

Cerro Grande Mining Corporation

Canadian Securities Exchange (CSE)

Form 2A

Updated

Listing Statement

February 5, 2021

**Note to Reader:**

This Listing Statement contains the 2020 Annual FS, 2020 Annual MD&A and 2020 MIC of Cerro Grande Mining Corporation, as such terms are defined below.

## DEFINED TERMS

2020 Annual MD&A	Management's Discussion and Analysis of Cerro Grande Mining Corporation dated January 27, 2021 for the year ended September 30, 2020 as filed on SEDAR.
2020 Annual FS	Consolidated Financial Statements dated January 27, 2021 of Cerro Grande Mining Corporation for the year ended September 30, 2020 as filed on SEDAR.
2020 MIC	Management Information Circular dated February 21, 2020 of Cerro Grande Mining Corporation for the Annual General Meeting of the Shareholders held on March 31, 2020 as filed on SEDAR.

## TABLE OF CONTENTS

1.	Table of Concordance
2.	Schedule A - Capitalization Table
3.	Schedule B - Principal Shareholders
4.	Schedule C - Capital Structure
5.	Schedule D – Corporate Chart
6.	Schedule E - 2020 Annual FS
7.	Schedule F - 2020 Annual MD&A
8.	Schedule G - 2020 MIC

CSE Form 2A – Listing Statement	Item and Paragraph number in CSE Form 2A - Listing Statement	Reference to Company Documents, as Applicable
Table of Contents	Item 1	See above.
Corporate Structure	Item 2	
<i>Corporate name of Issuer, jurisdiction of incorporation, etc.</i>	2.1-2.2	<p>Cerro Grande Mining Corporation (the “Corporation” or the “Issuer”) is incorporated under the Canada Business Corporations Act. The registered office of the Corporation is located at 181 University Avenue, Suite 800, Toronto, ON M5H 2X7, Canada. The Corporation’s business office is located at One King Street West, Suite 4009, Toronto, Ontario M5H 1A1, Canada. The Corporation’s principal activities are conducted from offices in Santiago, Chile, which until January 2021 were located at Avenida Santa Maria 2224, Providencia, Santiago, Chile. The Corporation is currently seeking alternative office arrangements.</p> <p>On October 3, 1996, the Corporation became subject to the “Companies Act” of the Province of Nova Scotia, Canada. On May 3, 2007, the Corporation was continued under the <i>Canada Business Corporations Act</i>. On March 31, 2011, by articles of amendment, the Corporation changed its name to “Cerro Grande Mining Corporation” and amended the articles of the Corporation to consolidate the issued and outstanding common shares of the Corporation by changing each one of the then issued and outstanding common shares of the Corporation into one-tenth of one new common share of the Corporation (each such whole consolidated common share, a “Common Share”).</p>
<i>Intercorporate relationships</i>	2.3	Reference is made to Schedule D – Corporate Chart.
<i>Fundamental change</i>	2.4	N/A
<i>Issuers incorporated outside of Canada</i>	2.5	N/A
General Development of the Business	Item 3	
<i>General</i>	3.1	The Corporation is a minerals exploration and development

<p><i>development over last three fiscal years and subsequent period</i></p>	<p>company with properties and activities currently focused in Chile.</p> <p>Over the last three fiscal years, the Corporation had very limited activities, until July 15, 2020 when the Corporation entered into a non-binding letter of intent (the "LOI") with Minera Tamidak Limitada ("Tamidak"), a private Chilean company jointly owned by David, Matthew and Ian Thomson, each of whom holds more than 10% of the issued and outstanding Common Shares, to acquire from Tamidak certain assets, rights and obligations of Tamidak relating to the Pimentón Copper Gold Mining Project. Pursuant to the LOI, management of the Corporation conducted certain confirmatory due diligence investigations in relation to the Pimentón Copper Gold Mining Project and advanced the matters set forth in the LOI, including negotiating the terms of the final execution ready form of definitive agreement to acquire such assets.</p> <p>On November 10, 2020, the Corporation held a special meeting of shareholders, pursuant to which its shareholders approved (after excluding the votes cast by persons whose votes could not be included in determining minority approval pursuant to Multilateral Instrument 61-101 – <i>Protection of Minority Security Holders in Special Transactions</i>), the Corporation causing its wholly-owned Chilean subsidiary, Minera Til Til SpA ("Til Til"), to enter into the Asset Purchase Agreement and Contracts Assignment Agreement (Contrato De Compraventa De Activos y Cesión de Contrato) (the "APA") with Tamidak and to complete the transactions contemplated pursuant thereto. For further information about the Corporation's special meeting of shareholders held on November 10, 2020, please refer to the Corporation's management information circular dated October 9, 2020 and filed on SEDAR under the corporation's profile on October 20, 2020.</p> <p>On December 1, 2021, the Corporation announced that Til Til entered into the APA with Tamidak and acquired from Tamidak on that date the mining concessions and other assets covering the Pimentón Copper Gold Mining Project owned by Tamidak as well as Tamidak's rights and obligations under the Exploration and Option to Joint Venture Agreement (the "FQM Agreement") entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. ("FQM"), a Chilean subsidiary of First Quantum Minerals Ltd.</p> <p>The Pimentón Copper Gold Mining Project covers 3,121 hectares located approximately 120km northeast of the city of Santiago in the Andes mountains in Chile, and hosts the Company's former Pimentón gold mine which closed down in May 2017 and was subsequently forfeited to the court-appointed liquidator as a result of the Company's former subsidiary, Compañía Minera Pimentón, entering into voluntary bankruptcy proceedings on May 31, 2017. Tamidak acquired the Pimentón Copper Gold Mining Project in those</p>
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	<p>bankruptcy proceedings on June 25, 2018.</p> <p>Pursuant to the APA, the Corporation paid, on behalf of Til Til as purchaser, the first installment in the amount of \$1,300,000,000 Chilean Pesos (CDN\$2,202,755.14) of the total \$3,900,000,000 Chilean Pesos purchase price (the "Purchase Price") payable thereunder (approximately CDN\$6,608,265, based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on November 30, 2020 as published by the Central Bank of Chile) by issuing 44,055,102 Common Shares to Tamidak at an issuance price of CDN\$0.05 per share.</p> <p>Pursuant to the APA, each of the second and third installments of the Purchase Price, each in the amount of \$1,300,000,000 Chilean Pesos, is due on the date that is not more than 18 months and 36 months from December 1, 2020, respectively, and is payable in cash or its equivalent in Common Shares, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per Common Share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time). In case of payments to be made in Common Shares as aforementioned, the number of Common Shares issuable shall be determined based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on the day before the applicable payment as published by the Central Bank of Chile.</p> <p>If either of the remaining two Purchase Price installments is not timely and fully paid to Tamidak, the APA will be automatically terminated and Til Til shall be required to return all the assets and any rights and obligations under the FQM Agreement to Tamidak. In such an event, Tamidak will retain all payments previously made to it under the APA as compensatory damages, without prejudice to any other damages that Tamidak may be entitled to by law.</p> <p>On February 2, 2021, the Corporation announced that Til Til had received formal notice of termination dated February 1, 2021 from FQM of the FQM Agreement. The FQM Agreement was assigned to Til Til under the APA. In accordance with the FQM Agreement, Til Til will receive the results of the 3D deep penetrating geophysical survey undertaken by FQM on the property and other data and recommendations but FQM will not continue with any further development work on the property and will cease to have the right to earn any equity interest in any joint venture company that may have been formed to further develop the property in accordance with the FQM Agreement. The parties are now proceeding to formally terminate the FQM Agreement in accordance with Chilean law.</p>
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		<p>The Company intends to review and analyze the data and recommendations to be provided by FQM in order to determine the best course of action for the Company with respect to the Pimentón Copper Gold Mining Project.</p> <p>The Corporation's other properties, which are in various stages of exploration and development in Chile include "Tordillo" and two limestone deposits "Catedral" and "Cal Norte".</p> <p>For further information about the Corporation's other properties, reference is made to pages 8 and 9 of the 2020 MD&amp;A. See Schedule F.</p> <p>The Corporation is currently reviewing and evaluating its options as it relates to its other existing properties and projects to determine the best course of action.</p>
<i>Significant acquisition</i>	3.2	N/A
<i>Trend, commitment, event, or uncertainty</i>	3.3	See Item 3.1 as it relates to the termination of the FQM Agreement and management's plans for the Pimentón Copper Gold Mining Project.
<b>Narrative Description of the Business</b>	Item 4	
<i>General</i>	4.1	See Item 3.1 above. Reference is also made to the 2020 Annual FS and the 2020 Annual MD&A. See Schedules E and F.
<i>Asset backed securities</i>	4.2	None.
<i>Mineral project</i>	4.3	See Item 3.1 above. Reference is also made to the Technical report entitled "Updated Technical Report on the Pimentón Mine, the Surrounding Pimentón Property and the Nearby Tordillo Property in Central Chile" dated July 21, 2016 and filed on SEDAR under the Corporation's profile on July 26, 2016. Reference is also made to pages 8 and 9 of the 2020 Annual MD&A, as it relates to the Corporation's other exploration and potential development projects. See Schedule F.
<i>Oil and gas operations</i>	4.4	None.
<b>Selected Financial Information</b>	Item 5.1	
<i>Annual and quarterly financial information</i>	5.1 - 5.2	Reference is made to the 2020 Annual FS for the fiscal years ended September 30, 2020 and 2019. See Schedule E. Financial information for the fiscal years of the Corporation ended September

		30, 2019 and 2018 is available in the financial statements of the Corporation for the year ended September 30, 2019 and 2018 as filed on SEDAR on January 28, 2020, under the Corporation's profile.
<i>Dividends</i>	5.3	The Corporation does not have any restrictions that could prevent it from paying dividends in accordance with applicable law. Since its continuance under the Canada Business Corporations Act, the Corporation has not paid any dividends and does not intend to do so in the foreseeable future.
<i>Foreign GAAP</i>	5.4	N/A
<b>Management's Discussion and Analysis</b>	Item 6	
<i>Annual MD&amp;A</i>	6.1 through 6.20 (except Items 6.15 and 6.16 (Interim MD&A) which are not applicable)	Reference is made to the 2020 Annual MD&A. See Schedule F.
	6.21	N/A
<b>Market for Securities</b>	Item 7	
<i>Exchange and quotation and trade reporting system</i>	7.1	The Common Shares are currently traded on the CSE and OTCQB under the CEG and CEGMF trading symbols, respectively.
<b>Consolidated Capitalization</b>	Item 8	
<i>Change on the share and loan capital of the Issuer since the date of the Annual FS</i>	8.1	There has not been any material change in the share and loan capital of the Issuer, on a consolidated basis, since the date of the 2020 Annual FS, being January 27, 2021. On December 1, 2020, subsequent to the end of the Corporation's fiscal year ended September 30, 2020, the Corporation issued 44,055,102 Common Shares to Tamidak as payment of the first instalment of the Purchase Price pursuant to the APA. See Item 3.1. Reference is also made to the 2020 Annual FS and the 2020 MD&A. See Schedules E and F.

Options to Purchase Securities	Item 9	
<i>Information as to options to purchase securities of the Issuer</i>	9.1	<p>As of the date of this Listing Statement, 9,049,000 stock options to acquire Common Shares (“Options”) are outstanding of which 7,587,000 Options are held by directors and officers of the Corporation, as a group, and 1,462,000 Options are held by employees of the Corporation, as a group. 6,487,000 Options are exercisable at \$0.02 per Common Share and expire 5 years after grant on March 22, 2021 and 2,562,000 Options are exercisable at \$0.05 per Common Share and expire 5 years after grant on August 27, 2023. An aggregate of 9,409,000 Options are exercisable as at the date of this Listing Statement pursuant to vesting provisions. The Corporation has not granted any Options since August 27, 2018.</p> <p>For a description of the terms of the stock option plan of the Corporation reference is made to pages 12 – 14 of the 2020 MIC. See Schedule G.</p>
Description of Securities	Item 10	
<i>General</i>	10.1	The Corporation is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to: (i) upon dissolution of the Corporation, share in the remaining property thereof; (ii) receive any dividends validly authorized by the board of directors of the Corporation and declared by the Corporation on the Common Shares; and (iii) vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote. Reference is also made to Schedule C with respect to the capital structure of the Corporation.
<i>Listed debt securities</i>	10.2	N/A
<i>Other listed securities</i>	10.3	N/A
<i>Modification of terms to listed securities</i>	10.4	N/A
<i>Other attributes of listed securities</i>	10.5	N/A
<i>Prior sales</i>	10.6	There were no sales of Common Shares within the 12 months period before the date of this Listing Statement, except for the issuance of 44,055,102 Common Shares to Tamidak as payment of the first instalment of the Purchase Price pursuant to the APA. See Items 3.1 and 8.1.

		<p>In addition, on February 20, 2020, the Corporation announced that certain related persons each acquired one Unsecured Convertible Debenture (each, a “<b>Debenture</b>”) convertible into Common Shares in the principal amount of US\$33,965.59 (CDN\$44,114.50), US\$603,657.29 (CDN\$784,030.08) and US\$3,149,356.87 (CDN\$4,090,384.70), respectively. The outstanding amount of principal under each Debenture is convertible into Common Shares at a conversion price (the “<b>Conversion Price</b>”) 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 CCSE (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 Corporation. On this basis, upon conversion of the full amount of principal under their respective Debentures, each of the holders of the respective Debentures can acquire at their option, at any time until February 20, 2025, up to 882,290, 15,680,601 and 81,807,694 Common Shares, respectively.</p> <p>The Debentures mature on February 20, 2025 and do not bear interest. The Corporation may also, at its option, accelerate the conversion (the “<b>Acceleration Right</b>”) 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 CSE, equals or exceeds CDN\$0.15 per Common Share for a period of 20 consecutive trading days.</p>																																																												
<p><i>Trading prices</i></p>	<p>10.7</p>	<p>The high and low trading prices of the Common Shares and the number of shares traded since January 1, 2019 until the close of trading on February 4, 2021 are as follows:</p> <table border="1" data-bbox="617 1239 1429 1869"> <thead> <tr> <th>Month</th> <th>High (CDN\$)</th> <th>Low (CDN\$)</th> <th>Volume</th> </tr> </thead> <tbody> <tr> <td>February 1 to February 4, 2021</td> <td>0.03</td> <td>0.02</td> <td>152,850</td> </tr> <tr> <td>January 2021</td> <td>0.03</td> <td>0.015</td> <td>288,950</td> </tr> <tr> <td>December 2020</td> <td>0.03</td> <td>0.015</td> <td>360,310</td> </tr> <tr> <td>November 2020</td> <td>0.02</td> <td>0.015</td> <td>238,901</td> </tr> <tr> <td>October 2020</td> <td>0.02</td> <td>0.015</td> <td>183,630</td> </tr> <tr> <td>September 2020</td> <td>0.06</td> <td>0.015</td> <td>2,183,210</td> </tr> <tr> <td>August 2020</td> <td>0.03</td> <td>0.015</td> <td>1,992,100</td> </tr> <tr> <td>July 2020</td> <td>0.02</td> <td>0.005</td> <td>4,822,620</td> </tr> <tr> <td>June 2020</td> <td>0.01</td> <td>0.005</td> <td>47,996</td> </tr> <tr> <td>May 2020</td> <td>0.01</td> <td>0.005</td> <td>186,194</td> </tr> <tr> <td>April 2020</td> <td>0.01</td> <td>0.005</td> <td>30,664</td> </tr> <tr> <td>March 2020</td> <td>0.01</td> <td>0.005</td> <td>27,654</td> </tr> <tr> <td>February 2020</td> <td>0.01</td> <td>0.005</td> <td>24,970</td> </tr> <tr> <td>January 2020</td> <td>0.005</td> <td>0.005</td> <td>100</td> </tr> </tbody> </table>	Month	High (CDN\$)	Low (CDN\$)	Volume	February 1 to February 4, 2021	0.03	0.02	152,850	January 2021	0.03	0.015	288,950	December 2020	0.03	0.015	360,310	November 2020	0.02	0.015	238,901	October 2020	0.02	0.015	183,630	September 2020	0.06	0.015	2,183,210	August 2020	0.03	0.015	1,992,100	July 2020	0.02	0.005	4,822,620	June 2020	0.01	0.005	47,996	May 2020	0.01	0.005	186,194	April 2020	0.01	0.005	30,664	March 2020	0.01	0.005	27,654	February 2020	0.01	0.005	24,970	January 2020	0.005	0.005	100
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		December 2019	0.005	0.005	158,680
		November 2019	0.005	0.005	121,400
		October 2019	0.005	0.005	506,130
		September 2019	0.005	0.005	64,820
		August 2019	0.005	0.005	106,610
		July 2019	0.005	0.005	51,100
		June 2019	0.005	0.005	96,500
		May 2019	0.010	0.005	91,260
		April 2019	0.005	0.005	66,190
		March 2019	0.010	0.005	422,215
		February 2019	0.005	0.005	60,382
		January 2019	0.010	0.005	89,357
Escrowed Securities	Item 11				
<i>Securities subject to escrow</i>	11.1	None.			
Principal Shareholders	Item 12				
<i>Names of principal shareholders and their holdings</i>	12.1(1)	Reference is made to Schedule B.			
Directors and Officers	Item 13				
<i>Name of directors and length of service</i>	13.1 - 13.2	Reference is made to page 3 of the 2020 MIC. See Schedule G.			
<i>Number of Common shares held by directors and executive officers</i>	13.3	The number of and percentage of Common Shares beneficially owned, directly and indirectly, or over which control is exercised by all directors and executive officers as a group is 179,372,062 Common Shares representing approximately 46.8% of the issued and outstanding Common Shares at the date hereof, on a non-diluted basis. See also Schedule B for the additional shareholdings of Mr. David Thomson jointly held with his sons, Ian and Matthew Thomson.			
<i>Board committees, principal</i>	13.4 - 13.9	Reference is made to pages 2-4 of the 2020 MIC. See Schedule G.			

<i>occupation of directors, cease trade orders, bankruptcies, penalties and sanctions, etc.</i>		
<i>Conflict of interest</i>	13.10	Two of the current directors of the Corporation, namely Mr. David Thomson and Mr. Mario Hernandez hold, directly and indirectly, significant shareholdings in the Corporation. In addition, Mr. Thomson is a significant shareholder of Tamidak which is a party to the APA with Til Til. See Item 17.3.
<i>Names and other information about members of management</i>	13.11	Reference is made to pages 2-4 of the 2020 MIC. See Schedule G.
<b>Capitalization</b>	Item 14	
<i>Issued capital tables</i>	14.1	Reference is made to Schedule B.
<i>Securities convertible or exchangeable into Common Shares</i>	14.2	As of the date hereof, there are 383,445,886 Common Shares issued and outstanding. There are no other securities of the Company that are issued and outstanding other than (i) 9,049,000 Options that are exercisable into 9,049,000 Common Shares, and (ii) Debentures in the aggregate principal amount of US\$4,075,925.75 that are convertible into up to 98,370,585 Common Shares.
<i>Other securities reserved for issuance</i>	14.3	Additional Common Shares may be issuable by the Company to Tamidak to satisfy the second and third installments of the Purchase Price under the APA. See Item 3.1.
<b>Executive Compensation</b>	Item 15	
<i>Statement of executive compensation</i>	15.1	Reference is made to pages 5-12 of the 2020 MIC. See Schedule G.
<b>Indebtedness of Directors and Executive Officers</b>	Item 16	
<i>Aggregate indebtedness of directors, officers, etc.</i>	16.1	See page 15 of the 2020 MIC. Reference is made to Schedule G.
<i>Indebtedness of directors and</i>	16.2	See page 15 of the 2020 MIC. Reference is made to Schedule G.

<i>executive officers under securities purchase and other programs, etc.</i>		
<b>Risk Factors</b>	Item 17	
<i>General Risk factors</i>	17.1	Reference is made to the 2020 Annual FS and the 2020 Annual MD&A. See Schedules E and F. See Item 17.3.
<i>Liability of securityholders becoming liable for additional contribution</i>	17.2	None.
<i>Other risk factors</i>	17.3	<p>The exploration and development of the Corporation's properties, including in particular the further development of the Pimenton Copper Gold Mining Project, will require substantial additional financing which is not currently available to the Company and/or finding development partners who have the financial means and expertise to further explore and develop the Corporation's properties, including the Pimentón Copper Gold Mining Project. Additional financing may not be available when needed or, even, if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders or sale or other dispositions of an interest in any of the Corporation's assets or properties. Failure to find development partners and/or the failure to obtain sufficient financing when needed will result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of a property interest and may have a material adverse effect on the Corporation's business, financial condition and results of operations. Sources of funds now available to the Corporation are very limited. FQM who was funding the exploration and development of the copper assets on the Pimentón Copper Gold Mining Project pursuant to the FQM Agreement has given notice of its termination of such agreement.</p> <p>The APA requires the payment by Til Til to Tamidak, the seller of the Pimenton Copper Gold Ming Project, of the remaining second and third Purchase Price installments which are due to Tamidak no later than the date that is 18 months and 36 months from December 1, 2020. Pursuant to the APA, such installments are payable in cash or Common shares at the discretion of Tamidak. Should Tamidak seek payment in cash, for any such instalments, Til Til may not be able to satisfy such payment. If the payment of any such instalments is not made, the APA would terminate and Til Til would be required to return all of the assets acquired under the APA to Tamidak.</p>

	<p>The exploration for and development of mineral deposits involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Substantial expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration programs that may be planned by the Corporation will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are inherently cyclical and cannot be predicted with certainty; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection.</p> <p>In addition, it is also not unusual in mining operations to experience unexpected problems both during the start-up and during ongoing operations. To the extent that unexpected problems occur affecting the production, if any, in the future, any revenues may be reduced, costs may increase and the Corporation's profitability and any ability to continue any mining operation may be adversely affected.</p> <p>The Corporation does not currently plan to restart gold mining operations at its Pimenton mine, until management has determined to its satisfaction that it can satisfactorily operate the same on economic terms. In addition, the Corporation does not currently have the necessary funds required to rehabilitate the mine into a working operation. Furthermore, FQM terminated the FQM Agreement on February 1, 2021 and its obligations thereunder. Under such agreement, all exploration and developments costs were effectively to be borne by FQM until a decision to mine would be made. As such, FQM will no longer be required to further explore or develop the Pimenton Copper Gold Mining Project.</p> <p>The minerals exploration and mining industry is intensely competitive in all of its phases. The Corporation competes with many companies possessing greater technical facilities and financial resources than are available to it.</p> <p>All phases of the Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future</p>
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	<p>environmental regulation will not materially adversely affect the Corporation's business, financial condition and results of operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties. Government approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained; the Corporation may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Companies engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.</p> <p>The mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, employment and occupational health, mine safety, use of water, toxic substances and waste disposal, environmental and other matters. Mining and exploration activities are also subject to various laws and regulations relating to protection of the environment. Although the Corporation believes that its exploration and production activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the business, financial condition and results of operations of the Corporation.</p> <p>The acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral concessions may be disputed. Although the Corporation believes it has taken reasonable measures to ensure proper title to its</p>
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	<p>properties, there is no guarantee that title to any of its properties will not be challenged or impaired. Third parties may have valid claims underlying portions of the Corporation's interests.</p> <p>Any operations of the Corporation to be conducted on its properties may require licenses and permits from various governmental authorities. Obtaining necessary permits and licenses can be a complex, time consuming process and the Corporation cannot be certain that it will be able to obtain necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, delay or restrict the Corporation from proceeding with the development of an exploration project or the development and operation of a mine. Any failure to comply with applicable laws and regulations or permits could result in interruption or closure of exploration, development or mining operations, or fines, penalties or other liabilities. The Corporation could also lose its mining concessions under the terms of its existing agreements.</p> <p>The profitability of the Corporation's operations on any producing properties, if any, is dependent in part upon the market price of mineral commodities and precious metals. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of and demand for mineral commodities and exchange rate stability can all cause significant price fluctuations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations.</p> <p>Fluctuations in market price of mineral commodities subsequent to the date of any estimate of mineral reserve or mineral resource may require revision of such estimate. An adverse fluctuation in the market price of mineral commodities may cause a re-evaluation of the economic feasibility of any project. If the economic feasibility is subsequently questioned, the Corporation may be adversely affected and may have to write-off costs previously incurred.</p> <p>Development and exploration activities depend on adequate infrastructure, including reliable roads, power sources and water supply. The Corporation's inability to secure adequate water and power resources, as well as other events outside its control, such as unusual weather, sabotage, government or other interference in the maintenance or provision of such infrastructure, could adversely</p>
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		<p>affect the Corporation's operations and financial condition.</p> <p>There is a significant degree of uncertainty attributable to the calculation of mineral deposit estimates and corresponding mineralization grades. Until the mineralized material is actually mined and processed, mineral deposit estimates, mineralization grades and recovery rates must be considered as estimates only. Consequently, there can be no assurance that any mineral deposit estimates or ore-grade information contained in previously disclosed information by the Corporation, such as in National Instrument 43-101 Technical Reports will prove accurate. In addition, the value of mineral deposits may vary depending on mineral prices and other factors. Any material change in ore grades, stripping ratios and processing factors may affect the economic viability of the Corporation's projects. Furthermore, mineral deposit estimate information should not be interpreted as any assurance of mine life or of the potential profitability of existing or future projects.</p> <p>While the mining businesses in which the Corporation may operate are not seasonal, the location of potential specific mining operations in Chile can be adversely impacted by seasonal weather conditions. Pimenton, Tordillo and Catedral are subject to harsh winter weather conditions including potential avalanche conditions, high winds and sub-zero temperatures. Bandurrias and Cal Norte have not historically been subject to harsh winter weather conditions.</p> <p>The exploration and development of the Corporation's properties may be affected in varying degrees by political or economic stability. Associated risks include, but are not limited to: terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Any change in regulations or shifts in political attitudes are beyond the control of the Corporation and may materially adversely affect its business, financial condition and results of operations. Operations may also be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, land use, environmental legislation, water use, land claims of local people, and mine safety. The effect of these factors cannot be accurately predicted.</p> <p>The Corporation's material properties, including the Pimenton Copper Gold Mining Project, are currently located in Chile and, as such, a substantial portion of the Corporation's business is exposed to various degrees of political, economic and other risks and uncertainties. Although Chile has a mature and stable political system and enjoys one of the best country risk ratings of the region, there is always the potential for changes in mining policies or shifts in political attitude towards foreign investment in natural resources.</p>
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		<p>Changes, even if minor in nature, may adversely affect the Corporation's operations.</p> <p>There is no assurance that Chile or any other foreign country in which the Corporation may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.</p> <p>Certain of the directors and officers of the Corporation also serve as directors, officers and/or advisors of and to other companies involved in natural resource exploration and development. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest or which are governed by the procedures set forth in the Canada Business Corporations Act and any other applicable law.</p> <p>The Corporation has never paid a dividend on its Common Shares, and does not expect to do so in the foreseeable future. Any future determination to pay dividends will be at the discretion of the board of directors and will depend upon the capital requirements of the Corporation, results of operations and such other factors as the board of directors considers relevant. Accordingly, it is likely that investors will not receive any return on their investment in the Common Shares other than possible capital gains.</p>
Promoters	Item 18	
<i>Name of promoter and other information</i>	18.1 – 18.2	None.
Legal Proceedings	Item 19	
<i>Material legal proceedings and regulatory actions</i>	19.1 – 19.2	None.
Interest of Management and Others in Material Transactions	Item 20	

<i>Description of material interest</i>	20.1	Reference is made to page 20 of the 2020 MIC and to the 2020 Annual FS. See Schedules G and E, respectively. Reference is also made to Item 3.1 as it relates to the Corporation's acquisition from Tamidak (a company jointly owned by David, Matthew and Ian Thomson, each of whom holds more than 10% of the Common Shares of the Corporation) of the assets relating to the Pimenton Copper Gold Mining Project. In particular, refer to the Corporation's management information circular dated October 9, 2020 and filed on SEDAR under the Corporation's profile on October 20, 2020 in respect of the special meeting of shareholders held on November 10, 2020 to approve the transactions contemplated by the APA, including the issuance of the Common Shares to Tamidak.
<b>Auditors, Transfer Agents and Registrars</b>	Item 21	
<i>Name of auditors, etc.</i>	21.1	The Corporation's auditors are Davidson & Company, Chartered Professional Accountants, 1200-609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC V7Y 1G6.
<i>Name of transfer agent, etc.</i>	21.2	The Corporation's registrar and transfer agent are Computershare Investor Services Inc., 100 University Avenue, Toronto, ON M5J 2Y1.
<b>Material Contracts</b>	Item 22	
<i>Particulars of material contract</i>	22.1	See Item 2.2 in respect of the APA. Reference is made to APA which has been filed on SEDAR under the Corporation's profile.
<i>Co-tenancy, unitholders' or limited partnership agreements</i>	22.2	None.
<b>Interest of Experts</b>	Item 23	
<i>Direct and indirect interest of experts in the properties and Common shares of the Corporation</i>	23.1- 23.4	None.
<b>Other Material Facts</b>	Item 24	
<i>Particulars of any other material</i>	24.1	None.

<i>facts not disclosed in this Listing Statement</i>		
<b>Financial Statements</b>	Item 25	
<i>Copies of financial statements</i>	25.1	With respect the 2020 Annual FS, reference is made to Schedule E. Financial information for the fiscal years of the Corporation ended September 30, 2019 and 2018 is available in the financial statements of the Corporation for the year ended September 30, 2019 and 2018 as filed on SEDAR on January 28, 2020, under the Corporation's profile.
	25.2	N/A.

CERTIFICATE OF THE CORPORATION

The foregoing contains full, true and plain disclosure of all material information relating to Cerro Grande Mining Corporation. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Santiago, Chile, as of this 5<sup>th</sup> day of February, 2021

*/s/ "Stephen Houghton"*

\_\_\_\_\_  
Stephen Houghton, Chief Executive Officer

*/s/ "Peter Hogg"*

\_\_\_\_\_  
Peter Hogg, Chief Financial Officer

*/s/ "David Thomson"*

\_\_\_\_\_  
David Thomson, Director

*/s/ "Mario Hernandez"*

\_\_\_\_\_  
Mario Hernandez, Director

## Schedule A

### Capitalization Table

The following table provides certain required information with respect to the Common Shares of the Corporation as at the date of this Listing Statement:

#### Issued Capital

	Number of Securities (non-diluted)	Number of Securities (fully diluted)	% of Issued (non-diluted)	% of Issued (fully-Diluted)
<u>Public Float</u>				
Total outstanding (A)	383,445,886	490,865,471 <sup>(1)</sup>		
<hr/>				
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or Companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	316,155,006	414,525,591	82.45%	84.45%
<hr/>				
Total Public Float (A-B)	67,290,880	76,339,880	17.55%	15.55%
<hr/>				
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	None			
<hr/>				
Total Tradeable Float (A-C)	67,290,880			
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#### Note:

1. Assumes conversion in full of principal amount of Debentures at the lowest possible conversion price of CDN\$0.05 per share.

Public Securityholders (Registered)

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	133	2,038
100 – 499 securities	62	11,807
500 – 999 securities	9	5,918
1,000 – 1,999 securities	15	16,500
2,000 – 2,999 securities	4	9,819
3,000 – 3,999 securities	2	6,250
4,000 – 4,999 securities	0	0
5,000 or more securities	88	383,393,554
	313	383,445,886

Non-Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	N/A
100 – 499 securities	Nil	N/A
500 – 999 securities	Nil	N/A
1,000 – 1,999 securities	Nil	N/A
2,000 – 2,999 securities	Nil	N/A
3,000 – 3,999 securities	Nil	N/A
4,000 – 4,999 securities	Nil	N/A

5,000 or more securities

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315,757,005

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315,757,005

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Schedule B

Principal Shareholders as at the Date of this Listing Statement

Name of Holder	Number of Common Shares Held	Percentage of Shares held
<b>David R. Thomson<sup>(1),(3)</sup></b> (Director and an officer of the Corporation)		
Held personally, directly, or indirectly, or controlled by him	44,063,005	11.49%
<b>Mario Hernandez<sup>(2)</sup></b> (Director and an officer of the Corporation)		
Held personally, directly, or indirectly, or controlled by him	132,384,709	26.98%
<b>Stephen W. Houghton</b> (Director and CEO of the Corporation)		
Held personally, directly, or indirectly, or controlled by him	2,874,963	0.75%
<b>Ian Thomson<sup>(1),(3)</sup></b>		
Held personally, directly, or indirectly, or controlled by him	47,803,595	12.47%
<b>Matthew Thomson<sup>(1),(3)</sup></b>		
Held personally, directly, or indirectly, or controlled by him	47,803,595	12.47%

Notes:

- (1) In addition, David Thomson, Matthew Thomson and Ian Thomson jointly, through Compañía Minera Auromin Ltda., have beneficial ownership of, or exercise control or direction over, up to an additional 81,807,694 Common Shares, representing 17.58%, in the aggregate, of the 383,445,886 Common Shares currently issued and outstanding, calculated on a partially diluted basis, assuming the conversion in full of the principal amount of a Debenture made as of February 20, 2020, in the amount of US\$3,149,356.87 (CDN\$4,090,384.70).
- (2) In addition, Mr. Hernandez, has beneficial ownership of, or exercises control or direction over, directly and through Minera Chanar Blanco, a company he controls, up to an additional 16,562,891 Common Shares, representing approximately 4.14%, in the aggregate, of the 383,445,886 Common Shares currently issued and outstanding, calculated on a partially diluted basis, assuming the conversion in full of the aggregate principal amount of two Debentures made as of February 20, 2020, in the aggregate amount of US\$637,622.88 (CDN\$824,144.58).
- (3) In addition, David Thomson, Matthew Thomson, and Ian Thomson jointly, through Tamidak, have beneficial ownership of, or exercise control or direction over, an additional 44,055,102 Common Shares, representing 11.49%, in the aggregate, of the 383,445,886 Common Shares currently issued and outstanding,

### Schedule C

#### Capital Structure

The following provides certain information about the Common Shares, Unsecured Convertible Debentures and Options of the Corporation that are outstanding as at the date of this Listing Statement. Other than such securities, the Corporation does not have any other issued and outstanding securities.

#### Common Shares Outstanding

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#### Issued and Outstanding Common Shares

383,445,886 shares

#### Options Outstanding under the Corporation's 2015 Incentive Stock Option Plan

Number of Options	Exercise Price	Common Shares Issuable
9,049,000	CDN\$0.05 and 0.02	up to 9,049,000

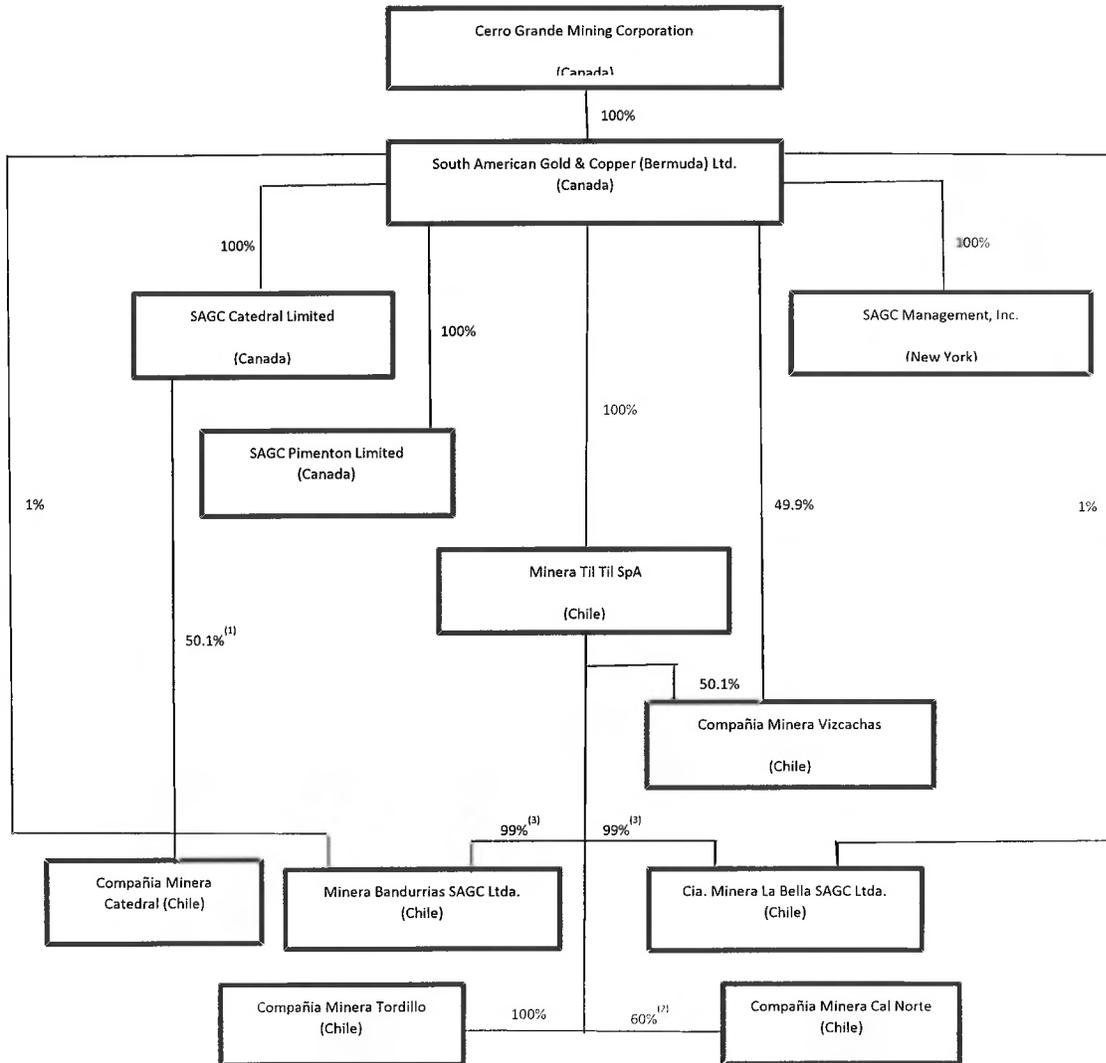
#### Debentures Outstanding

Aggregate Principal Amount	Conversion Price	Common Shares Issuable
US\$4,075,925.75	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 CSE (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 Corporation.	up to 98,370,585 Common Shares

## Schedule D

### Corporate Chart

The following diagram sets out all of the Corporation's subsidiaries as at the date of this Listing Statement, their jurisdictions of incorporation and the Corporation's direct and indirect voting interests in each of these subsidiaries:



**Notes:**

- (1) The other 49.9% interest is held equally by Messrs. David R.S. Thomson and Mario Hernandez both of whom are Executive Vice Presidents and directors of the Corporation.
- (2) The other 40% interest is held by two individuals who are not affiliated with the Corporation.
- (3) Minera Bandurrias and Cia Minera la Bella SAGC Ltda. are governed under the laws of Chile. 99% of both these subsidiaries are held indirectly by the Corporation's 100% owned subsidiary, Compañía Minera Til Til Spa, and 1% is held by the Corporation's 100% owned subsidiary, SAGC Canada Ltd.

\* All shareholdings represented on the above diagram are of common shares.

Schedule E

2020 Annual FS

**CERRO GRANDE MINING CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019**

**(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, 2020 and 2019, 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, 2020 and 2019, 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 audits 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 audits 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.

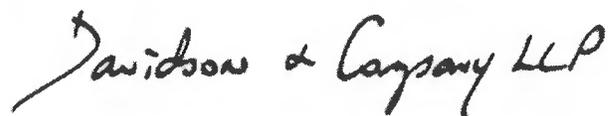
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 27, 2021

# CERRO GRANDE MINING CORPORATION

Consolidated Statements of Financial Position

As at September 30, 2020 and 2019

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

	Notes	September 30, 2020	September 30, 2019
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		15	37
Receivables and advances	4	9	14
Recoverable taxes		2	2
		<u>26</u>	<u>53</u>
<b>Non-current assets</b>			
Due from related parties	14	601	601
<b>Total assets</b>		<u><b>627</b></u>	<u><b>654</b></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5	125	157
Due to related parties	14	1,003	4,052
Other debt	6	234	383
		<u>1,362</u>	<u>4,592</u>
<b>Non-Current liabilities</b>			
Long Term Debt	7	4,932	-
		<u>4,932</u>	<u>-</u>
<b>Total liabilities</b>		<u><b>6,294</b></u>	<u><b>4,592</b></u>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	8	90,092	90,092
Warrants	9	-	379
Contributed surplus		8,575	8,194
Deficit		(104,334)	(102,603)
<b>Total shareholders' deficiency</b>		<u><b>(5,667)</b></u>	<u><b>(3,938)</b></u>
<b>Total liabilities and shareholders' deficiency</b>		<u><b>627</b></u>	<u><b>654</b></u>

Nature of operations and going concern assumption (Note 1)

Subsequent event (Note 18)

Approved by the Board of Directors

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

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, 2020 and 2019

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

	September 30,	
	2020	2019
	\$	\$
<b>Expenses</b>		
General and administrative (Note 10)	493	955
Foreign exchange	76	21
Share-based compensation (Note 8)	2	5
Interest	15	(164)
Accretion expense (Note 7)	45	-
Unrealized loss on derivative liability (Note 7)	1,100	-
	<u>1,731</u>	<u>817</u>
<b>Loss and comprehensive loss for the year</b>	<u>(1,731)</u>	<u>(817)</u>
<b>Basic and diluted loss per share</b>	<u>(0.01)</u>	<u>(0.00)</u>
<b>Weighted average number of shares outstanding</b>	339,390,784	334,560,722
- basic and diluted		

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, 2020 and 2019

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

	Share capital		Warrants	Contributed	Convertible	Deficit	Total deficiency
	Number of	Amount	(Note 9)	surplus	unsecured		
	shares				debentures		
<b>Balance - September 30, 2018</b>	<b>300,213,618</b>	<b>88,434</b>	<b>379</b>	<b>8,189</b>	<b>140</b>	<b>(101,786)</b>	<b>(4,644)</b>
Share-based compensation	-	-	-	5	-	-	5
Equity portion of convertible debentures	39,177,166	1,593	-	-	(75)	-	1,518
Conversion of debentures	-	65	-	-	(65)	-	-
Loss for the year	-	-	-	-	-	(817)	(817)
<b>Balance - September 30, 2019</b>	<b>339,390,784</b>	<b>90,092</b>	<b>379</b>	<b>8,194</b>	<b>-</b>	<b>(102,603)</b>	<b>(3,938)</b>
Share-based compensation	-	-	-	2	-	-	2
Expiry of warrants	-	-	(379)	379	-	-	-
Loss for the year	-	-	-	-	-	(1,731)	(1,731)
<b>Balance - September 30, 2020</b>	<b>339,390,784</b>	<b>90,092</b>	<b>-</b>	<b>8,575</b>	<b>-</b>	<b>(104,334)</b>	<b>(5,667)</b>

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

## CERRO GRANDE MINING CORPORATION

### Consolidated Statements of Cash Flows

For the years ended September 30, 2020 and 2019

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

	September 30,	
	2020	2019
	\$	\$
<b>Operating Activities</b>		
Loss for the year	(1,731)	(817)
Items not involving cash:		
Gain on forgiveness of debt	(46)	(175)
Accrued interest	15	32
Share-based compensation	2	5
Accretion of convertible debenture	45	
Unrealized loss on derivative liability	1,100	5
	(615)	(955)
Change in non-cash working capital (Note 15)	162	106
<b>Net cash used by operating activities</b>	<b>(453)</b>	<b>(849)</b>
<b>Financing activities</b>		
Due to related parties	431	830
<b>Net cash provided by financing activities</b>	<b>431</b>	<b>830</b>
<b>Decrease in cash</b>	<b>(22)</b>	<b>(19)</b>
<b>Cash - Beginning of year</b>	<b>37</b>	<b>56</b>
<b>Cash - End of year</b>	<b>15</b>	<b>37</b>

Supplemental cash flow information (Note 15)

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

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 1. NATURE OF OPERATIONS AND GOING CONCERN ASSUMPTION

Cerro Grande Mining Corporation (the "Company" or "CEG") and its subsidiaries is a mining, exploration and development company, which produced gold, silver and copper, with operations mainly in Chile. 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, 2020, the Company has a working capital deficit of \$1,336 (2019 - \$4,539).

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 27, 2021.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 2. BASIS OF PRESENTATION – (Continued)

### 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, except share and per share amounts.

### 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.

#### 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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 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, 2020 and 2019, 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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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

The Company's receivables and due from related parties 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.

### Financial liabilities

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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 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

Acquisition and exploration costs of resource properties 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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 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 adopted IFRS 16, Leases (“IFRS 16” or the “New Standard”) effective October 1, 2019 which replaced IAS 17, Leases (“IAS 17”). The New Standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability would be recognized at October 1, 2019 in respect of leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate where the implicit rate in the lease is not readily determinable at transition. The right-of-use assets would be measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16. The Company elected to utilize practical expedients permitted under the New Standard for low-value asset leases and short-term leases which are expensed as incurred.

Adoption of the new standard at October 1, 2019 did not result in the Company recording a lease liability or right-of-use asset.

## CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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### 4. RECEIVABLES AND ADVANCES

	September 30, 2020	September 30, 2019
	\$	\$
Sundry Debtors	9	14
<b>Total receivables</b>	<b>9</b>	<b>14</b>

The Company has no trade receivables for the periods presented.

### 5. TRADE AND OTHER PAYABLES

Details are as follows:

	September 30, 2020	September 30, 2019
	\$	\$
Trade payables	121	150
Other payables and accrued liabilities	4	7
<b>Total trade and other payables</b>	<b>125</b>	<b>157</b>

### 6. OTHER DEBT

	September 30, 2020	September 30, 2019
	\$	\$
Convertible unsecured debentures (a)	-	164
Gold loan (b & c)	234	219
	234	383
Less: Current portion	(234)	(383)
Long-term Debt	-	-

## CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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### 6. OTHER DEBT— (Continued)

Interest paid by the Company was \$nil for the year ended September 30, 2020 (2019 - \$nil).

- a) On July 30, 2013, the Company issued \$1,010 of convertible unsecured debentures. The maturity date of these debentures was July 30, 2018. The conversion price of the debentures is CA\$0.10 per share convertible into up to 10,102,114 common shares of the Company. In the month of December 2013 the equivalent of \$850 were exercised and converted into 8,500,000 common shares. This resulted in the reclassification of \$518 from long-term debt and \$362 from the equity component of convertible debentures to share capital. At September 30, 2020 the carrying value classified within other debt was \$nil (2019 - \$164) and within the equity component of convertible debentures was \$nil (2019 - \$nil). During the year ended September 30, 2020 the other debt was converted into a Debenture (Note 7). During the year ended September 30, 2019, the conversion feature expired resulting in a reclassification to share capital. The debentures had been issued in payment of cash advances made in April and May 2013 by Compañía Minera Chañar Blanco S.A. a Company owned by Mario Hernández, who is also 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. At the maturity date of July 30, 2018 the \$164 of unsecured convertible debentures were not exercised.
- b) 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, 2020, this loan is in default.

The balance of the Gold Loan at September 30, 2020 is \$22 (2019 -\$21). The derivative liability associated with the fluctuation of the price of gold in the contract as at September 30, 2020 is of \$nil (2019 – \$nil).

- c) 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, 2020, this loan is in default.

The principal balance of the Gold Loan at September 30, 2020 is \$167 (2019 - \$167) and unpaid interest amounts to \$45 (2019 - \$31). The derivative liability associated with the fluctuation of the price of gold in the contract as at September 30, 2020 is of \$nil (2019 - \$nil).

## CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

### 7. LONG TERM DEBT

	September 30, 2020	September 30, 2019
	\$	\$
Auromin	2,878	-
Chañar Blanco	552	-
Mario Hernandez A	31	-
Derivative Liability	1,471	-
<b>Total Payables</b>	<b>4,932</b>	<b>-</b>

On February 20, 2020 three Debentures were issued in exchange for the cancellation of cash advances and other debt amounts (Note 14) 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 also a director and officer 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, 2020 the equity conversion derivative was revalued at US\$ 1,471 using the Black-Scholes pricing model using a share price of CAD\$0.020, expected life of 4.4 years, risk free rate of 1% and a volatility of 333%. Due to the change in fair value a revaluation adjustment loss of \$1,100 was recorded in the statement of loss and other comprehensive loss.

During the year ended September 30, 2020, the Company recorded an accretion expense of \$45 (2019 - \$nil) relating to the debenture.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 8. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount</u>
		\$
Balance – September 30, 2018	300,213,618	88,434
Conversion of convertible debenture	39,177,166	1,593
Reclassification of convertible debt on expiry	-	65
Balance – September 30, 2019	<u>339,390,784</u>	<u>90,092</u>
Balance – September 30, 2020	<u>339,390,784</u>	<u>90,092</u>

### 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, 2020, there was no share capital activity.
- ii) During the year ended September 30, 2019, the Company extinguished a convertible debenture in the amount of \$1,593 by issuing an aggregate of 39,177,166 common shares.

### c) Share option plan

The Company has a share option plan (the "Plan") whereby, from time to time at the discretion of the Board of Directors, share options are granted to directors, officers, employees, certain consultants and service providers. The maximum number of common shares issuable under the Plan is 12,578,754 common shares and 5,000,000 common shares issuable under the share bonus plan, within the Plan, to eligible participants.

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

## CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

### 8. SHARE CAPITAL – (Continued)

A continuity schedule of outstanding stock options is as follows:

	Number of options	Weighted average exercise price CA\$
Balance – September 30, 2018	<b>9,049,000</b>	0.03
Balance – September 30, 2019	<b>9,049,000</b>	0.03
Balance – September 30, 2020	<b>9,049,000</b>	0.03

Options outstanding as at September 30, 2020 are as follows:

Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price CA\$	Options exercisable
6,487,000	0.47	0.02	6,487,000
<u>2,562,000</u>	2.91	0.05	<u>2,562,000</u>
<b><u>9,049,000</u></b>			<b><u>9,049,000</u></b>

During the year ended September 30, 2020, the Company recognized a total of \$2 (2019 - \$5) related to the vesting of options granted.

There were no incentive stock options granted during the years ended September 30, 2020 and 2019.

### 9. WARRANTS

At September 30, 2019 and 2018, 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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

## 10. EXPENSES BY NATURE

General and administrative costs consist of the following:

	September 30, 2020 \$	September 30, 2019 \$
Office and overhead costs	109	354
Salaries and wages	221	290
Professional fees	163	260
Exploration expenses	-	51
Total general and administrative expenses	<u>493</u>	<u>955</u>

Exploration expenses - The Company holds mining claims on Tordillo covering an area of 6,632 hectares. Tordillo is in the early exploration stage and was acquired by the Company in 2006. During the year ended September 30, 2020, the company spent \$nil (2019 - \$51) on surveys on the property.

## 11. 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, 2020	Canada	Chile	United States	Total
Due from related parties	\$ 318	\$ -	\$ 283	\$ 601
Total Non-Current Assets	\$ 318	\$ -	\$ 283	\$ 601

September 30, 2019	Canada	Chile	United States	Total
Due from related parties	\$ 318	\$ -	\$ 283	\$ 601
Total Non-Current Assets	\$ 318	\$ -	\$ 283	\$ 601

## CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

### 12. 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:

	2020	2019
Loss for the year	\$ (1,724)	\$ (817)
Expected income tax (recovery)	\$ (467)	\$ (221)
Change in statutory, foreign tax, foreign exchange rates and other	(1)	(2)
Permanent differences	297	1
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	91	(92)
Change in unrecognized deductible temporary differences	80	314
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits, and tax losses that have not been included on the consolidated statements of financial position are as follow:

	2020	Expiry Date Range	2019	Expiry Date Range
Non-capital losses available for future periods	\$ 11,765	2026 to 2040	\$ 11,469	2026 to 2039
Canada	7,613	2026 to 2040	7,470	2026 to 2039
USA	1,423		1,423	
Chile	2,728		2,577	

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

## 13. 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,	September 30,
	2020	2019
	\$	\$
CEO Short-term benefits (i)	110	110
CFO Short-term benefits	25	23
Directors fees (ii)	(20)	24
Share based compensation	2	5
	<u>117</u>	<u>162</u>

- 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 is 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 will pay \$110 per year to the CEO plus a travel allowance.
- 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, 2020, the Company recorded \$26 (2019 - \$24) in directors fees.

## 14. RELATED PARTY TRANSACTIONS

The Company has a receivable from the CEO (who is also a director) of \$601 (2019 - \$601) consisting of \$283 (2019 - \$283) of cash advances and two loans totaling \$318 (2019 - \$318). The cash advances and loans bear no interest and have no specific terms of repayment. As at September 30, 2020, the Company has salaries and expenses payable to the CEO in the amount of \$387 (2019 - \$339), 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 \$25 to the Company for accounting and administration services rendered during the year ended September 30, 2020 (2019 - \$23). Trade and other payables include \$1 in relation to such services at September 30, 2020 (2019 - \$14).

As at September 30, 2020, due to related parties includes cash advances of \$nil from Mario Hernández, who is also a director and officer of the Company (2019 - \$556). The cash advances bear no interest and have no specific terms of repayment.

Due to related parties includes cash advances of \$433 from David Thomson, who is also a director and officer of the Company at September 30, 2020 (2019 - \$2,905). The cash advances bear no interest and have no specific terms of repayment.

As at September 30, 2020, the Company owes a total of \$182 (2019 - \$202) to directors for director's compensation and \$nil to David Thomson for expense reimbursement (2019 - \$51). This amount is included in due to related parties.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

## 15. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2020 \$	September 30, 2019 \$
Changes in non-cash working capital relating to operations:		
Recoverable taxes	-	2
Receivables and advances	5	(1)
Accounts payable and accrued liabilities, excluding interest in accrued liabilities	14	(14)
Due to related parties	143	119
	<u>162</u>	<u>106</u>
Expiry of conversion feature on convertible debenture	-	65
Shares issued on conversion of convertible debenture	-	1,593
Reclassified due to related parties and other debt to long term debt	3,787	-
Initial recognition of derivative liability	371	-
Total interest paid	-	-
Total income tax paid	-	-

## 16. FINANCIAL INSTRUMENTS

### (a) Financial Assets and Liabilities

The Company's financial instruments at September 30, 2020 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, 2020, 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 2
Cash	15	-
Derivative liability	-	1,471

The fair value of the Company's derivative liability was determined by using inputs other than quoted prices that are observable for the liability.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

## 16. FINANCIAL INSTRUMENTS - (Continued)

At September 30, 2020, 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 3 in the fair value hierarchy above.

At September 30, 2020, 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.

### (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, 2020	September 30, 2019
Advances and other sundry receivables	\$ 9	\$ 14
<b>Total receivables and advances</b>	<b>\$ 9</b>	<b>\$ 14</b>

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, 2020, the Company had a negative working capital of \$1,336. At September 30, 2020, the Company's accumulated deficit was \$104,334 and shareholders' deficiency was \$5,667.

#### 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.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## 16. 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, due from related parties, 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 COP by 10% would be trivial.

## 17. 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.

## 18. SUBSEQUENT EVENT

The Company entered into the LOI with Minera Tamidak Limitada ("Tamidak"), a private Chilean company owned by a director, to acquire from Tamidak certain assets, rights and obligations of Tamidak relating to the Pimentón Copper Gold Mining Project.

Pursuant to an asset purchase agreement negotiated by the parties (the "APA"), the Company's Chilean subsidiary Minera Til Til SpA will acquire from Tamidak the mining concessions and other assets covering the Pimentón Mining Project as well as Tamidak's rights and obligations under the Exploration and Option to Joint Venture Agreement (the "FQM Agreement") entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. ("FQM"), a Chilean subsidiary of First Quantum Minerals Ltd. The Company is to pay 3,900,000,000 Chilean pesos, in cash or shares, within 36 months of signing the APA. The Company made an initial issuance of 44,055,102 common shares pursuant to the APA.

# CERRO GRANDE MINING CORPORATION

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

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

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## Directors\* and Officers

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

Toronto, ON, Canada

Chairman

Executive Vice President and Director

Loewen, Ondaatje, McCutcheon & Company  
Limited, Toronto, Canada

### **Stephen W. Houghton\***

Santiago, Chile

Chief Executive Officer

Founder of Cerro Grande Mining Corporation

### **Mario Hernandez A.\***

Santiago, Chile

Executive Vice President and Director,  
Claims and

Land Management

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

Rockwood, ON, Canada

Principal, William Hill Mining Consultants,  
Ltd.

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

West Falmouth, Massachusetts, USA

Chairman, Givens Hall Bank and Trust  
Limited

### **David R. S. Thomson\***

Santiago, Chile

Executive Vice President and Director of  
Exploration

### **Peter W. Hogg\***

Toronto, ON, Canada

Chief Financial Officer

(1) Member, Audit Committee

(2) Member, Compensation Committee

(3) Technical Committee

(4) Corporate Governance and Nominating  
Committee

## Corporate Information

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

### **Canadian Securities Exchange**

Stock Symbol: CEG

### **OTCQB International**

Stock Symbol: CEGMF

### **Registered Office:**

c/o Ricketts Harris LLP

181 University Avenue

Suite 800

Toronto, ON M5H 2X7

Canada

### **Toronto Office**

1 King Street West, Suite 4009

Toronto, Ontario M5H 1A1, Canada

### **Santiago Office:**

Av. Santa María 2224

Providencia, Santiago, Chile

Telephone: 56-2-569-6200

### **Solicitors:**

**Ricketts Harris LLP**

Toronto, Ontario, Canada

### **Auditors:**

**Davidson & Company LLP**

Vancouver, British Columbia, Canada

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

**Computershare Investor Services**

Toronto, Ontario, Canada

Schedule F

2020 Annual MD&A

**CERRO GRANDE MINING CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF**  
**FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**  
**For the Year Ended September 30, 2020**

**(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, 2020, 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, 2021. This discussion should be read in conjunction with the audited consolidated financial statements as at September 30, 2020, which are available on SEDAR at [www.sedar.com](http://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
2. Overview
3. Highlights
4. Summary Financial Results
5. Exploration and Development Projects
6. Investing
7. Financing
8. Liquidity and Capital Resources
9. Off-Balance Sheet Arrangements
10. Related Party Transactions
11. Critical Accounting Estimates
12. Changes in Accounting Standards and Initial Adoption
13. Securities Outstanding
14. Controls

**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, 2020 and September 30, 2019.
- On July 15, 2020, the Company announced that it had entered into a non-binding letter of intent (the "LOI") with Minera Tamidak Limitada ("Tamidak"), a private Chilean company owned by David Thomson and his family, to acquire from Tamidak certain assets, rights and obligations of Tamidak relating to the Pimentón Copper Gold Mining Project, all as further described below. Pursuant to the LOI, management of the Company conducted certain confirmatory due diligence investigations in relation to the Pimentón Copper Gold Mining Project and advancing the matters set forth in the LOI, including having negotiated the terms of the final execution ready form of APA.

Pursuant to an asset purchase agreement negotiated by the parties (the "APA"), the Company's Chilean subsidiary Minera Til Til SpA would acquire from Tamidak the mining concessions and other assets covering the Pimentón Mining Project as well as Tamidak's rights and obligations under the Exploration and Option to Joint Venture Agreement (the "FQM Agreement") entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. ("FQM"), a Chilean subsidiary of First Quantum Minerals Ltd.

In summary, the FQM Agreement provides that:

- a) during the 12-month period following execution of the FQM Agreement (extendable up to 18 months), subject to permitting, FQM will proceed with a 3D deep penetrating geophysical survey, upon the completion of which FQM will have the right to continue to earn a 49% equity interest in a joint venture company (the "JV Company") to be incorporated by the parties;
- b) after the completion of the 3D survey, FQM will, among other things and subject to certain conditions (including termination rights), (i) work towards completing a resource report concerning the Pimentón properties in

accordance with reporting standards set out in National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators; and (ii) complete an in-house feasibility study sufficient to lead to a decision to mine, in each case at the expense of FQM. If such 43-101 report is timely completed and other conditions are met, FQM may elect to form the JV Company (49% FQM and 51% Tamidak) upon payment to Tamidak of US\$5 million. If FQM timely completes such feasibility study, and upon payment to Tamidak of an additional US\$5 million, FQM will increase its equity interest in the JV Company to up to 70% (70% FQM and 30% Tamidak).

- c) If a Decision to Mine, as such concept is defined in the FQM Agreement is made, Tamidak may elect to request that FQM fund its capital contributions until commercial production of the mine has started, through a loan to Tamidak, diluting Tamidak's participation in the JV Company to 25% and providing FQM with an extra 5% interest (75% FQM and 25% Tamidak).
- d) Tamidak has the right to resume the exploitation of the existing Pimenton mine subject to the terms described in the FQM Agreement.

On September 14, 2020, the Company announced that it had reached agreement on the form of APA and the purchase price payable thereunder and also announced the special meeting of shareholders to be held on November 10, 2020 to approve the APA. The meeting was held and the APA was duly approved.

The total purchase price (the "**Purchase Price**") payable under the APA for the acquisition of Tamidak's assets relating to the Pimentón Copper Gold Mining Project and the rights and obligations of Tamidak under the FQM Agreement will be \$3,900,000,000 Chilean Pesos (approximately CDN\$6,713,142 based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on September 11, 2020 as published by the Central Bank of Chile), will not be subject to adjustment after the execution of the APA, and will be payable in three equal installments as follows (i) \$1,300,000,000 Chilean Pesos (approximately CDN\$2,237,714) upon execution of the APA (the "**Execution Date**"), payable in common shares of CEG at a price per share equal to the greater of (A) the simple average of the closing price per CEG common share on the Canadian Securities Exchange ("**CSE**") for the 10 consecutive trading days ending on the date immediately prior to the date of execution of the APA; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time); (ii) \$1,300,000,000 Chilean Pesos (approximately CDN\$2,237,714) on the date that is not more than 18 months following the Execution Date, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment

being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time); and (iii) \$1,300,000,000 Chilean Pesos (approximately CDN\$2,237,714) on the date that is not more than 36 months following the Execution Date, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time). In case of payments to be made in shares of CEG as aforementioned, the number of CEG shares issuable shall be determined based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on the day before the applicable payment as published by the Central Bank of Chile.

If any of the Purchase Price installments indicated in (ii) and (iii) above is not timely and fully paid to Tamidak, the APA will be automatically terminated and CEG must return all the Assets and the rights and obligations under the FQM Agreement to Tamidak. In such case Tamidak shall retain all payments previously made to it under the APA as compensatory damages, without prejudice to any other damages that Tamidak may be entitled to by law.

The execution of the APA and the completion of the transactions thereunder remains subject to following conditions precedent: (i) satisfactory completion of legal and technical due diligence by CEG in its sole discretion; (ii) there being no material adverse change in the business, results of operations, prospects, condition (financial or otherwise), as applicable, relating to the assets and the mining concessions to be purchased according to the APA and the FQM Agreement and (iii) obtaining all applicable corporate, legal, shareholder and/or stock exchange approvals or permits, including minority approval of shareholders for the transaction in accordance with Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). Pursuant to MI 61-101, the transaction would not be subject to the formal valuation requirement because the common shares of the Company are not listed on a specified market being those markets described in section 5.5(b) of MI 61-101.

The APA agreement was duly signed on December 1, 2020

### **Financial Highlights**

- Loss before and after income taxes for the year ended September 30, 2020 was \$1,731 compared to a loss of \$817 in the same period in 2019. The increase is related to the February debenture accretion \$45 and the loss in revaluation of the derivative liability of \$ 1,100 generated by the increase in the share price from CND\$ 0.005 in February to CND\$ 0.020 at September closing.

- Loss before and after income taxes for the three months ended September 30, 2020 was \$1,274 compared to a loss of \$44 in the same period in 2019. The increase is explained in the above paragraph.
- Basic loss per share for the year ended September 30, 2020 was a loss of \$0.00 per share (2019 – loss of \$0.00).
- At September 30, 2020, the Company had cash of \$15 compared to \$37 at September 30, 2019.
- Cash used in operations for the year ended September 30, 2020 was \$453 (2019 – \$844).

#### 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, 2020 and 2019.

	Three months ended		Twelve months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Expenses</b>				
General, sales and administrative	141	213	493	955
Foreign exchange	(17)	6	76	21
Share-based compensation	1	2	2	5
Interest	4	(177)	15	(164)
Acretion expense	45	-	45	-
Unrealized loss on derivative liability	1,100	-	1,100	-
<b>Loss and comprehensive loss for the year</b>	<u>(1,274)</u>	<u>(44)</u>	<u>(1,731)</u>	<u>(817)</u>
<b>Basic and diluted loss per share</b>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.00)</u>
<b>Weighted average number of shares outstanding</b>	339,390,784	334,560,722	339,390,784	334,560,722
- basic and diluted				

1) Consolidated statements of loss and other comprehensive loss for the year ended September 30, 2020 and 2019:

- a) General sales and administrative costs for the year ended September 30, 2020 were \$493 compared to \$955 for the same period in 2019.
- b) Interest expense for the year ended September 30, 2020 was \$15 compared to (recovery) of \$164 for the same period in 2019 due to interest being forgiven on the convertible debentures
- c) The February 2020 debenture shows an accretion of \$45 and a loss on revaluation of the derivative liability of \$1,100

2) Consolidated statements of loss and other comprehensive loss for the three month period ended September 30, 2020 and 2019:

- a) General sales and administrative costs for the three months ended September 30, 2020 were \$141 compared to \$213 for the same period in 2019.
- b) Interest expense for the three months ended September 30, 2020 was of \$4 compared to (recovery) of \$177 for the same period in 2019 due to interest being forgiven on the convertible debentures.
- c) The February 2020 debenture shows an accretion of \$45 and a loss on revaluation of the derivative liability of \$1,100.

3) Consolidated Statements of Financial Position as at September 30, 2020:

- a) As at September 30, 2020 the Company had a negative working capital of \$1,336 (2019 – negative \$4,539).

### 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, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019
Sales	-	-	-	-
Net income (loss)	(1,272)	(88)	(79)	(292)
Per share	0.000	0.000	0.000	0.000
Per share diluted	0.000	0.000	0.000	0.000

	Sept 30, 2019	June 30, 2019	Mar 31, 2019	Dec 31, 2018
Sales	-	-	-	-
Net income (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

## 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 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, 2020, the Company expensed a total of \$nil (2019 - \$51) relating to mining property costs and exploration costs on Tordillo.

### Bandurrias

During the year ended September 30, 2020 acquisition costs of \$nil were expensed (2019 - \$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, 2020, the Company had contributed a cumulative total of \$4,080 (2019 - \$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, 2020, the Company had contributed a cumulative total of \$1,556 (2019 - \$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, 2020 the Company invested \$nil (2019 - \$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.

The Company announced on February 20, 2020 that it has issued unsecured convertible debentures in the aggregate principal amount totaling approximately US\$3,787 (or CDN\$4,919 using an exchange rate of US\$1.00/CDN\$1.2988) (the "Debentures").

Mario Hernandez, ("Hernandez") a director and officer of the Company, personally and through Compañía Minera Chanar Blanco S.A. ("Chanar Blanco"), a company

controlled by Hernandez and David Thomson, (“Thomson”) a director and officer of the Company, through Compañía Minera Auromin Ltda (“Auromin”), a company controlled by Thomson, have each acquired one Debenture convertible into common shares of the Company. Hernandez has acquired a Debenture in the principal amount of US\$34 (CDN\$44), Chanar Blanco has acquired a Debenture in the principal amount of US\$604 (CDN\$784) and Minera Auromin has acquired a Debenture in the principal amount of US\$3,149 (CDN\$4,090). The outstanding amount of principal under 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, Chanar Blanco and Minera Auromin, 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 Debentures have been issued in exchange for the cancellation of cash advances made to the Company up to December 31, 2019 by each of Hernandez, Chanar Blanco and Minera Auromin in the aggregate amount of US\$3,787. The cash advances were used for working capital purposes and to pay for the Company’s MAG and DCIP surveys conducted on the Company’s Tordillo property by Quantec Geoscience. The Debentures mature on February 20, 2025 and do not bear interest. 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”). For further information, please refer to the February 20, 2020 press release issued by 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 balance of the Gold Loan at September 30, 2020 is \$22 (2019 -\$21). There is no derivative liability associated with the fluctuation of the price of gold in the contract as at September 30, 2020 there was no production at the Pimenton mine

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 25<sup>th</sup> 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 principal balance of the Gold Loan at September 30, 2020 is \$167 (2019 - \$167) and unpaid interest amounts to \$45 (2019 - \$31). There is no derivative liability associated with the fluctuation of the price of gold in the contract as at September 30, 2020 there was no production at the Pimenton mine

## 8. LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2020, the Company shows a negative working capital of \$1,336 (2019 - negative \$4,539).

Contractual Obligations	Total	Less than	1-3	Over
		1 year	years	4 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	125	125	-	-
Amount due to related parties	1,003	1,003	-	-
Short-term debt	234	234	-	-
Conditional loan agreement (1)	2,500	-	-	2,500
Tordillo prospect (2)	250	-	-	250
<b>Total Contractual Obligations</b>	<b>4,112</b>	<b>1,362</b>	<b>0</b>	<b>2,750</b>

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. PROPOSED TRANSACTIONS

The Company does not have any proposed transactions as at September 30, 2020 other than as disclosed elsewhere in this document.

## 11. FINANCIAL INSTRUMENTS

### a) Financial Assets and Liabilities

The Company's financial instruments at September 30, 2020 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, 2020, 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:

	<u>Level 1</u>	<u>Level 2</u>
Cash	15	-
Derivative liability	-	1,471

The fair value of the Company's derivative liability was determined by using inputs other than quoted prices that are observable for the liability.

At September 30, 2020, 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 3 in the fair value hierarchy above.

At September 30, 2020, 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.

**(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, 2020	September 30, 2019
Advances and other sundry receivables	\$ 9	\$ 14
<b>Total receivables and advances</b>	<b>\$ 9</b>	<b>\$ 14</b>

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, 2020, the Company had a negative working capital of \$1,336. At September 30, 2019, the Company's accumulated deficit was \$104,334 and shareholders' deficiency was \$5,667.

**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.

### 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, due from related parties, 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 COP by 10% would be trivial.

## **12. RELATED PARTY TRANSACTIONS**

The Company has a receivable from the CEO (who is also a director) of \$601 (2019 - \$601) consisting of \$283 (2019 - \$283) of cash advances and two loans totaling \$318 (2019 - \$318). The cash advances and loans bear no interest and have no specific terms of repayment. As at September 30, 2020, the Company has salaries and expenses payable to the CEO in the amount of \$387 (2019 - \$339), 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 \$25 to the Company for accounting and administration services rendered during the year ended September 30, 2020 (2019 - \$23). Trade and other payables include \$1 in relation to such services at September 30, 2020 (2019 - \$14).

As at September 30, 2020, due to related parties includes cash advances of \$nil from Mario Hernández, who is also a director and officer of the Company (2019 - \$556). The cash advances bear no interest and have no specific terms of repayment.

Due to related parties includes cash advances of \$433 from David Thomson, who is also a director and officer of the Company at September 30, 2020 (2019 - \$2,905). The cash advances bear no interest and have no specific terms of repayment.

As at September 30, 2020, the Company owes a total of \$182 (2019 - \$202) to directors for director's compensation and \$nil to David Thomson for expense reimbursement (2018 - \$51). This amount is included in due to related parties.

## **13. 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.

#### **14. CHANGES IN ACCOUNTING STANDARDS AND INITIAL ADOPTION**

The Company adopted IFRS 16, Leases ("IFRS 16" or the "New Standard") effective October 1, 2019 which replaced IAS 17, Leases ("IAS 17"). The New Standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company elected the modified retrospective transition approach, which provides lessees a method for recording existing leases at adoption with no restatement of prior period financial information. Under this approach, a lease liability would be recognized at October 1, 2019 in respect of leases previously

classified as operating leases, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate where the implicit rate in the lease is not readily determinable at transition. The right-of-use assets would be measured at amounts equal to the respective lease liabilities, subject to certain adjustments allowed under IFRS 16. The Company elected to utilize practical expedients permitted under the New Standard for low-value asset leases and short-term leases which are expensed as incurred.

Adoption of the new standard at October 1, 2019 did not result in the Company recording a lease liability or right-of-use asset.

## **15. SECURITIES OUTSTANDING**

As of January 27, 2021 the Company has issued one class of common shares of which a total of 383,445,886 are outstanding.

On January, 2021, 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, 2021 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 9,049,000 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.

## **16. 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, 2020 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, 2020, 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.

## **17. SUBSEQUENT EVENT**

The Company entered into the LOI with Minera Tamidak Limitada ("Tamidak"), a private Chilean company owned by a director, to acquire from Tamidak certain assets, rights and obligations of Tamidak relating to the Pimentón Copper Gold Mining Project.

Pursuant to an asset purchase agreement negotiated by the parties (the "APA"), the Company's Chilean subsidiary Minera Til Til SpA will acquire from Tamidak the mining concessions and other assets covering the Pimentón Mining Project as well as Tamidak's rights and obligations under the Exploration and Option to Joint Venture Agreement (the "FQM Agreement") entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. ("FQM"), a Chilean subsidiary of First Quantum Minerals Ltd. The Company is to pay 3,900,000,000 Chilean pesos, in cash or shares, within 36 months of signing the APA. The Company made an initial issuance of 44,055,102 common shares pursuant to the APA.

Schedule G

2020 MIC

**CERRO GRANDE MINING CORPORATION**  
1 King Street West, Suite 4009  
Toronto, Ontario, M5H 1A1

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** the annual meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Cerro Grande Mining Corporation (the "**Company**") will be held at the offices of Cerro Grande Mining Corporation, Santa Maria 2224, Providencia, Santiago, Chile on Tuesday March 31, 2020 at 4:00 p.m., (Chilean time) for the following purposes:

1. to receive the audited consolidated financial statements of the Company for the financial year ended September 30, 2019, together with the report of the auditors thereon;
2. to consider and, if deemed advisable, to pass an ordinary resolution electing, as directors for the ensuing year, the nominees proposed by management of the Company in the accompanying management information circular dated February 21, 2020 (the "**Circular**") to hold office until the close of the next annual meeting of shareholders of the Company;
3. to consider and, and if deemed advisable, to pass an ordinary resolution reappointing Davidson & Company LLP, Chartered Professional Accountants, as the auditors of the Company and to authorize the directors of the Company to fix the auditor's remuneration and terms of engagement; and
4. to transact such other business as may properly come before the Meeting, or any adjournment or postponement thereof.

The specific details of the matters to be put before the Meeting as identified above are set forth in the Circular accompanying this Notice. This Notice and the accompanying Circular have been sent to each director of the Company, each shareholder of the Company entitled to notice of the Meeting and the auditors of the Company.

Shareholders, including those who are able to attend the Meeting in person, are requested to sign and return the enclosed form of proxy to Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 so as to arrive no later than 4:00 p.m. (Toronto time) on or before March 27, 2020, or the second business day preceding the date of any adjournment(s) or postponement(s) of the Meeting. Notwithstanding the foregoing, the Chair of the Meeting has the sole discretion to accept proxies received after such deadline but is under no obligation to do so.

**DATED** the 21st day of February, 2020.

**BY ORDER OF THE BOARD OF DIRECTORS**

"Stephen W. Houghton" (signed)  
Stephen W. Houghton  
Chief Executive Officer

**CERRO GRANDE MINING CORPORATION**  
1 King Street West, Suite 4009  
Toronto, Ontario, M5H 1A1

**MANAGEMENT INFORMATION CIRCULAR**

**SOLICITATION OF PROXIES**

The information contained in this management information circular (the "Circular"), which is dated February 21, 2020 is furnished in connection with the solicitation of proxies to be used at the annual meeting of the shareholders of Cerro Grande Mining Corporation (the "Company") to be held at the offices of Cerro Grande Mining Corporation, Santa Maria 2224, Providencia, Santiago, Chile, at 4:00 p.m. (Chilean time) on March 31, 2020 (the "Meeting") for the purposes set forth in the notice of meeting (the "Notice of Meeting") accompanying this Circular and at any adjournment(s) or postponement(s) thereof. It is expected that the solicitation will be made primarily by mail but proxies may also be solicited personally by directors, officers or employees of the Company. The costs of the solicitation of proxies will be at the Company's expense. **The solicitation of proxies by this Circular is being made by or on behalf of the management of the Company.**

**APPOINTMENT AND REVOCATION OF PROXIES**

A form of proxy is enclosed and, if it is not your intention to be present in person at the Meeting, you are asked to complete and return the form of proxy in the envelope provided. The proxy must be executed by the shareholder or the attorney of such shareholder, duly authorized in writing. Proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 so as to arrive no later than 4:00 p.m. (Toronto time) on the second business day preceding the date of the Meeting or the date of any adjournment(s) or postponement(s) thereof.

The persons named in the enclosed form of proxy accompanying this Circular are directors and/or officers of the Company. **A shareholder of the Company has the right to appoint a person or company other than the persons specified in such form of proxy and who need not be a shareholder of the Company to attend and act for him or her and on his or her behalf at the Meeting. Such right may be exercised by striking out the names of the persons specified in the form of proxy, inserting the name of the person or company to be appointed in the blank space provided in the form of proxy, signing the form of proxy and returning it in the reply envelope in the manner set forth in the accompanying Notice of Meeting.**

In accordance with section 148(4) of the *Canada Business Corporations Act* (the "CBCA") a shareholder who has given a proxy may revoke it at any time to the extent that it has not been exercised. A proxy may be revoked by an instrument in writing, including another completed form of proxy, executed by the shareholder or the shareholder's attorney authorized in writing, deposited at the registered office of the Company, or at the offices of Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, no later than 4:00 p.m. (Toronto time) on the last business day preceding the date of the Meeting, or any adjournment(s) or postponement(s) thereof. Notwithstanding the foregoing, the Chair of the Meeting has the sole discretion to accept proxies received after such deadline but is under no obligation to do so.

**VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES**

The persons named in the enclosed form of proxy will vote or withhold from voting the common shares of the Company (each, a "Common Share") in respect of which they are appointed by proxy on any ballot that may be called for in accordance with the instructions thereon, and, if the securityholder specifies a choice with respect to any matter to be acted upon, the applicable Common Shares will be voted accordingly. **In the absence of such specifications, such Common Shares will be voted in favour of each of the matters referred to herein.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to or variations of matters identified in the Notice of Meeting and with respect to other matters, if any, which may properly come before the Meeting. At the date of this Circular, the management of the Company knows of no such amendments, variations, or other matters to come before the Meeting. However, if any other matters which are not known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxy.

#### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As of the close of business on the date hereof the Company had outstanding 339,390,784 Common Shares, each carrying one vote. Each holder of a Common Share of record at the close of business on February 28, 2020 the record date established for notice of and voting at the Meeting, will, unless otherwise specified herein, be entitled to one vote for each Common Share held by such holder on the matters proposed to come before the Meeting.

As of the date hereof, to the knowledge of the directors or executive officers of the Company, no person beneficially owns, or controls or directs, directly or indirectly, more than 10.00% of the issued and outstanding Common Shares, except (i) Mario Hernandez, a director and the Executive Vice President, Claims and Land Management of the Company, who beneficially owns, or controls or directs, directly or indirectly, 132,384,709 Common Shares, representing approximately 39.00% of the outstanding Common Shares as at the date hereof; (ii) David R.S. Thomson, a director and the Executive Vice President, Exploration of the Company, who beneficially owns, or controls or directs, directly or indirectly, 44,063,005 Common Shares, representing approximately 13.00% of the outstanding Common Shares as at the date hereof; (iii) Ian Thomson, who beneficially owns, or controls or directs, directly or indirectly, 47,803,595 Common Shares, representing approximately 14.00% of the outstanding Common Shares as at the date hereof; and (iv) Matthew Thomson, who beneficially owns, or controls or directs, directly or indirectly, 47,803,595 Common Shares, representing approximately 14.00% of the outstanding Common Shares as at the date hereof.

#### CURRENCY

Any reference to "\$" or "dollars" in this Circular is a reference to the lawful currency of Canada unless otherwise indicated.

#### BUSINESS OF THE MEETING

##### Election of Directors

The number of directors on the board of directors of the Company (the "Board") must consist of not more than 15 and not less than 3 directors to be elected annually. Each of the present directors will hold office until the Meeting. At the Meeting, seven directors will be nominated for election. All directors so elected will hold office until the next annual meeting of shareholders of the Company or until their successors are elected or appointed. **The persons named in the enclosed form of proxy intend to cast the votes to which the Common Shares represented by such proxy are entitled for the election of the nominees whose names are set forth below, unless the shareholder who has given such proxy has directed that the Common Shares be withheld from voting on the election of any director.** Management of the Company does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason at or prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion.

The following table and the notes thereto set out the name and the province or state and country of residence of each person proposed to be nominated for election as a director, his current position and office with the Company, his present principal occupation(s) or employment, the date on which he was first elected or appointed a director of the Company, and the approximate number of Common Shares of the Company beneficially owned, or controlled or directed, directly or indirectly as at the date of this Circular:

Nominee and Province or State and Country of Residence	Position held in Company	Principal Occupation <sup>(1)</sup>	Director Since	Number of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly <sup>(2)</sup>
Paul J. DesLauriers <sup>(3)(4)(5)(6)</sup> Ontario, Canada	Chairman and Director	Executive Vice President, Director of Corporate Finance and Director of Loewen, Ondaatje, McCutcheon Limited, a brokerage firm	February 5, 2002	235,606 <sup>(7)</sup>
Mario Hernandez Santiago, Chile	Executive Vice President, Claims and Land Management and Director	Executive Vice President, Claims and Land Management and a director of the Company	March 13, 1997	132,384,709 <sup>(8)</sup>
Stephen W. Houghton Santiago, Chile	Chief Executive Officer and Director	Chief Executive Officer and a director of the Company	May 12, 1994	2,874,963
Frederick D. Seeley <sup>(3)(4)(5)</sup> Massachusetts, U.S.A.	Director	Chairman of Givens Hall Bank and Trust Ltd., Cayman Islands, BVI, a Bank and Trust Company	May 12, 1994	165,780
David R.S. Thomson Santiago, Chile	Executive Vice-President, Exploration and Director	Executive Vice-President, Exploration and a director of the Company	March 13, 1997	44,063,005
William Hill <sup>(3)(5)(6)</sup> Ontario, Canada	Director	President of Wm. Hill Associates, a mining consulting firm	May 15, 2007	Nil
Peter Hogg Ontario, Canada	Chief Financial Officer and Director	President of Palmer Services Inc., an accounting and bookkeeping services firm	May 31, 2018	Nil

**Notes:**

- (1) Information respecting the principal occupation of each proposed director has been provided by such proposed director.
- (2) Information respecting holdings of Common Shares of each proposed director has been provided by such proposed director.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Corporate Governance and Nominating Committee.
- (6) Member of the Technical Committee.
- (7) Held by a company of which Mr. DesLauriers owns all of the issued and outstanding shares.
- (8) All of such Common Shares are held by a company which is wholly owned by Mr. Hernandez.
- (9) Of such Common Shares, 8,765,642 Common Shares are held by Rutherford Exploration Limited (David Thomson owns 56% of Minera Auromin Limitada ("Auromin"), which owns 90% of Davimat Inversiones S.P.A., which in turn owns 66% of Rutherford Exploration Limited), 35,297,363 Common Shares are held personally by Mr. Thomson and indirectly through Auromin.

Except as described below, no proposed director of the Company is, as at the date of this Circular, or has been, within ten years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that,

- was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the proposed director was acting in such capacity; or
- was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director ceased to act in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

As a result of not filing its audited financial statements and management's discussion and analysis for the year ended September 30, 2017, together with the required certificates, by the filing deadline, the Company was made subject to a cease trade order issued by the Ontario Securities Commission which was revoked on May 4, 2018 (following the filing of the required financial information). Other than Mr. Hogg, who was the Chief Financial Officer of the Company at the relevant time), all of the Company's current Board members were directors of the Company at the time the cease trade order was in effect.

As a result of not filing its audited financial statements for the year ended September 30, 2015 and the first fiscal quarter ended December 31, 2015 Financial Statements by the filing deadline, the Company was made subject to a management cease trade order issued by the British Columbia, Alberta and Ontario securities commissions which was revoked on March 11, 2016 (following the filing of the required records). Other than Mr. Hogg, who was the Chief Financial Officer of the Company at the relevant time, all of the Company's current Board members were directors of the Company at the time such cease trade order was in effect.

Except as described below, no proposed director of the Company is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On May 12, 2017, the Corporation reported the closure of its Pimenton mine which was then held by the Corporation's wholly owned subsidiary Compania Minera Pimenton due to a combination of a lack of adequate working capital and a series of snow storms that affected operations at the mine. Compania Minera Pimenton was placed into voluntary bankruptcy effective May 31, 2017. On such date, Mr. Mario Hernandez, Mr. David Thomson and Mr. Stephen Houghton who had been the legal representatives (i.e. directors) of Compania Minera Pimenton until the filing of voluntary bankruptcy ceased being the legal representatives of Compania Minera Pimenton.

No proposed director of the Company or any personal holding company of such person has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director or personal holding company, as the case may be.

No proposed director of the Company or any personal holding company of such person has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a security holder in deciding whether to vote for a proposed director.

### Appointment of Auditors

Davidson & Company LLP, Chartered Professional Accountants, are the current auditors of the Company and were first appointed auditors of the Company in 2017. At the Meeting, Shareholders will be requested to reappoint Davidson & Company LLP as the Company's auditors to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board to fix the auditors' remuneration.

**The appointment of Davidson & Company LLP as auditors of the Company and the authorization of the Board to fix their remuneration must be approved by a majority of the votes cast at the Meeting. Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the said appointment of Davidson & Company LLP.**

### EXECUTIVE COMPENSATION

Applicable securities law requires that a "Statement of Executive Compensation" in accordance with Form 51-102F6 be included in this Circular. Form 51-102F6 prescribes the disclosure requirements in respect of the compensation of certain executive officers and directors of reporting issuers. The following addresses the applicable items identified in Form 51-102F6. As the Company is engaged in mineral exploration and development and has no material income, cash compensation to executives is kept to a minimum. Directors receive minimum cash payments and may receive options under the Plan (as defined below) and Common Shares under the Bonus Plan (as defined below) embedded within the Plan.

The purpose of this Compensation Discussion and Analysis ("**CD&A**") is to provide information about the Company's executive compensation philosophy, objectives, and processes and to discuss compensation decisions relating to the Company's senior leaders, being the identified named executive officers (the "**NEOs**") during the financial year ended September 30, 2019. The NEOs who are the focus of the CD&A and who appear in the compensation tables of this Circular are Stephen W. Houghton, Chief Executive Officer of the Company (the "**CEO**"), and Peter W. Hogg, Chief Financial Officer of the Company (the "**CFO**").

### Compensation Committee

In order to assist the Board in fulfilling its oversight responsibilities with respect to executive compensation and the Company's equity compensation plans, the Board established the Compensation Committee. During the most recently completed financial year, the Compensation Committee was comprised of two directors, both of whom are independent within the meaning of National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("**NI 58-101**"), namely Paul DesLauriers and Frederick Seeley.

The following is a brief summary of the experience of each of the Compensation Committee members relevant to his responsibilities in executive compensation.

- Paul DesLauriers – Mr. DesLauriers is currently the Executive Vice President, Director of Corporate Finance and a Director of Loewen, Ondaatje, McCutcheon Limited and a graduate of Concordia University. In addition, Mr. DesLauriers was previously a member of the compensation committee of Agriminco Corp. (formerly Ethiopian Potash Corp) and has been a member of the Compensation Committee since February 5, 2002.
- Frederick Seeley – Mr. Seeley is Chairman of Givens Hall Bank and Trust Ltd and a graduate of Princeton University and New York University. In addition, Mr. Seeley has been a member of the Compensation Committee since February 5, 2002.

The significant industry experience of each of the Compensation Committee members provides them with a suitable perspective to make decisions on the appropriateness of the Corporation's

compensation policies and practices. All members of the Compensation Committee have been determined to be "financially literate" within the meaning of NI 52-110 - *Audit Committees* ("NI 52-110"), and are knowledgeable about the Corporation's compensation program.

The Compensation Committee's purpose is to: (i) establish the philosophy and objectives that will govern the Company's compensation program; (ii) oversee and approve the compensation and benefits paid to the CEO and other senior officers; (iii) recommend to the Board for approval executive and other compensation and benefits plans and arrangements; (iv) oversee the Company's stock option plan and all other compensation plans; and (v) promote the clear and complete disclosure to shareholders of material information regarding executive compensation. In performing its duties, the Compensation Committee has the authority to engage such advisors, including executive compensation consultants, as it considers necessary.

### **Compensation Program**

The primary goal of the Company's executive compensation program is to retain top quality individuals at the executive level. The program is designed to ensure that the compensation provided to the Company's senior officers is determined with regard to the Company's business strategy and objectives and financial condition, such that the financial interests of the senior officers are matched with the financial interests of the Company's shareholders. The Company strives to ensure that the Company's senior officers are compensated fairly and commensurately with their contributions to furthering the Company's strategic direction and objectives.

Neither the Company nor the Compensation Committee currently has any contractual arrangement with any executive compensation consultant who has a role in determining or recommending the amount or form of senior officer or director compensation. The Compensation Committee relies on the knowledge and experience of the members of the Compensation Committee and the recommendations of the CEO to set appropriate levels of compensation for senior officers.

### **Compensation Program Design**

The total compensation mix was designed on the basis of the Company's compensation objectives. Standard compensation arrangements for the Company's senior officers are composed of the following elements, which are linked to the Company's compensation and corporate objectives.

#### ***Base Salary***

Base salary is determined for each of the Company's executive officers on an individual basis, taking into consideration the individual's experience, performance and contributions to the Company's success and competitive industry pay practices for comparable positions with the primary goal of retaining highly qualified executives in a competitive market environment.

#### ***Stock Options and Bonus Shares***

The Compensation Committee believes that stock options and the Bonus Shares under the Bonus Plan which forms part of the Plan encourage the Company's executive officers to own and hold shares in the Company which aligns their long-term interests directly to those of the shareholders and helps to achieve the Company's objective of retaining highly qualified executives. Under the terms of the Plan, the Compensation Committee may propose, and the Board may designate employees, including executive officers, eligible to receive options to acquire such numbers of Common Shares as the Board determines at an exercise price not less than the market price determined in accordance with the terms of the Plan and to receive Bonus Shares.

When granting options pursuant to the Plan, consideration is given to the exercise price of the aggregate options that would be held by an individual after the award. In determining the individual grants, the Board considers the following factors: the executive officer's relative position and performance as well as past equity grants.

Since the Company does not grant incentive stock options at a discount to the prevailing market price of the Common Shares, the incentive stock options granted to executive officers accrete value only if, and to the extent that, the market price of the Common Shares increases, thereby linking equity-based executive compensation to shareholder returns.

The Compensation Committee regularly assesses the individual performance of the Company's executive officers and makes recommendations to the Board. Based on these recommendations, the Board makes decisions concerning the nature and scope of the equity-based compensation to be paid to the Company's executive officers. The criteria upon which these recommendations are based reflect the Compensation Committee's views as to the nature and value of the contributions made by the executive officers to the achievement of the Company's corporate plans and objectives. The Compensation Committee considers option grants at regularly scheduled intervals following the end of each quarter, except in exceptional circumstances.

### **Compensation Process**

The Board has ultimate responsibility for the Company's compensation program and compensation decisions and receives recommendations from the Compensation Committee. The Compensation Committee seeks the advice of the CEO and confers with the Company's legal counsel on matters that fall within their realm of responsibility in preparing its recommendations.

The compensation of the Company's senior officers is based, in substantial part, on industry compensation practices, trends in the mining industry as well as achievement of our business objectives. Such objectives are established and modified as necessary to reflect changes in market conditions. The Compensation Committee did not establish any quantifiable criteria with respect to the level of equity compensation granted during its financial year ended September 30, 2019.

The Compensation Committee uses all the data available to it to ensure that the Company is maintaining a level of compensation that is both commensurate with the size of the Company and sufficient to retain personnel it considers essential to the success of the Company. Given the stage of development of the Company, the use of traditional performance standards, such as corporate profitability is considered by the Compensation Committee to be inappropriate in the evaluation of corporate and NEO performance. In reviewing comparative data, the Compensation Committee does not engage in benchmarking for the purpose of establishing compensation levels relative to any predetermined level. A periodic informal survey of compensation paid to persons occupying similar positions with mining exploration companies of comparable size and stage of development provides the Compensation Committee with insight into what is considered fair compensation.

In addition, when considering senior officer compensation, the Compensation Committee evaluates the CEO's performance, including reviewing the Company's performance relative to corporate objectives and strategic and annual business plans and the CEO's achievements during the financial year, and reviews the performance of other senior officers (as evaluated by the CEO based on their performance relative to their achievements during the financial year). The Compensation Committee reviews the various elements of the NEOs' compensation in the context of the total compensation package (including base salary and stock option and Bonus Share grants) and recommends the NEOs' compensation packages. The Compensation Committee's recommendations regarding NEO compensation are presented to the Board for their consideration and approval.

### **Option Granting**

Typically, the Compensation Committee considers option grants at regularly scheduled intervals following the end of each quarter except in exceptional circumstances. The Board determines individual grants including the particulars with respect to all options granted to senior officers in accordance with the terms of the Plan. In determining the nature and scope of such grants the Board considers the recommendations of the Compensation Committee and the senior officer's relative position, performance and past equity grants. See "*Securities Authorized for Issuance Under Equity Compensation Plans*" below for more information regarding the Plan.

## Managing Compensation-Related Risk

Although the Company does not have a formal policy relating to the management of compensation-related risk, the Board and, as applicable, the Compensation Committee, consider and assess, as necessary, risks relating to compensation prior to entering into or amending employment contracts with NEOs and when setting the compensation of directors. The Board and the Compensation Committee believe that the Company's compensation policies and practices are appropriate for its industry and stage of business and that such policies and practices do not have associated with them any risks that are reasonably likely to have a material adverse effect on the Company or which would encourage a NEO to take any inappropriate or excessive risks. The Compensation Committee will continue to review the Company's compensation policies and practices, including its compensation-related risk profile, as necessary, to ensure its compensation policies and practices are not reasonably likely to have a material adverse effect on the Company or encourage a NEO to take any inappropriate or excessive risks, and may consider adopting a formal policy in this regard in the future, if necessary.

## Restrictions on Financial Instruments

The Company does not have a policy that would prohibit a NEO or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. However, management is not aware of any NEO or director purchasing such an instrument.

## Summary Compensation Table

The following table provides a summary of the compensation earned by the NEOs (being the CEO and the CFO of the Company), for services rendered in all capacities during the financial years ended September 30, 2017, 2018 and 2019:

Name and Principal Position	Year	Salary (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)		Pension Value (US\$)	All other Compensation (US\$)	Total Compensation (US\$)
					Annual Incentive Plans	Long-Term Incentive Plans			
Stephen W. Houghton CEO	2019	71,077 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	6,051 <sup>(2)</sup>	77,128
	2018	76,257 <sup>(1)</sup>	Nil	3,925 <sup>(4)</sup>	Nil	Nil	Nil	5,240 <sup>(2)</sup>	85,422
	2017	74,395 <sup>(1)</sup>	Nil	Nil	Nil	Nil	Nil	10,007 <sup>(2)</sup>	84,402
Peter W. Hogg CFO	2019	22,593 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	22,593
	2018	23,000 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	23,000
	2017	37,303 <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	37,303

### Notes:

- (1) Mr. Houghton is entitled to a base salary of US\$110,000 pursuant to the Houghton Agreement (as defined below); however, on July 1, 2013, Mr. Houghton agreed to a reduction of his salary until such time as the Board believes the Company's profitability has improved. Any amounts by which Mr. Houghton's salary has been reduced may be paid by the Company to Mr. Houghton in the future, depending on the profitability of the Company.
- (2) This amount reflects accrued but unpaid reimbursement in 2017, 2018 and 2019, as applicable, of maintenance, insurance, repairs and gas costs for the vehicle purchased by the Company for Mr. Houghton, as well as medical and dental expenses incurred by Mr. Houghton.
- (3) These amounts were paid to Palmer Services Inc., a company indirectly controlled by Mr. Hogg.
- (4) On August 27, 2018, Mr. Houghton was granted 1,200,000 options pursuant to the Plan, each such option having an exercise price of \$0.05 per share (US\$0.04 per share) and expiring on August 27, 2023. Such options vest in equal amounts over a two-year period, with the first 1/3 of such options vesting upon grant. The estimated fair value of the individual options as at the grant date was US\$0.01 per option, calculated using the Black-Scholes option pricing model using the Common Share price on the date of grant of US\$0.005, with the key valuation factors being share price volatility of 202%, risk free rate of 1.01% per annum, no dividend yield and expected option life of three years. Such fair value is calculated in accordance with IFRS 2 *Share-based Payment*. An exchange rate of US\$0.77 per \$1, being the average of the noon and closing exchange rate on August 27, 2018 reported by the Bank of Canada, was used for the purposes of such calculations.

## Incentive Plan Awards

The following table provides details regarding outstanding option-based awards and share-based awards as at September 30, 2019.

<i>Outstanding option-based awards</i>					<i>Outstanding share-based awards</i>		
Name	Number of securities underlying unexercised (#)	Option exercise price (US\$) <sup>(1)</sup>	Option expiration date	Aggregate value of unexercised in-the-money options (US\$) <sup>(2)</sup>	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$)	Market or payout value of vested share-based awards not paid out or distributed (US\$)
Stephen W. Houghton CEO	1,200,000	0.04	August 27, 2023	Nil	Nil	Nil	Nil
	2,037,000	0.015	March 23, 2021	Nil	Nil	Nil	Nil
Peter W. Hogg CFO	400,000	0.015	March 23, 2021	Nil	Nil	Nil	Nil

### Notes:

- (1) An exchange rate of US\$0.75 per \$1, as reported by the Bank of Canada on February 18, 2020, was used for the purposes of such calculations. The options expiring March 23, 2021 were granted pursuant to the Plan and have an exercise price of \$0.02, while the options expiring on August 27, 2023 have an exercise price of \$0.05.
- (2) Based on the closing price of the Common Shares on the CSE of \$0.005 (US\$0.004) on September 30, 2019 (the last trading day in September 2019)

The following table provides details regarding option and share-based awards vested, and the non-equity incentive plan compensation provided to the NEOs, during the financial year ended September 30, 2019.

<i>Incentive plan awards - value vested or earned during the year</i>			
Name	Option-based awards - Value vested during the year (US\$) <sup>(1)</sup>	Share-based awards - Value vested during the year (US\$)	Non-equity incentive plan compensation - Value earned during the year (US\$)
Stephen W. Houghton, CEO	Nil	Nil	Nil
Peter W. Hogg, CFO	Nil	Nil	Nil

### Note:

- (1) Calculated as the aggregate dollar value that would have been realized if the options which vested during the fiscal year ended September 30, 2019 were exercised on the vesting date thereof. None of the options granted to the NEOs which vested during the fiscal year ended September 30, 2019 were in-the-money at the time of vesting.

## Termination and Change of Control Benefits

The Company and Mr. Stephen W. Houghton entered into an employment agreement (the "Houghton Agreement"). Under the terms of the Houghton Agreement, Mr. Houghton is employed as the CEO and carries out the normal duties performed by a chief executive officer. Mr. Houghton reports directly to the Board.

The Houghton Agreement was made effective as of October 7, 2009 for a two-year term, and automatically renews at the end of the term for an additional two years at a base salary rate of US\$110,000. The base salary is reviewed by the Compensation Committee of the Company at the end of each year to determine if an increase to the base salary is warranted. Mr. Houghton may be paid by a subsidiary of the Company.

Pursuant to the terms of the Houghton Agreement, Mr. Houghton is entitled to a severance payment from the Company of 36 months' salary, plus the greater of three times the bonus received by him in the previous bonus year (paid in cash or Common Shares), to be paid if (a) his employment is

terminated without cause, or (b) there is a "change of control" of the Company and within 12 months of such "change of control" (i) the Company gives notice of its intention to terminate his employment for any reason other than just cause, or (ii) a "triggering event" occurs and he elects to terminate his employment. Any stock options granted which have not vested at the time of termination will immediately vest and remain exercisable until the earlier of (i) the normal expiry date of such option, or (ii) the date which is 36 months from the date of such termination. In addition, Mr. Houghton would continue to be entitled to participate, at the expense of the Company, in the Company's health and medical plans (or the Company will pay for equivalent coverage if he is not covered under the Company's current plan), until the earlier of obtaining alternate coverage under the terms of any new employment or the third anniversary of the date of such termination. The reduction in Mr. Houghton's salary for the years ended September 30, 2017, 2018 and September 30, 2019, as set out in note (1) to the "Summary Compensation Table" above, will not be taken into account in determining the amount of severance payment provided for in the Houghton Agreement.

Mr. Houghton's estate would also be paid one year's salary in the event of his death during the term of the Houghton Agreement.

In addition, during the term of the Houghton Agreement, Mr. Houghton is entitled to be provided with a Toyota or Nissan 4x4 diesel truck or its equivalent with all expenses paid by the Company.

For the purposes of the Houghton Agreement,

1. a "change of control" occurs when: (a) less than 50% of the Board is composed of (i) directors of the Company at the time the relevant agreement was entered into, or (ii) any director who subsequently becomes a director with the agreement of at least a majority of the members of the Board at the time the relevant agreement was entered into; (b) the acquisition by any person or persons acting jointly or in concert of 40% or more of the Common Shares; (c) the sale by the Company of property or assets aggregating more than 50% of its consolidated assets or which aggregates more than 50% of its consolidated operating income of cash flows during the most recently completed financial year or during the current financial year; or (d) the Company becoming insolvent or the like; and

2. a "triggering event" includes: (a) an adverse change in any of the officer's duties, powers, rights, discretion, prestige, salary, benefits, perquisites or financial entitlements; (b) a diminution of title and/or responsibilities; (c) a change in the person or body to whom the officer reports, except if such person or body is of equivalent rank of stature or such change is a result of the resignation or removal if such person or the persons comprising such body; (d) a change in the hours during or location at which the officer is regularly required to carry out the terms of this employment; or (e) an increase in the amount of travel the officer is required to conduct on behalf of the Company.

The following are estimates of the incremental amounts payable to Mr. Houghton upon termination of the Houghton Agreement by the Company without cause, termination of the Houghton Agreement by the Company within twelve months of a change of control or termination of the Houghton Agreement by Mr. Houghton if within twelve months of a change of control, a triggering event occurs, assuming each such event took place on September 30, 2019:

Salary/Severance	US\$330,000
Benefits	Nil
Perquisites	Nil
<b>Total Compensation</b>	<b>US\$330,000</b>

## DIRECTOR COMPENSATION

The director compensation program is designed to achieve the following goals: (i) compensation should attract and retain the most qualified people to serve on the Board; (ii) compensation should align directors' interests with the long-term interests of shareholders; (iii) compensation should fairly pay directors for risks and responsibilities related to being a director of an entity of the Company's size and scope; and (iv) the structure of the compensation should be simple, transparent and easy for shareholders to understand.

Directors may receive options as compensation for their services as recommended by the Compensation Committee and determined by the Board. The exercise price of such options is determined by the Board, but shall in no event be less than the market price of the Common Shares at the time of the grant of the options. During the financial year ended September 30, 2019, other than as described herein, there were no standard or other arrangements pursuant to which the Company compensated the directors for their services in their capacity as directors, and there were no amounts paid for special assignments.

### Summary of Director Compensation

The following compensation table sets out the compensation paid to each of the Company's directors in the financial year ended September 30, 2019, other than the compensation paid to the NEOs, Mr. Houghton and Mr. Hogg, who are also directors of the Company, which is set out under "*Executive Compensation*".

Name	Fees Earned (US\$)	Share-Based Awards (US\$)	Option-based Awards (US\$) <sup>(2)</sup>	Non-equity Incentive Plan Compensation (US\$)	All Other Compensation (US\$)	Total (US\$)
Paul J. DesLauriers	8,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	8,000
Frederick D. Seeley	8,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	8,000
William Hill	5,000 <sup>(1)</sup>	Nil	Nil	Nil	Nil	5,000
David R.S. Thomson	Nil	Nil	Nil	Nil	Nil	Nil
Mario Hernandez	Nil	Nil	Nil	Nil	Nil	Nil

#### Notes:

- (1) Such amounts have accrued but, as agreed to by the respective directors, have not been paid.  
(2) No options were granted during the 2019 fiscal year.

### Incentive Plan Awards to Directors

The following table provides details regarding the outstanding option-based awards held by directors as at September 30, 2019, other than the outstanding option-based awards held by the NEOs, Mr. Houghton and Mr. Hogg, who are also directors of the Company, which are set out under "*Executive Compensation*".

Outstanding option-based awards				
Name	Number of securities underlying unexercised (#)	Option exercise price (US\$) <sup>(1)</sup>	Option expiration date	Aggregate value of unexercised in-the-money options (US\$) <sup>(1)(2)</sup>
Paul J. DesLauriers	875,000	0.015	March 23, 2021	Nil
	375,000	0.04	August 27, 2023	Nil
Frederick D. Seeley	875,000	0.015	March 23, 2021	Nil
	375,000	0.04	August 27, 2023	Nil
William Hill	400,000	0.015	March 23, 2021	Nil

<b>Outstanding option-based awards</b>				
<b>Name</b>	<b>Number of securities underlying unexercised (#)</b>	<b>Option exercise price (US\$)<sup>(1)</sup></b>	<b>Option expiration date</b>	<b>Aggregate value of unexercised in-the-money options (US\$)<sup>(1)(2)</sup></b>
	300,000	0.04	August 27, 2023	Nil
David R.S. Thomson	Nil	Nil	Nil	Nil
Mario Hernandez	Nil	Nil	Nil	Nil

**Notes:**

- (1) An exchange rate of US\$0.75 per \$1, as reported by the Bank of Canada on February 18, 2020, was used for the purposes of such calculations. The options expiring March 23, 2021 were granted pursuant to the Plan and have an exercise price of \$0.02, while the options expiring on August 27, 2023 have an exercise price of \$0.05.
- (2) Based on the closing price of the Common Shares on the CSE of \$0.005 (US\$0.004) on September 30, 2019 (the last trading day in September 2019).

The following table provides details regarding the option and share-based awards vested, and the non-equity incentive plan compensation provided to the directors, other than with respect to by the NEOs, Mr. Houghton and Mr. Hogg, who are also directors of the Company, as such information is set out under "Executive Compensation", during the financial year ended September 30, 2019.

<b>Incentive plan awards - value vested or earned during the year</b>			
<b>Name</b>	<b>Option-based awards - Value vested during the year (US\$)<sup>(1)</sup></b>	<b>Share-based awards - Value vested during the year (US\$)<sup>(1)</sup></b>	<b>Non-equity incentive plan compensation - Value earned during the year (US\$)</b>
Paul J. DesLauriers	Nil	Nil	Nil
Frederick D. Seeley	Nil	Nil	Nil
William Hill	Nil	Nil	Nil
David R.S. Thomson	Nil	Nil	Nil
Mario Hernandez	Nil	Nil	Nil

**Note:**

- (1) Calculated as the aggregate dollar value that would have been realized if the options which vested during the fiscal year ended September 30, 2019 were exercised on the vesting date thereof. None of the options granted to the directors which vested during the fiscal year ended September 30, 2019 were in-the-money at the time of vesting.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

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 certain providers. The Board of Directors determines the vesting period for each award granted under the Plan at its discretion. Certain details regarding the Plan are set out in the table below.

<b>Plan Category</b>	<b>Number of shares to be issued upon exercise of outstanding options and rights outstanding as at September 30, 2019</b>	<b>Weighted-average exercise price of outstanding options and rights outstanding as at September 30, 2019 (\$US)</b>	<b>Number of shares remaining available for future issuance under the Plan as at September 30, 2019</b>
Equity compensation plans approved by shareholders	Nil	Nil	Nil
Equity compensation plans not approved by shareholders	9,049,000	0.025 <sup>(1)</sup>	24,890,074 <sup>(1)(2)(3)</sup>
<b>Total</b>	<b>9,049,000</b>	<b>0.025<sup>(1)</sup></b>	<b>24,890,074<sup>(1)(2)(3)</sup></b>

**Notes:**

- (1) An exchange rate of US\$0.75 per \$1, as reported by the Bank of Canada on February 18, 2020, was used for the purposes of such calculation. The weighted-average exercise price of outstanding options is \$0.03.
- (2) The aggregate number of shares which may be issued shall not exceed 10% of the issued and outstanding shares of the Company.
- (3) The maximum number of Bonus Shares (as defined below) issued pursuant to the Plan cannot exceed 2% of the issued and outstanding Common Shares.
- (4) Includes 5,000,000 Bonus Shares.

The Plan was approved by the Board of Directors on May 29, 2015 and is subject to, among others, the following restrictions:

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

The determination regarding the number of Common Shares issued pursuant to the Bonus Plan (the “**Bonus Shares**”) to each Eligible Employee (as defined below) will take into consideration the Eligible Employee’s present and potential contribution to the success of the Company and shall be determined from time to time by the Board.

The purpose of the Plan is to enable the Company during the period of time up until it has profits to compensate officers, directors, full or part time employees and other persons who perform services for the Company or any subsidiary of the Company (collectively, the “**Eligible Employees**” and individually, an “**Eligible Employee**”) and thereafter to promote the profitability and growth of the Company by encouraging Eligible Employees to extend greater efforts and to become shareholders in the Company.

The Plan is administered by the Board or, in the Board’s discretion, by a committee appointed by the Board for that purpose.

Subject to the provisions of the Plan, in the event that options granted under the Plan are surrendered, terminate or expire without being exercised in whole or in part, new options may be granted covering the Common Shares not purchased under such lapsed options. No option may be granted to any Eligible Employee which would have the effect of increasing the aggregate number of shares of any class of shares of the Company subject to all options granted under the Plan or otherwise with respect to such class to such Eligible Employee to more than five per cent (5%) of the then issued and outstanding shares of such class.

The purchase price per Common Share subject to each option shall be determined by the Board or committee, as applicable. The price at which an Eligible Employee may purchase shares of the Company pursuant to an option granted to such employee under the Plan shall not be less than the closing price on the CSE for a board lot on the last day immediately preceding the day of the grant that the CSE is open for business (or if the Common Shares of the Company are not listed on the CSE, on such stock exchange in Canada on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Common Shares did not trade on such business day, the purchase price shall be the average of the bid and ask prices in respect of such Common Shares at the close of trading on such date. In the event that such Common Shares are not listed and posted for trading on the CSE or any stock exchange, the purchase price shall be the fair market value of such Common Shares as determined by the Board in its sole discretion.

Options shall not be granted for a term exceeding ten years (the “**Option Period**”). Options may be exercised by an Eligible Employee in whole at any time, or in part from time to time, during the Option Period, subject to the provisions of the Plan. Options granted under the Plan may not be assigned or otherwise transferred by a participant other than pursuant to a will, by the laws of descent and distribution or under certain limited circumstances as set out in the Plan. Options granted under the Plan may vest at the discretion of the Board or committee, as applicable.

An option granted pursuant to the Plan may give to the Eligible Employee to whom it is granted the right, in lieu of exercising the option in part or in full and obtaining Common Shares, to receive from the Company a cash payment in an amount determined by deducting from the fair market value of the shares with respect to which the right is exercised the amount that the Eligible Employee would have had to pay for such shares if he or she had exercised the option. If such right is exercised, then the number of shares subject to such option shall be reduced accordingly. For this purpose, the fair market value shall

be the weighted average trading price of shares of the Company traded on the CSE during the five consecutive trading days immediately preceding the day on which the right is exercised and a "trading" day shall be a day during which the said CSE is open for normal business.

The right to purchase shares of the Company pursuant to any option granted under the Plan shall expire on the earlier of the expiry date of the option and the 30<sup>th</sup> day following the day of the termination of employment by the Company of such Eligible Employee but if: (a) the Eligible Employee is given a payment in lieu of a notice of termination of employment, then such employee shall be informed of the period of time with respect to which such payment is made and the said period of 30 days shall expire at the end of such period, or (b) if the Eligible Employee dies while still in the employment of the Company, such right to purchase shall continue for a period being the lesser of 12 months following the day of death or such period as may be determined by any law or administrative body, including a stock exchange to which the Company is subject, or (c) if the Eligible Employee retires from employment by the Company at normal retirement age as determined by the Board or at such earlier age but without thereafter assuming other full-time or part-time employment, such right to purchase shall continue for a period being the lesser of three years following the day of retirement or such period as may be determined by any law or administrative body, including a stock exchange to which the Company is subject.

The Board has the power and authority to make certain amendments to the Plan or the options granted there under, without having to obtain shareholder approval, to the extent such amendments relate to:

- (a) complying with the requirements of any applicable regulatory authority;
- (b) complying with the rules, policies and notices of the CSE or of any stock exchange on which the Company's securities are listed;
- (c) altering, extending or accelerating the terms and conditions of vesting of any options;
- (d) extending the term of options held by a person other than a person who, at the time of the extension, is an Insider (as such term is defined in the *Ontario Securities Act*) of the Company that is subject to insider reporting requirements pursuant to National Instrument 51-101 - *Insider Reporting Exemptions* and associates and affiliates of such person;
- (e) determining, subject to all applicable regulatory requirements, that the provisions of the Plan concerning the effect of termination of an optionee's status as an Eligible Employee shall not apply to an optionee for any reason acceptable to the Board;
- (f) accelerating the expiry date of any options;
- (g) amending the definitions contained within the Plan;
- (h) amending the categories of persons who are Eligible Employees and entitled to be granted options pursuant to the Plan;
- (i) allowing the grant of short-term financial assistance to optionees for the purpose of exercising options granted under the Plan, subject to compliance with all applicable regulatory requirements;
- (j) authorizing the addition or modification of a cashless exercise feature, payable in cash or Common Shares, which provides for a full deduction of the number of underlying securities from the Plan reserve;
- (k) the assignability or transferability of options, with respect to Eligible Employees generally and/or with respect to any participant under the Plan;
- (l) amending or modifying the mechanics of exercise of options; and
- (m) amendments of a "housekeeping" nature, including, without limitation, amending the wording of any provisions of the Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan.

The Company has not provided any financial assistance to Eligible Employees to facilitate the purchase of Common Shares under the Plan.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

The following table (presented in accordance with Form 51-102F5) sets out the aggregate indebtedness of all directors, executive officers, employees and former directors, executive officers and employees of the Company and its subsidiaries outstanding as at the date hereof.

Aggregate Indebtedness		
Purpose	To the Company or its subsidiaries	To Another Entity
Share purchases	Nil	Nil
Other	US\$601,000	Nil

No director, executive officer or proposed director of the Company and no associate of the foregoing persons is or has been indebted to the Company (including its subsidiaries) at any time since the beginning of the most recently completed financial year of the Company except Mr. Stephen W. Houghton, the Chief Executive Officer and a director of the Company, as described in the table below.

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During the Period Between September 30, 2018 and September 30, 2019	Amount Outstanding as at the date hereof	Financially Assisted Securities Purchases During the Period Between September 30, 2018 and September 30, 2019	Security for Indebtedness	Amount Forgiven During the Period Between September 30, 2018 and September 30, 2019
Stephen W. Houghton, Chief Executive Officer and Director	Lender	US\$286,233 <sup>(1)</sup>	US\$262,000 <sup>(2)</sup>	Nil	653,200 Common Shares	Nil

**Notes:**

- (1) Such amount is a non-interest-bearing note receivable without specific repayment terms and is secured by 653,200 Common Shares owned by Mr. Houghton. Such funds were advanced to Mr. Houghton over a twelve-year period during which time he received no salary from the Company. There have been no adjustments to the terms of such indebtedness during the Company's most recently completed financial year.
- (2) The amount is net of amounts owed by the Company or its subsidiaries to Mr. Houghton.

## CORPORATE GOVERNANCE

The Board believes in the importance of maintaining sound corporate governance practices. The statement of corporate governance practices addresses the Company's compliance with National Policy 58-201 -*Corporate Governance Guidelines* and National Instrument 58-101 -*Disclosure of Corporate Governance Practices* (collectively, the "**Guidelines**").

### General Statement of Corporate Governance Practices

The Board has considered the foregoing and have concluded that, while the Company is not in full compliance with all provisions of the Guidelines, given the size of the Company, certain of the Guidelines would be too costly or inappropriate to implement at this time. Currently, the Board has three independent members and four members who are not independent. In addition, no member of management is a member of the Company's audit committee (the "**Audit Committee**") or the Compensation Committee, and the Company will continue to attempt to fulfill the Guidelines as resources become available.

The Company conducts all of its business through subsidiary companies which are active in Chile. Messrs. Hernandez and Thomson are residents of Chile and Mr. Houghton spends substantially all of his time in Chile, with the result that the affairs of the Company are closely supervised.

## The Board of Directors

A director is considered "independent" if he has no direct or indirect material relationship with the Company. A "material relationship" is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board currently consists of seven individuals. Messrs. DesLauriers, Seeley and Hill are independent directors. Messrs. Houghton, Hogg, Thomson and Hernandez are not considered to be independent as they are members of the Company's management team. Currently, three (3) of the seven (7) proposed directors are independent. The independent directors do not hold regularly scheduled meetings but do meet frequently. The Board believes that its current size and composition facilitate effective decision-making but intends to review these characteristics periodically.

The Chairman of the Board is Paul J. DesLauriers, an independent director. The responsibilities of the Chairman include, but are not limited to, the following:

- (a) preside at, call and schedule each meeting of the Board;
- (b) manage the affairs of the Board to ensure that the Board is organized properly and functions effectively;
- (c) communicate with each Board member to ensure that each director has the opportunity to be heard and participate in decision making and is accountable to the Board and to each Board committee on which he or she serves; and
- (d) coordinate with management and the secretary of the Company to ensure that the Board has an opportunity to question executive officers, management, employees, external auditors, experts and advisors regarding any and all matters of importance to the Board.

## Meetings of the Board

The frequency of Board meetings and the nature of the meeting agendas depend upon the nature of the business and affairs of the Company from time to time. Since the beginning of the Company's financial year ended September 30, 2019 until the date of this Circular, the Board and its Audit Committee met 8 and 4 times, respectively, and the Board's Compensation Committee, Corporate Governance and Nominating Committee and Technical Committee did not meet. The following is the record of attendance for each director at Board, Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Technical Committee meetings since the beginning of the Company's financial year ended September 30, 2019 until the date of this Circular:

Director	Board Meetings	Audit Committee Meetings	Compensation Committee Meetings	Corporate Governance and Nominating Committee Meetings	Technical Committee Meetings
Paul J. DesLauriers	8	4	0/0	0/0	0/0
Mario Hernandez	7	N/A	N/A	N/A	N/A
Stephen W. Houghton	8	N/A	N/A	N/A	N/A
Frederick Seeley	8	4	0/0	0/0	N/A
David R.S. Thomson	7	N/A	N/A	N/A	N/A
Peter Hogg	8	N/A	N/A	N/A	N/A
William Hill	5	4	N/A	0/0	0/0

## Board Mandate

The Board does not have a written mandate. The Board is responsible for the supervision of the management of the Company's business and affairs. Under its governing statute, the CBCA, the Board is required, in carrying out its duties, to act honestly and in good faith with a view to the best interests of the Company. To assist it in fulfilling this responsibility, the Board has recognized its responsibility for the following areas:

- (a) adoption of a strategic planning process;

- (b) identification of the principal risks of the Company's business and monitoring the implementation of appropriate systems to manage these risks;
- (c) implementation of a communication policy to facilitate communications with shareholders and others involved with the Company; and
- (d) integrity of the Company's internal control and management information systems.

### **Position Descriptions**

The Board has developed written position descriptions for the Chairman of the Board, the chair of each of the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee and the CEO. The Board has not yet developed a written position description for the chair of the Technical Committee. The chairman of the Technical Committee calls and chairs the meetings of the Technical Committee.

### **Orientation and Continuing Education**

Given that the Board is small, that four of the current directors are also members of management and that the other three current directors have considerable experience in areas related to the Company's business, it has not been necessary to this point for the Company to provide a formal continuing education program to its directors. The Corporate Governance and Nominating Committee co-ordinates an orientation program for new directors which includes, but is not limited to, a director manual regarding the duties of the Board, individual directors, each Committee, the chairman of the Board, the chairman of each committee of the Board and the executive officers of the Company, information regarding the nature and operation of the Company's business and organizational structure and copies of any mandates of the committees of the Board and any position descriptions of the chairman of the Board and the chairman of each committee of the Board. New directors also conduct site visits to the Company's operating facilities. Directors of the Company receive continuous background information and are provided with updates on the Company's current and future plans. The Board also keeps the directors apprised of corporate governance requirements.

### **Ethical Business Conduct**

The Company has adopted a written business conduct policy (the "Code"). A copy of the Code is available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Pursuant to the Code, each employee of the Company must complete a certificate of compliance to certify compliance with the Code annually and employees whose positions may include involvement with foreign operations may be asked to complete such certificate of compliance on a more frequent basis. A director with a material interest in transactions and agreements considered by the Company are required to declare their interest and abstain from voting on the resolutions respecting such matters. The Corporate Governance and Nominating Committee reviews such conflicts of interest and any departures from the Code and makes recommendations to the Board regarding such conflicts and departures.

### **Nomination of Directors**

The Corporate Governance and Nominating Committee is comprised of three directors, all of whom are considered to be independent. None of the members of the Corporate Governance and Nominating Committee are members of management of the Company. The Corporate Governance and Nominating Committee is responsible for reviewing the Board's composition, having regard to the size of the Board with a view to facilitating effective decision making and, when applicable, recommending nominees for election as directors and appointments as members of the committees of the Board and the chairmen thereof.

### **Compensation**

The Company has a Compensation Committee which determines the compensation of directors, officers and employees in light of the Company's current financial circumstances. The Compensation

Committee consists solely of independent directors. No members of the Compensation Committee are officers or employees of the Company.

Additional information regarding the Compensation Committee and the compensation of the Company's directors and officers is set out under "*Director Compensation*" and "*Executive Compensation*" herein.

### Other Board Committees

In addition to the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee, the Board also has a Technical Committee which is responsible for reviewing any potential acquisitions for the Company. Other than the Audit Committee, the Compensation Committee, Corporate Governance and Nominating Committee, and the Technical Committee the Board does not have any standing committees. It is the view of the Board that its current size is small enough to make such additional committees counter-productive. In addition to regularly scheduled meetings of the Board, its members are in continuous contact with one another and with the members of senior management. If the size of the Board were to be enlarged, consideration would at that point be given to the appropriateness and cost-effectiveness of forming additional committees.

### Assessments

Board members are in continual communications, often daily, regarding Company matters and are able to assess each others' effectiveness and contributions. Individual assessments are not performed.

## AUDIT COMMITTEE INFORMATION

### *The Audit Committee's Charter*

The complete text of the Charter for the Audit Committee (the "**Charter**"), is attached hereto as Schedule "A".

### *Composition of the Audit Committee*

The Audit Committee has three members all of whom are independent. All of the members of the Audit Committee are financially literate.

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>	Relevant Education and Experience
Paul J. DesLauriers	Yes	Yes	Concordia University, BA, BC <sup>(3)</sup>
Frederick D. Seeley	Yes	Yes	Princeton University, BA, New York University, MBA <sup>(4)</sup>
William Hill	Yes	Yes	University of Toronto, PE <sup>(5)</sup>

#### **Notes:**

- (1) To be considered independent, a member of the Audit Committee must not have any direct or indirect "material relationship" with the Company. A "material relationship" is a relationship which could, in the view of the board of directors of the Company, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (2) To be considered financially literate, a member of the Audit Committee must have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.
- (3) Mr. DesLauriers has more than 30 years' experience in the stock brokerage business and is Executive Vice President of Loewen Ondaatje McCutcheon Ltd.
- (4) Mr. Seeley has more than 30 years' experience as a banker with the Schroder Group and is currently a Director of Givens Hall Bank and Trust Ltd.
- (5) Mr. Hill has more than 30 years' experience as a professional engineer and has been a director of more than 10 mining companies several of which he was a member of the audit committee.

### *Audit Committee Oversight*

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's board of directors.

#### ***Pre-Approval Policies and Procedures***

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in Section III of the Charter entitled "Responsibilities and Duties - External Auditors".

#### ***External Auditor Service Fees (By Category)***

The following table discloses the fees billed to the Company and its subsidiaries for professional services rendered by its external auditors, during the financial years ended September 30, 2018 and 2019. The figures in the following table are stated in Canadian dollars.

<b>Financial Period Ending</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit-Related Fees<sup>(2)</sup></b>	<b>Tax Fees</b>	<b>All Other Fees</b>
September 30, 2018	\$30,000	\$6,000	\$3,978	Nil
September 30, 2019	\$20,000	Nil	Nil	Nil

**Notes:**

- (1) The aggregate fees billed for audit services.  
 (2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the "Audit Fees" column consisting of reimbursement of out-of-pocket expenses incurred by the auditors.

Davidson & Company LLP has advised the Company that they are independent in accordance with the rules of professional standards of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

#### ***Exemption***

The Company is relying on an exemption provided by section 6.1 of NI 52-110 which provides, in part, that the Company, as a venture issuer, is not required to comply with Part 5 (Reporting Obligations) of NI 52-110.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as noted below, no director or executive officer of the Company, no proposed director of the Company, no person or company who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares (a "10% Shareholder") and no director or executive officer of a 10% Shareholder or of a subsidiary of the Company and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction since the beginning of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

Both David Thomson and Mario Hernandez, who are directors and officers of the Company, have provided and continue to provide funds to the Company which have enabled the Company to continue its operations.

#### **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Company at any time since the beginning of the Company's last financial year, no proposed director of the Company and no associate or affiliate of the foregoing persons has any material interest, direct or indirect, by way of beneficial

ownership of securities of the Company or otherwise in any matter to be acted upon, except as disclosed in this Circular.

### MANAGEMENT CONTRACTS

No management functions of the Company or any of its subsidiaries are, to any substantial degree, performed other than by the directors and officers of the Company or its subsidiaries.

### GENERAL

The audited consolidated financial statements of the Company as at and for the financial year ended September 30, 2019, together with the auditors' report thereon, will be placed before the Meeting.

Additional information relating to the Company is available electronically on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for its most recently completed financial year. Shareholders may contact the Chief Financial Officer of the Company at (416) 369-9359 to request copies of the Company's consolidated financial statements and management's discussion and analysis.

### SHAREHOLDER PROPOSALS

A shareholder intending to submit a proposal at the Company's next annual meeting of shareholders must comply with the applicable provisions of the CBCA. The Company will include a shareholder proposal in management's information circular prepared for such annual meeting of shareholders provided such proposal is received by the Company at its head office on or before November 23, 2020 and provided such proposal is required by the CBCA to be included in management's information circular.

### DIRECTORS' APPROVAL

The Board has approved the contents and sending of this Circular.

**BY ORDER OF THE BOARD OF DIRECTORS**

Dated February 21, 2020.

"Stephen W. Houghton" (signed)  
Stephen W. Houghton  
Chief Executive Officer

## SCHEDULE "A"

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### I. PURPOSE

The audit committee (the "Audit Committee") is a committee of the board of directors (the "Board of Directors") of Cerro Grande Mining Corporation (the "Corporation"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the financial accounting and reporting process and internal controls for the Corporation by:

- reviewing the financial reports and other financial information before such reports and other financial information is provided by the Corporation to any governmental body or the public;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's external auditors and providing an open avenue of communication among the external auditors, financial and senior management and the Board of Directors;
- serving as an independent and objective party to monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements; and
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Part III of this Charter. The Audit Committee's primary function is to assist the Board of Directors in fulfilling its responsibilities. It is, however, the Corporation's management which is responsible for preparing the Corporation's financial statements and it is the Corporation's external auditors which are responsible for auditing those financial statements.

#### II. COMPOSITION AND MEETINGS

The Audit Committee is to be comprised of such number of directors as determined by the Board of Directors, all of whom must be "independent" directors (as such term is defined in Appendix I). All members of the Audit Committee must, to the satisfaction of the Board of Directors, be "financially literate" (as such term is defined in Appendix I).

The members of the Audit Committee must be elected by the Board of Directors at the annual organizational meeting of the Board of Directors and serve until their successors are duly elected. Unless a Chairman is elected by the full Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the full Audit Committee membership.

The Audit Committee is to meet at least four times annually (and more frequently if circumstances require). The Audit Committee is to meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management's discussion & analysis ("MD&A") and is to meet prior to filing the annual audited financial statements and MD&A in order to review and discuss the audited financial results for the year and related MD&A.

As part of its role in fostering open communication, the Audit Committee should meet at least annually with management and the external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups believe should be discussed privately.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Audit Committee are to be provided with full access to all corporate information and are

to be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and external auditors of the Corporation.

A quorum for the transaction of business at any meeting of the Audit Committee is (the presence in person or by telephone or other communication equipment of) a simple majority of the total number of members of the Audit Committee or such greater number as the Audit Committee may by resolution determine. If within one hour of the time appointed for a meeting of the Audit Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

Should a vacancy arise among the members of the Audit Committee, the remaining members of the Audit Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Meetings of the Audit Committee are to be held from time to time at such place as the Audit Committee or the Chairman of the Audit Committee may determine, within or outside Nova Scotia, upon not less than three days' prior notice to each of the members. Meetings of the Audit Committee may be held without three days' prior notice if all of the members entitled to vote at such meeting who do not attend, waive notice of the meeting and, for the purpose of such meeting, the presence of a member at such meeting shall constitute waiver on his or her part. The Chairman of the Audit Committee, any member of the Audit Committee, the Chairman of the Board of Directors, the Corporation's external auditors, or the Chief Executive Officer, Chief Financial Officer or Secretary of the Corporation is entitled to request that the Chairman of the Audit Committee call a meeting. A notice of the Audit Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purpose of the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors. The Audit Committee may, from time to time, appoint any person who need not be a member, to act as secretary at any meeting.

All decisions of the Audit Committee will require the vote of a majority of its members present at a meeting at which quorum is present. Action of the Audit Committee may be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Audit Committee called for such purpose. Such instruments in writing may be signed in counterparts each of which shall be deemed to be an original and all originals together shall be deemed to be one and the same instrument.

### **III. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Audit Committee shall:

#### **Generally**

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, prepare revisions to its provisions where conditions so dictate and submit such proposed revisions to the Board of Directors for approval.
3. Describe fully in the Corporation's management information circular or its annual information form ("AIF") the Audit Committee's composition and responsibilities and how they were discharged, and otherwise assist management in providing the information required by applicable securities legislation (including the form requirements under Multilateral Instrument 52-110) in the Corporation's AIF.
4. Report periodically to the Board of Directors.

5. Conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities. The Audit Committee shall be empowered to retain and compensate independent counsel, accountants and other professionals to assist it in the performance of its duties as it deems necessary.
6. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.

#### **Documents/Reports Review**

7. Review the Corporation's interim and annual financial statements, results of audits as well as all interim and annual MD&A and interim and annual earnings press releases prior to their publication and/or filing with any governmental body, or the public.
8. Review policies and procedures with respect to directors' and senior officers' expense accounts and management perquisites and benefits, including their use of corporate assets and expenditures related to executive travel and entertainment, and review the results of the procedures performed in these areas by the external auditors, based on terms of reference agreed upon by the external auditors and the Audit Committee.
9. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure addressed in paragraph 7 of this part, and periodically assess the adequacy of such procedures.
10. Review the audited annual financial statements to satisfy itself that they are presented in accordance with general accepted accounting principles.
11. Provide insight to related party transactions entered into by the Corporation.

#### **External Auditors**

12. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness, and approve the fees and other compensation to be paid to the external auditors. Instruct the external auditors that the Board of Directors, as the shareholders' representative, is the external auditors' client.
13. Monitor the relationship between management and the external auditors, including reviewing any management letters or other reports of the external auditors and discussing and resolving any material differences of opinion between management and the external auditors.
14. Review and discuss, on an annual basis, with the external auditors all significant relationships they have with the Corporation to determine their independence.
15. Pre-approve all audit and non-audit services to be provided to the Corporation or its subsidiaries by the external auditors.
16. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.
17. Periodically consult with the external auditors out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the completeness and accuracy of the Corporation's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.

18. Ensure that the external auditors report directly to the Audit Committee, ensure that significant findings and recommendations made by the external auditors are received and discussed with the Audit Committee on a timely basis and arrange for the external auditors to be available to the Audit Committee and the full Board of Directors as needed.
19. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's external auditors.

#### **Financial Reporting Processes**

20. In consultation with the external auditors, review the integrity of the Corporation's financial reporting processes, both internal and external.
21. Consider the external auditors' judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices.
22. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

#### **Process Improvement**

23. Establish regular and separate systems of reporting to the Audit Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
24. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit Committee may deem desirable.
25. Following completion of the annual audit, review separately with management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit.
26. Review and resolve any significant disagreements between management and the external auditors in connection with the preparation of the financial statements.
27. Where there are significant unsettled issues, the Audit Committee is to assist in arriving at an agreed course of action for the resolution of such matters.
28. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit Committee.
29. Review activities, organizational structure, and qualifications of the Corporation's Chief Financial Officer and staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration to the full Board of Directors.

### **Ethical and Legal Compliance**

30. Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
31. Review management's monitoring of the Corporation's systems in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
32. Review, with the Corporation's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the Corporation's financial statements.

### **Risk Management**

33. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation and how effectively such risks are being managed or controlled.

The foregoing list is not exhaustive. The Audit Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its responsibilities and duties.

**Appendix I**  
**CHARTER OF THE AUDIT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**

**Independence and Financial Literacy**

**Independence Requirement of Multilateral Instrument 52-110**

*Multilateral Instrument 52-110 - Audit Committees* (“MI 52-110”) provides, in effect, that a member of the Audit Committee is “independent” if that member has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, reasonably interfere with the exercise of the member’s independent judgment. MI 52-110 provides that the following individuals are considered to have a “material relationship” with the Corporation and, as such, would not be considered independent:

- (a) an individual who is, or has been, an employee or executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (b) an individual whose immediate family member is, or has been, an executive officer of the Corporation, unless the prescribed period has elapsed since the end of the service or employment;
- (c) an individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) an individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the Corporation, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (e) an individual who is, or has been, or whose immediate family member is or has been, an executive officer of an entity if any of the Corporation’s current executive officers serve on the entity’s compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (f) an individual who
  - (i) has a relationship with the Corporation pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or any subsidiary entity of the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors; or
  - (ii) receives, or whose immediate family member receives, more than Cdn\$75,000 per year in direct compensation from the Corporation, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any committee of the Board of Directors, or as a part-time chair or vice-chair of the Board of Directors or any committee of the Board of Directors, unless the prescribed period since he or she ceased to receive more than Cdn\$75,000 per year in such compensation; and
- (g) an individual who is an affiliated entity of the Corporation or any of its subsidiary entities.

For purpose of the definition of “material relationship”, the terms set out below shall have the following meanings:

"affiliated entity" - a person or company is considered to be an affiliated entity of another person or company if (a) one of them controls or is controlled by the other or if both persons or companies are controlled by the same person or company, or (b) the person or company is (i) both a director and an employee of an affiliated entity, or (ii) an executive officer, general partner or managing member of an affiliated entity. A person will not be considered to be an affiliated entity of the Corporation if the person (a) owns, directly or indirectly, 10% or less of any class of voting securities of the Corporation; and (b) is not an executive officer of the Corporation;

"company" - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

"control" - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

"executive officer" of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

"person" - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative;

"prescribed period" - means the shorter of: (a) the period commencing on March 30, 2004 and ending prior to the date the determination as to the independence of the individual by the Board of Directors is made; and (b) the three year period ending immediately prior to the date the determination as to the independence of the individual by the Board of Directors is made; and

"subsidiary entity" - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.

### **Financial Literacy**

MI 52-110 provides that a director will be considered "**financially literate**" if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

**CERRO GRANDE MINING CORPORATION**

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**ADDENDUM TO MANAGEMENT INFORMATION CIRCULAR**

**DISCLOSURE ON DIVERSITY OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT  
UNDER THE CANADA BUSINESS CORPORATIONS ACT**

This Addendum forms a part of and is incorporated into the Management Information Circular of Cerro Grande Mining Corporation dated February 21, 2020.

The Corporation's business activities, all of which are conducted in Chile, are currently limited, and its management is currently focusing its efforts and limited resources on developing its business for the benefit of shareholders. Management of the Corporation comprises only seven directors. Four of those directors who are also officers of the Corporation (including the Chief Executive Officer) reside in Chile. No officer other than the Chief Financial Officer and the Chairman of the Board reside in Canada. Other than management of the Corporation, the Corporation has only 4 employees all of whom are located in Chile. For these reasons, the Corporation has decided not to adopt formal policies and targets relating to gender diversity or the representation of designated groups (i.e., aboriginal peoples, persons with disabilities and members of visible minorities) among the members of its Board and senior management. However, the Corporation considers and evaluates diversity when identifying and nominating Board candidates and when making senior management appointments by carefully assessing professional qualifications and aptitudes, personalities and other qualifications of each candidate, depending on ad hoc needs of the Corporation. Currently, there are no directors or officers of the Corporation that are women or members of the designated groups. Members of the Board are elected for a period of one year and remain in office until the next annual general meeting of shareholders at which time their mandates terminate.