CERRO GRANDE MINING CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
For the Year Ended September 30, 2019
(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, 2019, together with certain trends and factors that are expected to impact on future operations and financial results. This information is presented as of January 27, 2020. This discussion should be read in conjunction with the audited consolidated financial statements as at September 30, 2019, which are available on SEDAR at www.sedar.com. The Company's consolidated financial statements and financial data have been prepared using accounting policies consistent with IFRS. All dollar amounts are expressed in thousands United States dollars, except as otherwise indicated.

Contents of the MD&A

1. FORWARD LOOKING STATEMENTS

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.

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 Pimenton until the successful sale or liquidation of Pimenton.

Any profits or losses incurred by the Liquidator in the bankruptcy process have no impact in the Company's 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

- There were no operations for the year ended September 30, 2019 and September 30, 2018.

Financial Highlights

- Loss before and after income taxes for the year ended September 30, 2019 was $817 compared to a loss of $1,518 in the same period in 2018.
- Loss before and after income taxes for the three months ended September 30, 2019 was $44 compared to a loss of $344 in the same period in 2018.
- Basic loss per share for the year ended September 30, 2019 was a loss of $0.00 per share (2018 – loss of $0.00).
- At September 30, 2019, the Company had cash of $37 compared to $56 at September 30, 2018.
- Cash used in operations for the year ended September 30, 2019 was $849 (2018 – $1,176).

Other Highlights

- Management believes that the values of 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.

4. SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated loss for the fourth quarter and years ended September 30, 2019 and 2018.

	Three months ended		Twelve months ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
	$	$	$	$
Expenses				
General, sales and administrative	213	329	955	981
Foreign exchange	6	22	21	-
Share-based compensation	2	4	5	19
Interest	(177)	38	(164)	158
Other (income) and expenses (net)	-	(49)	-	-
Loss and comprehensive loss for the period	(44)	(344)	(817)	(1,158)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of shares outstanding - Basic and diluted	339,390,784	300,213,618	334,560,722	300,213,618

1) Consolidated statements of loss and other comprehensive loss for the year ended September 30, 2019 and 2018:

a) General sales and administrative costs for the year ended September 30, 2019 were $955 compared to $981 for the same period in 2018.
b) Interest expense for the year ended September 30, 2019 was (recovery) $164 compared to expense of $158 for the same period in 2018 due to interest being forgiven on the convertible debentures.

2) Consolidated statements of loss and other comprehensive loss for the three month period ended September 30, 2019 and 2018:

a) General sales and administrative costs for the three months ended September 30, 2019 were $213 compared to $329 for the same period in 2018.
b) Interest expense for the three months ended September 30, 2019 was (recovery) of $177 compared to expense of $38 for the same period in 2018 due to interest being forgiven on the convertible debentures.

3) Consolidated Statement of Financial Position as at September 30, 2019:

a) As at September 30, 2019 the Company had a negative working capital of $4,539 (2018 – negative $5,245).

Summary of Quarterly Results

The following information is provided for each of the eight most recent quarterly periods ending on the dates specified. The figures are extracted from the underlying audited financial statements.

	Sept 30, 2019	**June 30, 2019**	**Mar 31, 2019**	**Dec 31, 2018**
Sales	-	-	-	-
Net (loss)	(44)	(261)	(353)	(159)
Per share	0.000	0.000	0.000	0.000
Per share diluted	0.000	0.000	0.000	0.000

	Sept 30, 2018	**June 30, 2018**	**Mar 31, 2018**	**Dec 31, 2017**
Sales	-	-	-	-
Net (loss)	(344)	(328)	(219)	(267)
Per share	0.000	0.000	0.000	0.000
Per share diluted	0.000	0.000	0.000	0.000

Outlook

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

5. 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, 2019, a company owned by David Thomson, who is a director and officer, signed an agreement on behalf of the Company, to carry out a survey on the Tordillo Project for a total cost of $51. The final payment was made by David Thomson's company, on behalf of the Company, in July of 2019. This amount is included in due to related parties on the financial statements.

During the year ended September 30, 2019, the Company expensed a total of $51 (2018 - $nil) relating to mining property costs and exploration costs on Tordillo.

Bandurrias

During the year ended September 30, 2019 acquisition costs of $nil were expensed (2018 - $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. The Company will 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, 2019, the Company had contributed a cumulative total of $4,080 (2018 - $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, 2019, the Company had contributed a cumulative total of $1,556 (2018 - $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.

6. INVESTING

During the year ended September 30, 2019 the Company invested $nil (2018 - $nil) in mining plant, equipment, and mining properties.

7. FINANCING

The Company finances its operations using cash advances by related parties or equity sold to related parties. Due to no production and the 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.

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 period is $21. During the year ended September 30, 2019 repayments of principal and interest 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 $167. During the year ended September 30, 2019 the Company has repaid $nil of principal and interest due to lack of funds.

8. LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2019, the Company shows a negative working capital of $4,539 (2018 - negative $5,245).

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**Over 4 years**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	157	157	-	-
Amount due to related parties	4,052	4,052	-	-
Short-term debt	383	383	-	-
Conditional loan agreement (1)	2,500	-	-	2,500
Tordillo prospect (2)	250	-	-	250
Total Contractual Obligations	**7,342**	**4,592**	**-**	**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 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.

9. OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

10. RELATED PARTY TRANSACTIONS

The Company has a receivable from the CEO (who is also a director) of $601 (2018 - $601) consisting of $283 (2018 - $283) of cash advances and two loans totaling $318 (2018 - $318). The cash advances and loans bear no interest and have no specific terms of repayment. As at September 30, 2019, the Company has salaries and expenses payable to the CEO in the amount of $339 (2018 - $294), which is included in due to related parties.

A company controlled by the Chief Financial Officer of the Company (the "CFO") (who is also a director) billed $23 to the Company for accounting and administration services rendered during the year ended September 30, 2019 (2018 - $23). Trade and other payables include $14 in relation to such services at September 30, 2019 (2018 - $12).

As at September 30, 2019, due to related parties includes cash advances of $556 from Mario Hernández, who is also a director and officer of the Company (2018 - $526). The cash advances bear no interest and have no specific terms of repayment.

Due to related parties includes cash advances of $2,905 from David Thomson, who is also a director and officer of the Company at September 30, 2019 (2018 - $2,105). The cash advances bear no interest and have no specific terms of repayment.

As at September 30, 2019, the Company owes a total of $202 (2018 - $178) to directors for director's compensation and $51 to David Thomson for expense reimbursements (2018 - $nil). This amount is included in due to related parties.

11. CRITICAL ACCOUNTING ESTIMATES

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

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.

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.

12. CHANGES IN ACCOUNTING STANDARDS AND INITIAL ADOPTION

We have adopted the new IFRS pronouncement for financial instruments as at October 1, 2018, in accordance with the transitional provisions outlined in the respective standard and described below. The adoption of the new IFRS pronouncement has not resulted to adjustments in previously reported figures and no change to the opening deficit balance as at October 1, 2018, under the IFRS 9 transition provisions.

Overview of Changes in IFRS 9

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

Under IFRS 9, on initial recognition, a financial asset or liability is classified at amortized cost or at fair value (either through other comprehensive income ("OCI") or profit or loss.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

It is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive loss, unless this creates an accounting mismatch.

Classification and Measurement Changes

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 and have determined that there has been no change in the measurement categories, carrying values or to previously reported figures of our financial instruments. The adoption of the IFRS 9 did not have a significant impact on the financial statements.

Impairment of financial assets

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

The Company has determined that the application of IFRS 9's impairment requirements as at October 1, 2018 does not result in any additional impairment allowances.

13. SECURITIES OUTSTANDING

As of January 27, 2020 the Company has issued one class of common shares of which a total of 339,390,784 are outstanding.

On January 27, 2020, the Company had no common share purchase warrants outstanding. The 15,743,000 common share purchase warrants as at September 30, 2019, all expired unexercised.

Options granted under the stock option plan of the Company (each, an "Option") outstanding as of January 27, 2020 totaled 9,049,000 options exercisable into 9,049,000 common shares at exercise prices of CA $0.02 and CA $0.05 through August 2023 of which 8,195,000 options are currently exercisable as a result of vesting provisions.

"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, 2019 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, 2019, 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.