CERRO GRANDE MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 and 2020

(Expressed in thousands of U.S. dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cerro Grande Mining Corporation

Opinion

We have audited the accompanying consolidated financial statements of Cerro Grande Mining Corporation (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of loss and other comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the certainty of future profitability and availability of sources of additional financing cannot be assured. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

Davidson & Company LLP

Vancouver, Canada — Chartered Professional Accountants

January 28, 2022

CERRO GRANDE MINING CORPORATION

Consolidated Statements of Financial Position

As at September 30, 2021 and 2020

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

	Notes	September 30, 2021	September 30, 2020
		$	$
ASSETS			
Current assets			
Cash		7	15
Receivables and advances	**4**	37	9
Recoverable taxes		6	2
		50	**26**
Non-current assets			
Pimenton project	**5**	680	-
Due from related parties	**15**	-	601
		680	**601**
Total assets		**730**	**627**
LIABILITIES			
Current liabilities			
Trade and other payables	**6**	190	125
Due to related parties	**15**	1,207	1,003
Other debt	**7**	249	234
		1,646	**1,362**
Non-Current liabilities			
Long Term Debt	**8**	4,661	4,932
		4,661	**4,932**
Total liabilities		**6,307**	**6,294**
SHAREHOLDES' DEFICIENCY			
Share capital	**9**	91,036	90,092
Contributed surplus		8,575	8,575
Deficit		(105,188)	(104,334)
Total shareholders' deficiency		**(5,577)**	**(5,667)**
Total liabilities and shareholders' deficiency		**730**	**627**

Nature of operations and going concern assumption (Note 1)

Approved by the Board of Directors

(Signed) Paul J. DesLauriers Chairman **(Signed) Peter Hogg CEO (interim) and CFO**

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

CERRO GRANDE MINING CORPORATION

Consolidated Statements of Loss and Other Comprehensive Loss

For the years ended September 30, 2021 and 2020

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

	September 30,	
	2021	**2020**
	$	**$**
Expenses		
General and administrative (Note 11)	955	493
Foreign exchange	90	76
Share-based compensation (Note 9)	-	2
Interest	15	15
Accretion expense (Note 8)	74	45
Write-off of due from related parties (Note 9)	318	-
Gain on settlement of debt (Note 15)	(253)	-
Unrealized gain on derivative liability (Note 8)	(345)	1,100
	854	1,731
Loss and comprehensive loss for the year	(854)	(1,731)
Basic and diluted loss per share	(0.00)	(0.01)
Weighted average number of shares outstanding - basic and diluted	381,262,915	339,390,784

The accompanying notes are an integral part of these consolidated financial statements

CERRO GRANDE MINING CORPORATION

Consolidated Statements of Changes in Shareholders' Deficiency

For the years ended September 30, 2021 and 2020

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

	Share capital		Warrants	Contributed	Deficit	Total shareholders' deficiency
	Number of shares	Amount	(Note 10)	surplus		
Balance - September 30, 2019	**339,390,784**	**90,092**	**379**	**8,194**	**(102,603)**	**(3,938)**
Expiry of Warrants	-	-	(379)	379	-	-
Share-based compensation	-	-	-	2	-	2
Loss for the year			-	-	(1,731)	(1,731)
Balance - September 30, 2020	**339,390,784**	**90,092**	**-**	**8,575**	**(104,334)**	**(5,667)**
Shares issued for Pimenton Project	**44,055,102**	680	-	-	-	680
Shares issued for debt settlement	**12,984,107**	264	-	-	-	264
Loss for the year			-	-	(854)	(854)
Balance - September 30, 2021	**396,429,993**	**91,036**	**-**	**8,575**	**(105,188)**	**(5,577)**

CERRO GRANDE MINING CORPORATION

Consolidated Statements of Cash Flows

For the years ended September 30, 2021 and 2020

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

	September 30, 2021	September 30, 2020
	$	**$**
Operating Activities		
Loss for the year	(854)	(1,731)
Items not involving cash:		
Gain on forgiveness of debt	(253)	(46)
Write-off of due from related parties	318	-
Accrued interest	15	15
Stock-based compensation	-	2
Accretion of convertible debentures	74	45
Unrealized loss on derivative liability	(345)	1,100
	(1,045)	(615)
Change in non-cash working capital (Note 16)	465	162
Net cash used by operating activities	**(580)**	**(453)**
Financing activities		
Due to related parties	572	431
Net cash provided by financing activities	572	431
Decrease in cash	(8)	(22)
Cash - Beginning of year	15	37
Cash - End of year	**7**	**15**

Supplemental cash flow information (Note 16)

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

1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Cerro Grande Mining Corporation (the "Company" or "CEG") and its subsidiaries is a mining and exploration company, which used to produce gold, silver and copper, with operations mainly in Chile. The Company is currently focused on the Pimenton project, as detailed in Note 5. The Company is 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, ON, M5H 1A1, Canada. The registered office is 1810 University Avenue, Suite 800, Toronto, ON M5H 2X7, Canada.

These consolidated financial statements have been prepared on a going concern basis, which contemplates, that the Company will continue in operations for the near future and will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2021, the Company has a working capital deficit of $1,596 (2020 - $1,336).

With the bankruptcy of its only cash generating entity (Minera Pimentón) during the year ended September 30, 2017, the certainty of future profitability and availability of sources of additional financing 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, liabilities, 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations this time.

2. BASIS OF PRESENTATION

a) Statements of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for the incorporation into Part I of the handbook of CPA Canada. The Company has consistently applied the accounting policies used in the preparation of these consolidated financial statements throughout all the periods presented. The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses.

The Board of Directors approved the consolidated financial statements on January 28, 2022.

b) Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial assets and liabilities that are measured at fair value through profit and loss including derivative instruments. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts are expressed in thousands of US dollars.

2. BASIS OF PRESENTATION – (*Continued)*

c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

i) Significant judgements in applying accounting policies

The areas which require management to make significant judgements in applying the Company's accounting policies in determining carrying values include, but are not limited to:

a) Taxes

The Company is subject to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes, due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

b) Pimenton Project

The carrying value and recoverability of the Pimenton project requires management to make certain estimates, judgements and assumptions about the project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

ii) Significant accounting estimates and assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

a) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the statement of financial position date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

b) The valuation of an equity conversion option derivative is subject to estimation at the date of issuance and at each reporting period using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected share price volatility. Such subjective input assumptions can materially affect the calculated fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Company consolidates subsidiaries where they have the ability to exercise control. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee.

b) Foreign currency translation and transactions

The Company presents its financial statement in U.S. dollars. This is also the functional currency of CEG and its subsidiaries.

The Company's foreign currency transactions and balances denominated in foreign currencies are translated into the Company's functional currency, the U.S. dollar, as follows:

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and year-end translation of monetary items are recognized in the statement of loss and other comprehensive loss under "Foreign exchange".

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value except for foreign exchange risk. As at September 30, 2021 and 2020, the Company does not hold any cash equivalents.

d) Financial instruments

Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

Fair value through profit or loss ("FVTPL") - financial assets are classified in this category if they are a derivative instrument, an equity instrument for which the Company has not made the irrevocable election to classify as fair value through other comprehensive income ("FVTOCI"), or a debt instrument that is not held within a business model whose objective includes holding the financial assets in order to collect contractual cash flows that are solely payments of principal and interest. Gains and losses arising from changes in fair value are recognized in profit and loss. The Company's cash is recorded at FVTPL.

Amortized cost – financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL: 1) The objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the assets contractual cash flow represents solely payments of principal and interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

The Company's receivables are recorded at amortized cost.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

<u>Financial liabilities</u>

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit and loss.

Amortized cost: This category includes trade and other payables, due to related parties and other debt and long term debt, which are recognized at amortized cost.

Convertible Debenture: On the issue of a convertible debenture, the Company determines whether the financial instrument is a compound instrument or a hybrid instrument. In a compound instrument, the fair value of the liability component is determined by discounting the contractual future cash flows using a market rate for a non-convertible instrument with similar terms. In a hybrid instrument , the fair value of the liability component is the residual value of the proceeds after the equity conversion option derivative fair value is determined unless the entire convertible financial instrument is designated as a financial liability at FVTPL, in which case, the entire convertible financial instrument is measured at fair value.

Subsequent to initial recognition, the Company measures the debt component of both a compound and a hybrid financial instrument at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. The equity conversion option of a hybrid financial instrument is marked to market at the reporting date and changes to the fair value are charged or credited to profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

e) Impairment of long-lived assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's

length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Exploration and development costs

During the year ended September 30, 2021, the Company amended its accounting policy with respect to exploration and development costs. The Company amended its accounting policy to capitalize acquisition costs of resource properties. Previously, it expensed acquisition costs as incurred. The Company has accounted for this change in accounting policy on a retrospective basis. The exploration and development costs on the statement of financial position have been restated for the prior period and presented as if the new accounting policy had always been applied. For the opening numbers on October 1, 2019 and the year ended September 30, 2020, the impact of this change was $nil. As such, the restating had no effect on the financial position, operating results or cash flows previously reported. The accounting policy with respect to exploration costs of resource properties has not been amended. Exploration costs are expensed as incurred until resources have been determined and then the development costs are capitalized. Upon reaching commercial production, these capitalized development costs are transferred from exploration properties to mining properties, plant and equipment and are amortized in the statement of loss and other comprehensive loss using the unit 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, such as declining mineral grades and both current and projected declines in the price of gold.

Expenditures related to extensions of mineral deposits which are already being mined or developed, are capitalized as a mine development cost when the Company is able to conclude that a future economic benefit is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

g) Income taxes

Income tax is comprised of current and deferred tax. Income tax is recognized in the consolidated statement of loss and other comprehensive loss except to the extent that it relates to items recognized directly in other comprehensive loss or directly in equity, in which case the income tax is also recognized directly in other comprehensive loss or equity, respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects either accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

h) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

I) Earnings and loss per share (EPS)

Basic EPS is computed by dividing the income or loss for the year by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated in a manner similar to basic EPS, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants and on the if - converted method for convertible securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

j) Reclamation and remediation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, restoration and reclamation. The obligation is attributable to mining properties when the asset is installed or the environment is disturbed at the production location. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore.

The periodic unwinding of the discount applied in establishing the net present value of provisions over time is recognized in the consolidated statement of loss and other comprehensive loss as accretion. Changes in rehabilitation estimates attributable to development will be recognized as additions or charges to the corresponding asset and rehabilitation liability when they occur.

k) Changes in accounting standards

The Company has not adopted any new or revised standards, along with any consequential amendments for the fiscal year 2021.

4. RECEIVABLES AND ADVANCES

	September 30, 2021	September 30, 2020
	$	$
Sundry Debtors	30	9
Advances	7	-
Total receivables	**37**	**9**

The Company has no trade receivables for the periods presented.

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

5. PIMENTON PROJECT

	September 30, 2021	September 30, 2020
	$	$
Option payments	680	-
Total	**680**	**-**

The Company's subsidiary Minera Til Til Spa signed an Asset Purchase Agreement (the "APA") with Minera Tamidak Limitada ("Tamidak"), a private Chilean company owned by the family of a former director and significant shareholder. Under the terms of the APA, the Company can acquire, at its option, certain assets, rights and obligations of Tamidak relating to the Pimenton Copper Gold Mining Project for an aggregate of 3,900,000,000 Chilean pesos payable in three installments. The Company paid the first installment under the APA through the issuance of 44,055,102 common shares of the Company with a fair valued of $680. The remaining payments, each of which are 1,300,000,000 Chilean pesos payable in cash or common shares of the Company, at Tamidak's option, are due June 1, 2022 and December 1, 2023 respectively. Certain of the assets relating to the Pimenton Copper Gold Mining Project are subject to royalty agreements with a company owned by the family of a former director and significant shareholder of the Company and a company controlled by a director of the Company.

6. TRADE AND OTHER PAYABLES

Details are as follows:

	September 30, 2021	September 30, 2020
	$	$
Trade payables	130	121
Other payables and accrued liabilities	60	4
Total trade and other payables	**190**	**125**

7. OTHER DEBT

	September 30, 2021	September 30, 2020
	$	$
Gold loan (a & b)	249	234
	249	234
Less: Current portion	(249)	(234)
Long-term Debt	-	-

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

7. OTHER DEBT– *(Continued)*

Interest paid by the Company was $nil for the year ended September 30, 2021 (2020 - $nil).

a) 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 payment of this excess requires that the Company sell greater than 250 ounces of gold bullion from the Pimenton Mine for a 60 day period prior to repayment. As at September 30, 2021, this loan is in default.

   The balance of the Gold Loan at September 30, 2021 is $24 (2020 -$22). The derivative liability associated with the fluctuation of the price of gold in the contract as at September 30, 2021 is of $nil (2020 – $nil).

b) 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 payment of this excess requires that the Company sell greater than 250 ounces of gold bullion from the Pimenton Mine for a 60 day period prior to repayment. As at September 30, 2021, this loan is in default.

   The principal balance of the Gold Loan at September 30, 2021 is $167 (2020 - $167) and unpaid interest amounts to $58 (2020 - $45). The derivative liability associated with the fluctuation of the price of gold in the contract as at September 30, 2021 is of $nil (2020 - $nil).

8. LONG TERM DEBT

	September 30, 2021	September 30, 2020
	$	$
Auromin	2,940	2,878
Chañar Blanco	563	552
Mario Hernandez A	32	31
Derivative Liability	1,126	1,471
Total Payables	**4,661**	**4,932**

8. LONG TERM DEBT *(Continued)*

On February 20, 2020 three Debentures were issued in exchange for the cancellation of cash advances and other debt amounts made to the Company, by each of Mario Hernandez, who is also a director and officer of the Company, Compañía Minera Chañar Blanco S.A., a Company owned by Mario Hernández, and Compañía Minera Auromín Ltda., a Company owned by David Thomson, who is a former director and significant shareholder of the Company, in the aggregate amount of $3,787. The Debentures mature on February 20, 2025 and are non-interest bearing.

Mario Hernandez acquired a Debenture in the principal amount of $34, Compañía Minera Chañar Blanco S.A. acquired a Debenture in the principal amount of $604 and Compañía Minera Auromín Ltda. acquired a Debenture in the principal amount of $3,149. The outstanding amount of principal for each Debenture is convertible into Common Shares at a conversion price (the "Conversion Price") equal to the greater of (i) CDN$0.05 per Common Share, and (ii) the simple average of the closing price per Common Share on the Canadian Securities Exchange (or such other exchange on which the Common Shares may then be listed) for the 15 consecutive trading days period ending immediately prior to the date of the notice of conversion provided by the holder of the Debenture to the Company. On this basis, each of Hernandez, Compañía Minera Chañar Blanco S.A. and Compañía Minera Auromín Ltda. can acquire at their option, at any time after the date that is 180 days from the date hereof until maturity, up to 882,290, 15,680,601 and 81,807,694 Common Shares, respectively, upon conversion of the full amount of principal under their respective Debentures.

The Company may also, at its option, accelerate the conversion (the "Acceleration Right") of all or part of the outstanding principal at the Conversion Price, at any time if the closing price of the Common Shares on the Canadian Securities Exchange, equals or exceeds CDN$0.15 per Common Share for a period of 20 consecutive trading days (the "Acceleration Period").

At February 20, 2020 as the conversion into common shares is not at a fixed share price, the equity conversion option derivative was fair valued at $371 using the Black-Scholes pricing model using a share price of CAD$ 0.005, expected life of 5 years, risk free rate of 1% and a volatility of 348%.

At September 30, 2021 the equity conversion derivative was revalued at $1,126 (2020 - $1,471) using the Black-Scholes pricing model using a share price of CAD$0.02, expected life of 3.9 years, risk free rate of 0.36% and a volatility of 262%. Due to the change in fair value a revaluation adjustment gain of $345 (2020 - loss of $1,100) was recorded in the statement of loss and other comprehensive loss.

During the year ended September 30, 2021, the Company recorded an accretion expense of $74 (2020 - $45) relating to the debenture.

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

9. SHARE CAPITAL

	Number of shares	Amount
		$
Balance – September 30, 2019	339,390,784	90,092
Balance – September 30, 2020	339,390,784	90,092
Shares issued (Note 5 and Note 9(b)(i))	44,055,102	680
Shares issued (Note 9(b)(i))	12,984,107	264
Balance – September 30, 2021	396,429,993	91,036

a) Authorized capital

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

b) Issued and outstanding

i) During the year ended September 30, 2021.

- 44,055,102 common shares with a fair value of $680 were issued in name of Tamidak, a company owned by the family of a former director and significant shareholder of the Company in payment of the first option of the APA agreement (Note 5).
- On May 4, 2021, the Company issued 12,984,107 common shares to Stephen W. Houghton to settle amounts owing of $517 relating to payments on his retirement as CEO of the Company, effective March 31, 2021. The fair value of the common shares was $264 and the Company recorded a gain on settlement of debt of $253. In connection with the settlement, the Company forgave $318 in amounts owing to the Company from Mr. Houghton. Mr. Houghton continued as President and Director of the Company on a non-paid basis until his death on August 2, 2021.

ii) During the year ended September 30, 2020, there was no share capital activity

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 plan provides for a minimum term of 10 years for stock options.

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.

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

9. SHARE CAPITAL – *(Continued)*

A continuity schedule of outstanding stock options is as follows:

	Number of options	**Weighted average exercise price CA$**
Balance – September 30, 2019	**9,049,000**	0.03
Balance – September 30, 2020	**9,049,000**	0.03
Expired March 22, 2021	**(6,487,000)**	0.02
Balance – September 30, 2021	**2,562,000**	0.05

Options outstanding as at September 30, 2021 are as follows:

Number of options	**Weighted average remaining contractual life (years)**	**Weighted average exercise price CA$**	**Options exercisable**
2,562,000	1.91	0.05	2,562,000
2,562,000			**2,562,000**

During the year ended September 30, 2021, the Company recognized a total of $nil (2020 - $2) related to the vesting of options granted.

There were no incentive stock options granted during the years ended September 30, 2021 and 2020.

10. WARRANTS

At September 30, 2019, there were a total of 15,743,000 warrants outstanding with an exercise price of CAD$ 0.07

On October 22, 2019, all warrants expired unexercised.

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

11. EXPENSES BY NATURE

General and administrative costs consist of the following:

	September 30, 2021 $	September 30, 2020 $
Office and overhead costs	569	109
Salaries and wages	257	221
Professional fees	129	163
Total general and administrative expenses	**955**	**493**

12. SEGMENT INFORMATION

In determining reportable operating segments, management reviews various factors, including geographic location, quantitative thresholds, and managerial structure.

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties.

Geographic information is as follows:

September 30, 2021		**Canada**	**Chile**	**United States**	**Total**
Pimenton Project	$	-	680	-	680
Total Non-current assets	$	-	680	-	680

September 30, 2020		**Canada**	**Chile**	**United States**	**Total**
Due from related parties	$	318	-	283	601
Total Non-current assets	$	318	-	283	601

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

13. INCOME TAXES

The Company operates in multiple industries and jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian tax rate reflects the federal and provincial tax rates in effect in Ontario, Canada for each applicable year. A reconciliation of the combined Canadian effective rate of income tax is as follows:

		2021		2020
Loss for the year	$	(854)		(1,724)
Expected income tax (recovery)	$	(231)	$	(467)
Change in statutory, foreign tax, foreign exchange rates and other		52		(1)
Permanent differences		(161)		297
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		154		91
Change in unrecognized deductible temporary differences		186		80
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

Tax losses carried forward are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
Non-capital losses available for future periods	$13,725	2026 to 2041	$ 11,765	2026 to 2040
Canada	8,877	2026 to 2041	7,613	2026 to 2040
USA	1,423		1,423	
Chile	3,425		2,728	

The significant components of the Company's unrecorded deferred tax assets (liabilities) are as follows:

	2021	2020
Non-capital losses available for future periods	$2,979	$ 2,793
	2,979	2,793
Unrecognized deferred tax assets	(2,979)	(2,793)
Net deferred tax assets	$ -	$ -

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

14. COMPENSATION OF KEY MANAGEMENT

Key management includes directors (executive and non-executive) and senior executives. The compensation to key management for employee services is presented below:

	September 30, 2021 $	September 30, 2020 $
CEO short-term benefits (i)	94	110
CFO short-term benefits	28	25
Directors fees (ii)	19	(20)
Share based compensation	-	2
	141	**117**

i. On April 1, 2010, the Chief Executive Officer (CEO), who is also a director of the Company, entered into a management contract with the Company for renewable two-year periods. The contract was automatically renewable for two-year periods if none of the parties express their intent to end the contract on its expiration date. Under the terms of the contract, the Company paid $110 per year to the CEO plus a travel allowance. During the year ended September 30, 2021, the contract was terminated after 6 months and a total of $76 paid. The CFO assumed the CEO role on an interim basis at a cost of $3 per month.

ii. On June 21, 2011, the Board of Directors approved a resolution that non-executive directors be paid $1 per meeting attended. During the year ended September 30, 2021, the Company recorded $19 (2020 - $26) in directors fees.

15. RELATED PARTY TRANSACTIONS

Effective March 31, 2021 Stephen W. Houghton resigned as the Company's CEO while remaining as a Director and President on a non-remunerated basis. In settlement of all amounts owing to Mr. Houghton, the forgiveness of $318 in amounts owing to the Company and retirement payments of $330, he agreed to receive 12,984,107 common shares of the Company on May 4, 2021 with a fair value of $264. In connection with the settlement, the Company recorded gain on settlement of debt of $253. The Company announced, with regret, his passing on August 2, 2021 in a press release.

A company controlled by the Chief Financial Officer of the Company (the "CFO") and Interim Chief Executive Officer (the "CEO") who is also a Director, billed $28 to the Company for accounting and administration services rendered during the year ended September 30, 2021 (2020- $25). Trade and other payables include $5 in relation to such services at September 30, 2021 (2020 - $1).

Due to related parties includes cash advances of $1,006 from David Thomson or his companies, who is a former director and officer of the Company at September 30, 2021 (2020 - $433). The cash advances bear no interest and have no specific terms of repayment.

As at September 30, 2021, the Company owes a total of $201 (2020 - $182) to directors for director's compensation. This amount is included in due to related parties.

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

16. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2021 $	September 30, 2020 $
Changes in non-cash working capital relating to operations:		
Receivables and advances	(32)	5
Accounts payable and accrued liabilities, excluding interest in accrued liabilities	65	14
Due to related parties	432	143
	465	162
Shares issued for the Pimenton Project	680	-
Shares issued in settlement of debt	264	-
Reclassified due to related parties and other debt to long term debt	-	3,787
Initial recognition of derivative	-	371
Total interest paid	-	-
Total income tax paid	-	-

17. FINANCIAL INSTRUMENTS

(a) Financial Assets and Liabilities

The Company's financial instruments at September 30, 2021 consist of cash, receivables and advances, due from related parties, trade and other payables, due to related parties, other debt, derivative liabilities and long term debt.

Fair value measurements of financial assets and liabilities recognized in the statement of financial position

Fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

At September 30, 2021, the levels in the fair value hierarchy into which the Company's financial assets and liabilities are measured and recognized in the statement of financial position at fair value are categorized are as follows:

	Level 1	Level 3
Cash	7	-
Derivative liability	-	1,126

The fair value of the Company's derivative liability was determined by using inputs that are not based on observable market data.

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

17. FINANCIAL INSTRUMENTS - *(Continued)*

At September 30, 2021, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as level 2 in the fair value hierarchy above.

At September 30, 2021, the carrying amounts of receivables and advances, trade and other payables, due to related party, and other debt, are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. Long-term debt also is a reasonable approximation of its fair value.

(b) Management of Financial Risk

The Company's financial instruments are exposed to financial risks as summarized below:

Credit Risk
Receivables and advances consist of:

		September 30, 2021		September 30, 2020
Advances and other sundry receivables	$	37	$	9
Total receivables and advances	**$**	**37**	$	**9**

Advances and other sundry receivable are subject to normal credit risks and are considered low risk.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet liabilities when due. At September 30, 2021, the Company had a negative working capital of $1,596. At September 30, 2021, the Company's accumulated deficit was $105,188 and shareholders' deficiency was $5,577. The Company is exposed to liquidity risk. Refer to note 1.

Market Risk

The significant market risk to which the Company is exposed are commodity price risk, interest rate risk, and currency risk.

Commodity Price Risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices of gold, silver, and copper.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash earns interest at short-term rates. The risk of the Company's future interest income exposure to these rates is trivial. The Company's loans and convertible debentures are not subject to interest rate risk as it is not subject to a variable interest rate.

17. FINANCIAL INSTRUMENTS - *(Continued)*

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, receivables and advances, recoverable taxes, trade and other payables, due to related parties, other debt and long term debt are held in USD, CAD and CLP; therefore, CDN and CLP accounts are subject to fluctuation against the US dollar. Assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and CLP by 10% would be trivial.

18. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

The acquisition, exploration, financing and development of natural resources require significant expenditure before production commences. Historically, the Company has financed these activities through the issuance of common shares, the exercise of options and common share purchase warrants, promissory notes and debentures, bank debt and extended terms from creditors.

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 its 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. There were no changes to the Company's capital management in the current year and the Company is not subject to externally imposed capital requirements.

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

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.

Frederick D. Seeley*(1),(2),(4)
West Falmouth, Massachusetts, USA
Chairman, Givens Hall Bank and Trust Limited

Peter W. Hogg*
Toronto, ON, Canada
Chief Financial Officer and Interim
Chief Executive Officer

(1) Member, Audit Committee
(2) Member, Compensation Committee
(3) Technical Committee
(4) Corporate Governance and Nominating Committee

Corporate Information

Website: www.cegmining.com

Canadian Securities Exchange
Stock Symbol: CEG

OTCQB International
Stock Symbol: CEGMF

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