

FORM 51-102F3 - MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Cerro Grande Mining Corporation (the "Company")
79 Wellington Street West
Suite 2300
Toronto, Ontario M5K 1H1

2. **Date of Material Change**

May 16, 2012.

3. **News Release**

The news release attached hereto as Schedule "A" announcing the material change described herein was released through Canada News Wire Group at Toronto, Ontario on May 16, 2012.

4. **Summary of Material Change**

The material change is described in the Company's news release attached hereto as Schedule "A", which news release is incorporated herein.

5. **Full Description of Material Change**

5.1 Full Description of Material Change

No information other than that provided in Item 4 above is presently available.

5.2 Disclosure for Restructuring Transactions

Not Applicable.

6. **Reliance on subsection 7.1(2) of National Instrument 51-102**

Not Applicable.

7. **Omitted Information**

Not Applicable.

8. **Executive Officer**

The following is the name and business telephone number of an executive officer of the Company who is knowledgeable about the material change and this report.

Stephen W. Houghton
Chief Executive Officer
(212) 751-0083

9. **Date of Report**

May 16, 2012.

News Release

Schedule "A" CERRO GRANDE MINING CORPORATION

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FOR IMMEDIATE RELEASE – May 16, 2012

Cerro Grande Mining Corporation Reports 3 Months and 6 Months Results for its Fiscal Period Ended March 31, 2012 Compared to a Year Ago

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (TSX-CEG; OTCQX-CEGMF) announced today its interim consolidated Financial Statements and Management Discussion and Analysis for the 3 months fiscal quarter ended March 31, 2012 compared to the comparable quarter a year ago and its results for the six month period ended March 31, 2012 compared to the six month period ended March 31, 2011 a year ago have been filed and the Company refers the reader to those materials for additional information.

For the 3 months fiscal quarter ended March 31, 2012 revenues totalled \$6,282,000 of which gold sales were \$4,643,000 (2,730 ozs of gold), sales of copper and silver were \$688,000 and service revenue was \$951,000 compared to total revenues of \$4,857,000 for the comparable period a year ago which included gold sales of \$3,868,000 (2,632 ozs of gold) and sales of copper and silver of \$989,000 and services revenue nil. The service revenue of \$951,000 in the 3 months ended March 31, 2012 relate to service charges for drilling costs and services on the Santa Cecilia project against actual expenses of \$828,000.

Net income was a negative \$995,000 for the 3 months ended March 31, 2012 compared to a negative \$456,000 for the comparable period in 2011.

For the six months ended March 31, 2012 revenues totalled \$11,571,000 which included gold sales of \$9,433,000 (5,622 ozs of gold), \$1,187,000 sales of copper and silver and \$951,000 of revenues from services compared to \$11,020,000 of revenues in the comparable period a year ago which included \$9,350,000 of gold sales (6,854 ozs of gold) and \$1,671,000 of copper and silver sales and services revenue nil. Gold and copper sales were lower in the first 6 months of 2012 due to production stoppage for approximately three weeks during the first 3 months of the Company's first fiscal quarter ended December 31, 2011, due to a fatigued ball mill crown gear which also caused a production slow down in the plant of nearly 30%. Net income for the 6 months ended March 31, 2012 was a negative \$953,000 compared to a positive \$482,000 for the same period in 2011.

Operating costs for the 3 months ended March 31, 2012 were \$4,351,000 compared to \$2,656,000 for the comparable period a year ago. The principal reasons for the increase in operating costs of \$1,695,000 during the quarter ended March 31, 2012 were:

- (1) Increase in labor costs of \$647,000 which included partial payment of the bonus to the Pimenton mine union workers and non union workers in the form of common shares (735,000) of the Company in return for a 4 year labor agreement which amounted to \$382,200 (the balance of the bonus of \$400,000 was paid in April, 2012);
- (2) External payments to a supplier which retrofitted axels on three mine haul trucks and the rebuilding of a small jumbo drill totalling \$235,000;
- (3) Increase in fuel supply costs of \$134,000 to fuel suppliers.
- (4) An increase in operating costs of \$889,000 relating to unsold gold and copper inventory and other expenses of \$49,000.
- (5) These costs were offset by a reduction in materials and equipment cost of \$199,000 and smelting, refining and assays costs of \$60,000.

Operating costs for the 6 months period ended March 31, 2012 were \$7,913,000 compared to \$5,687,000 for the comparable period a year ago. The principal reasons for the increase in operating costs of \$2,226,000 during the six months period ended March 31, 2012 were:

- (1) Increase in labor costs of \$956,000 which included the previously discussed bonus payment for the Pimenton union and non-union workers in return for a four year labor contract.
- (2) Increase in services costs of \$606,000 which included external payments to suppliers for retrofitting three mine haul trucks and rebuilding of a small jumbo drill of \$483,000.
- (3) Increase in fuel supply costs of \$337,000 to fuel suppliers.

- (4) An increase in operating costs of \$629,000 relating to unsold gold and copper inventory and other expenses of \$26,000.
- (5) These costs were offset by a reduction in materials and equipment costs of \$180,000 and smelting, refining and assay costs of \$99,000.

Exploration costs for the six month period ended March 31, 2012 were \$1,013,000 compared to \$693,000 in the comparable period a year ago. No exploration costs for the Santa Cecilia Project were included in these exploration costs as they were covered by the services contract reported in the Company's 3 months ended March 31, 2012 financial figures.

Working capital ratio for the period ended March 31, 2012 was a positive 1:40 to 1:00.

Pimenton

The Company expects an improvement in the Pimenton mine's gold ounces produced over the next months as it reaches higher grades of gold as a result of its meters of advance in mine development.

Diamond drill hole N° 5 on the Pimenton porphyry deposit is now at a depth of 603 meters and continues drilling to a possible depth of 1,000 meters weather conditions permitting.

Santa Cecilia

The Company's second drill hole at its Santa Cecilia project has reached a depth of 1,576 meters with ongoing drilling planned to a planned depth of approximately 1,800 meters weather conditions permitting.

Cerro Grande Mining Corporation is a minerals producing, exploration and development company with properties and activities currently focused in Chile.

Cautionary Statement on Forward-looking Information

This news release contains "forward-looking information", which may include, but is not limited to, statements with respect to the future financial or operating performance of CEG. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CEG to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements contained herein are made as of the date of this press release based on current expectations and beliefs and CEG disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future

events, circumstances, or if management's estimates or opinions should change, or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.