible unsecured debentures to David Thomson and Mario Hernandez (the "Related Parties"), to settle outstanding indebtedness in the aggregate amount of \$2,771 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 maturity date of these debentures is December 2019. The interest rate on these Debentures is 8% to be paid semi-annually. The Company recorded \$138 as the equity portion of the convertible debenture. The conversion price of the debentures is CA\$0.05 per share convertible into up to 71,538,374 common shares of the Company. During the year ended September 30,

2017 equivalent of \$1,315 were exercised and converted into 32,361,208 common shares. This resulted in the reclassification of \$1,252 from long-term debt and \$63 from the equity component of convertible debentures to share capital. At September 30, 2017 the carrying value classified within long-term debt was \$1,556 (2016 - \$nil) and within the equity component of convertible debentures was \$75 (2016 - \$nil).

With the completion of the Debt Settlement on December 7, 2016, the Related Parties hold 232,877,738 Common Shares representing approximately 77.57% of the issued and outstanding Common Shares. On a fully diluted basis they hold an aggregate of 289,400,018 Common Shares of the Company representing approximately 79.10% of the shares of the Company.

Without these loans and cash advances, the Company would not have been able to continue its operations. It is likely that the Company will continue to require additional cash advances from these two Directors and Offices of the Company.

Contractual Obligations	Total	Less than 1 year	1-3 years	Over 4 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	408	408	-	-
Amount due to related parties	1,987	1,987	-	-
Long-term debt and finance leases	1,899	333	1,566	-
Conditional loan agreement (1)	2,500	-	-	2,500
Tordillo prospect (2)	250	-	-	250
Total Contractual Obligations	7,044	2,728	1,566	2,750

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

The Company has a receivable from the CEO (who is also a Director) of \$601 (2016 - \$391) consisting of \$283 (2016 - \$72) of cash advances, net of salary and travel expenses, and two loans totaling \$318 (2016 - \$318). The cash advances and loans bear no interest or specific terms of repayment. As at September 30, 2017, the Company has salaries and expenses payable to the CEO in the amount of \$132 (2016 - \$211), which is included in due to related parties.

During the year ended September 30, 2017, the Company provided services in the amount of \$nil (2016 - \$409) to Cerro del Medio, a company with common directors. This amount, less direct costs of \$nil (2016 - \$289), was recorded in other income on the statement of loss and comprehensive loss during previous years. As at September 30, 2017, the Company has a receivable from Cerro Del Medio in the amount of \$120 (2016 - \$250) included in due from related parties.

A company controlled by the Chief Financial Officer of the Company (the "CFO") billed \$49 to the Company for accounting and administration services rendered during the year ended September 30, 2017 (2016 - \$56). Trade and other payables include \$51, which includes the above mentioned \$49, in relation to such services at September 30, 2017 (2016 - \$19).

Due to related parties include \$nil accumulated to September 30, 2017 (2016 - \$416) 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 Pimenton gold mine. Due to related parties included cash advances for \$464 at September 30, 2017 (2016 - \$1,307). As agreed to in the sale of the Til Til assets (Note 6), a portion of the sale was used to offset a portion of the cash advances.

Due to related parties include \$nil at September 30, 2017 (2016 - \$416) 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 \$1,224 at September 30, 2017 (2016 - \$1,285).

In July 2013, the Company entered into a loan agreement of \$3,000, which was 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 a director and officer of the Company and Compañía Minera Auromín Ltda. a Company owned by David Thomson, who is also a director and officer of the Company. The loan which would have been paid at the end of a three-year term had a 5% interest rate. The loan was secured by certain fixed assets and mining rights. As at September 30, 2017, the amount due was \$nil (2016 - \$3,000) due to the Pimenton bankruptcy (Note 17). As of September 30, 2017 there was a total of \$nil (2016 - \$300) of interest payable to Compañía Minera Chañar Blanco S.A. and Compañía Minera Auromin Ltda., which was included in due to related parties.

As at September 30, 2017, the Company owes a total of \$167 (2016 - \$137) owing to directors for director's compensation. This amount is included in due to related parties.

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
- Plant and Equipment 1- 5 years

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 of value 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 criteria 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. 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 relevant Stock Exchange 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 May 3, 2018 the Company has issued one class of common shares of which a total of 300,213,618 are outstanding.

On May 3, 2018, the Company had 15,743,000 common share purchase warrants outstanding which are exercisable into one common share at an exercise price of CA\$0.07.

Options granted under the stock option plan of the Company (each, an “Option”) outstanding as of May 3, 2018 totaled 11,687,000 of which 11,687,000 are exercisable into one common share at exercise prices of CA\$0.02 to CA \$0.18 through March 2021.

“CEG” is the stock trading symbol for the Company on the CSE and CEGMF for the OTCQB International Symbol on the OTC market.

14. CONTROLS

National Instrument 52-109

Evaluation of disclosure controls and procedures

Public companies are required to perform an evaluation of disclosure controls and procedures annually and to disclose management’s conclusions about the effectiveness of these disclosure controls and procedures in its annual Management’s Discussion and Analysis. The Company has established, and is maintaining, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is disclosed in annual filings, interim filings or other reports, and is recorded, processed, summarized and reported within the time periods specified as required by securities regulations.

Management has evaluated the effectiveness of the Company’s Disclosure Controls and Procedures as at September 30, 2017 and, given the size of the Company and the involvement at all levels of the Chief Executive Officer and Chief Financial Officer, believes that they are sufficient to provide reasonable assurance that the Company’s disclosures are compliant with securities regulations.

Internal controls over financial reporting

Management of the Company is responsible for evaluating the design of internal control over financial reporting. The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS as of September 30, 2016, have not identified any changes to the Company’s internal control over financial reporting in the latest reporting period that would materially affect, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.