

FORM 51-102F3 - MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Cerro Grande Mining Corporation (the "Company")
Royal Bank Plaza, South Tower
200 Bay Street
Suite 3800
Toronto, Ontario M5J 2Z4

2. **Date of Material Change**

August 15, 2014 and August 25, 2014.

3. **News Release**

The news releases attached hereto as Schedules "A" and "B" announcing the material changes described herein were released through Canada News Wire Group at Toronto, Ontario on August 15, 2014 and August 25, 2014.

4. **Summary of Material Change**

The material changes are described in the Company's news releases attached hereto as Schedules "A" and "B", which news releases are 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
56-22-569-6244

9. **Date of Report**
August 26, 2014.

News Release

CERRO GRANDE MINING CORPORATION

Registered Office:
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For further information, contact:
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FOR IMMEDIATE RELEASE – August 25, 2014

Cerro Grande Mining Corporation Announces Listing on Canadian Securities Exchange

Toronto, Ontario, Canada – Further to its press release of May 28, 2014, Cerro Grande Mining Corporation (the “Company” or “CEG”) is pleased to announce, that it has received the approval of the Canadian Securities Exchange (the “CSE”) to list its common shares for trading on such exchange. As a result, trading in the common shares is to begin at the opening of trading on the CSE on August 26, 2014 under the “CEG” symbol. The common shares have been delisted from the Toronto Stock Exchange effective as of the close of business today. Listing and disclosure documents for the Company will be available for review at www.thecse.com, and continuous disclosure documents required to be filed in accordance with applicable securities laws continue to be available for review at www.sedar.com, under the Company’s profile.

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

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News Release

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FOR IMMEDIATE RELEASE – August 15, 2014

Cerro Grande Mining Corporation Reports 3 Months and 9 Months Results for its Fiscal Period Ended June 30, 2014 Compared to Comparable Period a Year Ago and Other Events and Subsequent Events

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (TSX:CEG) (OTCQX:CEGMF) announced today its interim unaudited consolidated Financial Statements and Management Discussion and Analysis for the 3 months fiscal quarter ended June 30, 2014 compared to the same quarter a year ago and its results for the nine months fiscal period ended June 30, 2014 compared to the nine month period ended June 30, 2013 a year ago have been filed on SEDAR and the Company refers the reader to those materials for additional information.

Cerro Grande Mining Corporation
Condensed Interim Consolidated Statements of Financial Position
As At June 30, 2014
(Unaudited)

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

	Three months ended		Nine months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenue	\$	\$	\$	\$
Sales	2,223	2,423	11,257	15,079
Services	-	-	-	101
	<u>2,223</u>	<u>2,423</u>	<u>11,257</u>	<u>15,180</u>
Expenses				
Operating costs	3,355	4,384	12,960	14,922
Operating costs for services	-	8	-	85
Reclamation and remediation	10	10	20	32
General, sales and administrative	378	1,206	1,862	2,970
Foreign exchange	15	(73)	(74)	(34)
Interest	42	91	238	235
Other gains and losses (net)	14	(865)	(56)	(821)
Impairment charges	-	2,140	-	2,140
Exploration costs	-	(96)	190	1,105
	<u>3,814</u>	<u>6,805</u>	<u>15,140</u>	<u>20,634</u>
Loss and comprehensive loss before income taxes	(1,591)	(4,382)	(3,883)	(5,454)
Income tax expense	77	(158)	77	(158)
Deferred income tax	-	392	-	270
Loss and comprehensive loss for the period	<u>(1,514)</u>	<u>(4,148)</u>	<u>(3,806)</u>	<u>(5,342)</u>
Basic and diluted loss per share	<u>(0.02)</u>	<u>(0.05)</u>	<u>(0.03)</u>	<u>(0.06)</u>

1) Consolidated statements of loss and other comprehensive loss for the three month period ended June 30, 2014 and 2013:

- a) Revenue for the three month period ended June 30, 2014 decreased over the same period in 2013 due to a decrease in gold sales to 1,431 oz compared to 1,590 oz in the three month period ended June 30, 2013. As discussed under Other Events below, the mine was shut down for a five week period during the current quarter and had no production during this time. These factors, in combination with a drop in the gold price during the quarter ended June 30, 2014, have led to lower results this quarter.

- b) Operating expenses for the three months ended June 30, 2014 were \$3,355 compared to \$4,384 for the same period in 2013. The decrease of \$1,029 is as a result of a decrease in direct labor cost, and due to the five week mine shut down (2013 – total decrease of \$2,076).
 - c) General and administrative costs for the three months ended June 30, 2014 were \$378 compared to \$1,206 for the same period in 2013. This \$828 decrease was due mainly to a reduction in staff costs and overheads.
 - d) The Company expenses its exploration costs on properties until a NI 43-101 compliant resource has been established on a property. As a result during the three month period ended June 30, 2014, the Company expensed \$nil (2013 – \$96).
 - e) Impairment charges in mining properties, plant and equipment for the three month period ended June 30, 2014 were \$nil (2013 - \$2,140). The Company performs impairment testing annually and when impairment indicators are present. Impairment testing is performed using value-in-use, which incorporates reasonable estimates of interest rates, metal prices, production based on current estimated recoverable mineral reserves and mineral resources and future operating cost.
- 2) Consolidated statements of loss and other comprehensive loss for the nine month period ended June 30, 2014 and 2013:
- a) Revenue for the nine month period ended June 30, 2014 decreased compared to the same period 2013 due to lower gold sales of 7,370 oz compared to 8,300 oz in the nine month period ended June 30, 2013. As mentioned earlier, the mine was shut down for a five week period during the current quarter and had no production during this time. These factors, in combination with a drop in the gold price for the nine months ended June 30, 2014, have led to lower results for this nine month period.
 - b) Operating expenses for the nine months ended June 30, 2014 were \$12,960 compared to \$14,922 for the same period in 2013. The change of \$1,962 is explained principally in a reduction in staff in order to compensate for the drop in production due to the mine closure as well as the drop in the price of gold.
 - c) General and administrative costs for the nine months ended June 30, 2014 were \$1,862 compared to \$2,970 for the same period in 2013. The decrease of \$1,108 can be attributed to a reduction of staff costs and overheads.
 - d) The Company expenses its exploration costs on properties until a NI 43-101 compliant resource has been established on a property. As a result during the nine month period ended June 30, 2014, the Company expensed \$190 (2013 – \$1,105).
 - e) Impairment charges in mining properties, plant and equipment for the nine month period ended June 30, 2014 were \$nil (2013 - \$2,140). The decline in metal prices towards the latter half of the third quarter of 2013 was an indicator of potential impairment. The

Company performs impairment testing annually and when impairment indicators are present. Impairment testing is performed using value-in-use, which incorporates reasonable estimates of interest rates, metal prices, production based on current estimates of recoverable mineral reserves and mineral resources, future operating cost.

f) Other gains for the nine months ended June 30, 2014 were \$56.

3) Consolidated Cash flow for the nine months ended June 30, 2014

Cash generated by the Pimenton Mine decreased due to operational problems, the mine closure and the drop in the price of gold. The operational problems related to delays in a main drive to reach known ore shoots below the existing levels and the mine was forced to close for a 5 week period by the Municipality of San Esteban due to a missing permit.

We have kept payments to suppliers and creditors to a minimum over the last three months which has allowed the Company to continue operations.

4) Consolidated Statement of Financial Position as at June 30, 2014

As of June 30, 2014, the Company shows a negative working capital of \$2,262 (2013–\$2,942). This reduction in working capital was principally due to a reduction in inventories of \$1,453.

Operational Highlights

- Gold produced by the Pimenton Mine for the nine months ended June 30, 2014 was 6,459 oz compared to 8,233 oz in the comparable period a year ago due in part to the 5 week shut down described under Other Events below.
- Pimenton's cash cost for the nine months ended June 30, 2014 was \$1,295 per ounce of gold produced net of by product credits, compared to \$1,250 per oz in the comparable period a year ago.
- Pimenton's cash production cost for the nine months ended June 30, 2014 was \$1,203 per ounce of gold produced net of by product credit compared to \$1,472 per oz in the comparable period a year ago.
- The average gold recovery for the nine months ended June 30, 2014 was 94.88% compared to 93.90% in the comparable period a year ago.
- Currently the plant has been permitted to operate at an average of 166 tons per day.

Financial Highlights

- Loss before income taxes for the nine month period ended June 30, 2014 was \$3,883 (2013 - \$5,454 which included an impairment charge of \$2,140 and a gain of \$865). Loss before income taxes for the three months ended June 30, 2014 was \$1,591 (2013- \$4,382 which included an impairment charge of \$2,140 and a gain of \$865).

- Average price per ounce of gold during the nine months ended June 30, 2014 was \$1,284 (2013 - \$1,588). Average price per ounce during the three months ended June 30, 2014 was \$1,289 (2013 - \$1,414).
- Net loss after income taxes for the nine months ended June 30, 2014 was \$3,806 compared to \$5,342 in the same period in 2013. Net loss after income taxes for the three months ended June 30, 2014 was \$1,514 compared to \$4,148 for the same period in 2013.
- Basic loss per share for the third quarter ended June 30, 2014 was 0.03 per share compared to 0.06 per share in the same period 2013.
- At June 30, 2014, the Company had cash and cash equivalents of \$104 compared to \$291 at June 30, 2013.
- Cash flow from operations as at June 30, 2014 before capital investment was \$120 (2013-negative \$2,719).

Other Events

- As previously reported on May 9, 2014 the Municipality of San Esteban, in which the Pimenton Mine and installations are located, ordered the mine shut down because the Mine lacked a proper municipal permit for the plant and camp buildings. The Company has undergone a long process of permitting with the municipality and all other relevant government authorities over a number of years which has resulted in all the appropriate permits being issued, except the final one for the plant and camp buildings which is based, to a large extent, on first receiving other permits or certificates dealing with water use, land use, health and safety and structural calculations, amongst others. The only missing document was a certificate relating to the structural calculations used in the construction of the plant and camp buildings. The Company presented the already completed structural calculations approved by a required third party specialist and has successfully obtained the last remaining permit issued. As a consequence of the above, the mine obtained permission to restart its operations on June 12th which were fully resumed on June 16th.

Subsequent Events

- Subsequent to the quarter end, and as informed in a press release dated July 4th, the company has signed a Private Placement Debenture for up to US\$3,000,000 of debentures to be issued. Westmount Capital is a Switzerland based capital market firm and has been engaged to assist with identifying and introducing purchasers to the Company related to the placement which shall be repaid in 6 semi-annual instalments either in cash or in gold dore produced by the Pimenton Mine at a deemed price per ounce of gold of US\$1,157. The Debentures will bear an annual interest rate of 6% to be paid in cash quarterly in arrears.
- As reported on July 28th, the Company was advised by the Toronto Stock Exchange (TSX) that the Continued Listing Committee of the TSX had decided to delist the Company effective August 25th primarily under Section 710 (a) (i) Financial condition. The Company is currently applying for listing on the Canadian Securities Exchange.

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.

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