

**EARLY WARNING REPORT
UNDER
NATIONAL INSTRUMENT 62-103**

1. *Name and address of the offeror.*

Mario Hernandez
c/o Compania Minera Chanar Blanco S.A.
380 Los Carreras, Of, 425
La Serena, Chile

("Hernandez")

and

Compania Minera Chanar Blanco S.A.
380 Los Carreras, Of, 425
La Serena, Chile

("Chanar Blanco")

2. *The designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities of which the offeror acquired ownership or control in the transaction or occurrence giving rise to the obligation to file the news release, and whether it was ownership or control that was acquired in those circumstances.*

On October 24, 2014, Chanar Blanco, a company controlled by Hernandez, a director and officer of Cerro Grande Mining Corporation (the "**Company**"), purchased 11,245,000 units of securities of the Company (each, a "**Unit**") at a price of CDN\$0.05 per Unit for aggregate cash proceeds to the Company of US\$500,000 (CDN\$562,250) (the "**Placement**"). Each Unit comprises one common share of the Company (each a "**Common Share**") and one Common Share purchase warrant (each, a "**Warrant**") with each Warrant exercisable to acquire one Common Share until October 24, 2019 at a price of CDN\$0.07 per share. In addition, Chanar Blanco acquired 22,160,440 Common Shares (representing an issue price of CDN\$0.05 per share) in full and final settlement of outstanding indebtedness of the Company owed to Chanar Blanco in the amount of US\$985,347 (CDN\$1,108,022) consisting of accrued but unpaid royalty payments, unpaid past services provided to the Company in addition to cash advances (including interest thereon) made to the Company (the "**Debt Settlement**"). All amounts have been converted at an exchange ratio of US\$1.00 to CDN\$1.1245

Taking into account all of the Common Shares issued in the Placement and the Debt Settlement, the Company now has 174,977,010 Common Shares issued and outstanding. The Common Shares issued to Mr. Hernandez in the Placement and the Debt Settlement represent 19.09% of the outstanding Common Shares. Beneficial ownership and control of the Common Shares and the Warrants was acquired by Hernandez.

Hernandez now owns 54,922,201 Common Shares representing 31.38% of the issued and outstanding Common Shares. Hernandez also holds stock options, convertible debentures and warrants to acquire, in the aggregate, up to 12,046,057 Common Shares.

Chanar Blanco's purpose in effecting the Placement and the Debt Settlement was to provide an immediate source of cash to the Company and to provide financial relief to the Company in a time of financial hardship for the Company. Chanar Blanco may in the future increase or decrease its ownership of securities of the Company from time to time depending upon the business and prospects of the Company and future market conditions.

3. *The designation and number or principal amount of securities and the offeror's securityholding percentage in the class of securities immediately after the transaction or occurrence giving rise to obligation to file the news release.*

As detailed in Item 2 above.

4. *The designation and number or principal amount of securities and the percentage of outstanding securities of the class of securities referred to in paragraph 3 over which:*

- (i) *the offeror, either alone or together with any joint actors, have ownership and control.*

As detailed in Item 2 above.

- (ii) *the offeror, either alone or together with any joint actors, has ownership but control is held by other persons or companies other than the offeror or any joint actor.*

Not applicable.

- (iii) *the offeror, either alone or together with any joint actors, has exclusive or shared control but do not have ownership.*

Not applicable.

5. *The name of the market in which the transaction or occurrence that gave rise to the news release took place.*

Not applicable.

6. *The value, in Canadian dollars, of any consideration offered per security if the offeror acquired ownership of a security in the transaction or occurrence giving rise to the obligation to file a news release.*

As detailed in Item 2 above.

7. *The purpose of the offeror and any joint actors in effecting the transaction or occurrence that gave rise to the news release, including any future intention to acquire ownership of, or control over, additional securities of the reporting issuer.*

As detailed in Item 2 above.

8. *The general nature and material terms of any agreement, other than lending arrangements, with respect to securities of the reporting issuer entered into by the offeror, or any joint actor, and the issuer of the securities or any other entity in connection with the transaction or occurrence giving rise to the news release, including agreements with respect to the acquisition, holding, disposition or voting of any of the securities.*

See Item 2 above. The Common Shares and Warrants purchased by Chanar Blanco in the Placement were issued pursuant to the terms and conditions of a Subscription Agreement entered into between the Company and Chanar Blanco. The Common Shares issued to Chanar Blanco in the Debt Settlement were issued pursuant to the terms and conditions of a Debt Settlement Agreement entered into between the Company and Chanar Blanco.

9. *The names of any joint actors in connection with the disclosure required by this report.*

Not applicable.

10. *In the case of a transaction or occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, the nature and value, in Canadian dollars of the consideration paid by the offeror.*

As detailed in Item 2 above.

11. *If applicable, a description of any change in any material fact set out in a previous report by the entity under the early warning requirements or Part 4 of National Instrument 62-103 in respect of the reporting issuer's securities.*

Not applicable.

12. *If applicable, a description of the exemption from securities legislation being relied on by the offeror and the facts supporting the reliance.*

Not applicable.

DATED this 27st day of October, 2014.

"Mario Hernandez"

MARIO HERNANDEZ

COMPANIA MINERA CHANAR BLANCO S.A.

"Mario Hernandez"

Name: Mario Hernandez

Title: Authorized Signatory