

## FORM 51-102F3 - MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Cerro Grande Mining Corporation (the "Company")  
Royal Bank Plaza, South Tower  
Suite 3800  
200 Bay Street, P.O. Box 84  
Toronto, Ontario M5J 2Z4

2. **Date of Material Change**

August 29, 2016.

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 August 29, 2016.

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**

August 30, 2016.

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE – August 29, 2016**

### **Cerro Grande Mining Corporation Announces its Third Fiscal Quarter Ended June 30, 2016 Results Compared to the Same Period in 2015 and for the Nine Months Fiscal Period Ended June 30, 2016 Compared to the Same Nine Months Period in 2015**

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (CSE:CEG) reported its unaudited results for its third fiscal quarter ended June 30, 2016 compared to the same quarter in 2015 and results for the nine months fiscal period ended June 30, 2016 compared to the same nine months period in 2015. The reader is reminded that the Pimenton Mine was not in operation for the month of June, 2016, as previously reported. These financial statements and MD&A have been filed on SEDAR and the Company refers the reader to those materials for additional information.

Revenues totalled US \$1,472,000 for the Company’s third fiscal quarter ended June 30, 2016 which includes gold sales of US \$1,300,000 (1,028 ozs of gold) and copper and silver sales of US \$172,000 compared to revenues for the same quarter in 2015 of US \$2,084,000 which includes gold sales of US \$1,599,000(1,329 ozs of gold) and copper and silver sales of US \$485.

Revenues totalled US \$5,825,000 for the Company’s nine months fiscal period ended June 30, 2016 which included gold sales of US \$5,074,000 (4,433 ozs of gold) and copper and

silver sales of US \$751,000 compared to revenues for the same nine month period in 2015 of US \$6,929,000 which includes gold sales of US \$5,853,000 (4,922 ozs of gold) and copper and silver sales of US \$1,076,000.

Net loss before income taxes for the third fiscal quarter ended June 30, 2016 was US \$1,629,000 compared to a loss of US \$1,426,000 in the comparable period a year ago and for the nine month period ended June 30, 2016, the Company reported a loss before income taxes of US \$3,980,000 compared to the same nine month period a year ago of US\$4,264,000. Net loss after income taxes for the six month period just ended and the year ago period were the same as loss before taxes.

At June 30, 2016 the Company had a negative working capital position of US \$7,746,000 compared to US \$8,200,000 at September 30, 2015.

On a standalone basis, the Pimenton mine had a net loss for its third fiscal quarter ended June 30, 2016 of US \$1,636,000 after deducting depreciation and amortization expense of US \$1,685,000 compared to the same period in 2015 when the net loss was US \$1,695,000 after deducting depreciation and amortization expense of US \$1,789,000.

## SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated profit and loss for the third quarter ended June 30, 2016 with comparatives for the same period in 2015 and the nine months ended June 30, 2016 compared to the nine months, ended June 30, 2015. (000's omitted only in the table below and the Notes to the Financial Statements)

	Three months ended		Nine months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
<b>Revenue</b>	\$	\$	\$	\$
Sales	1,472	2,084	5,825	6,929
	<u>1,472</u>	<u>2,084</u>	<u>5,825</u>	<u>6,929</u>
<b>Expenses</b>				
Operating costs	2,611	2,900	8,157	9,409
Reclamation and remediation	5	7	16	20
General, sales and administrative	508	580	1,698	1,742
Foreign exchange	36	(4)	15	(63)
Interest	52	52	172	157
Other (income) and expenses (net)	(111)	(24)	(253)	(72)
	<u>3,101</u>	<u>3,511</u>	<u>9,805</u>	<u>11,193</u>
<b>Loss and comprehensive loss before income taxes</b>	(1,629)	(1,426)	(3,980)	(4,264)
Income tax (expense)/recovery	-	-	-	-

<b>Loss and comprehensive loss for the period</b>	<u>(1,629)</u>	<u>(1,426)</u>	<u>(3,980)</u>	<u>(4,264)</u>
<b>Basic and diluted loss per share</b>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
<b>Weighted average number of shares outstanding</b>	267,852,410	174,977,010	267,852,410	174,977,010

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

1) Consolidated statements for the three month period ended June 30, 2016 and 2015:

- a) Revenue for the three month period ended June 30, 2016, decreased over the same period in 2015 due to a decrease in gold ounces sold and to no production during the month of June 2016. Sales decreased to 1,027 ounces compared to 1,392 ounces in the three month period ended June 30, 2015.
- b) Operating expenses for the three months ended June 30, 2016 were \$2,522 compared to \$3,203 for the same period in 2015 which shows a continued effort by Management to reduce costs.
- c) General sales and administrative costs for the three months ended June 30, 2016 were \$544 compared to \$557 for the same period in 2015.

2) Consolidated statements for the nine month period ended June 30, 2016 and 2015:

- a) Revenue for the nine month period ended June 30, 2016 decreased over the same period in 2015 due to a decrease in gold ounces sold and to a month less of production. Sales decreased to 4,433 ounces compared to 6,866 ounces in the same period ended June 30, 2015.
- b) Operating expenses for the nine months ended June, 2016 were \$5,546 compared to \$6,508 for the same period in 2015 which again shows a continued effort by Management to reduce costs.
- c) General sales and administrative costs for the nine months ended June 30, 2016 were \$1,190 compared to \$1,172 for the same period in 2015.

3) Consolidated Cash flow for the nine month period ended June 30, 2016:

Cash generated by the Pimenton Mine decreased due to operational problems and the drop in the price and grade of gold added to the fact that during the month of June 2016 the plant was closed due to a snow storm. The operational problems relate to delays in reaching known and expected ore shoots below the existing levels. Capital expenditure at the Pimenton Mine was \$604 for the nine month period ended June, 2016 (2015 - \$1,332)

4) Consolidated Statement of Financial Position as at June 30, 2016:

As at June 30, 2016 the Company had a negative working capital of \$7,746 (2015–negative \$3,484). The increase of \$4,262 is mainly explained by the reclassification from long term debt of \$3,000 payable to related parties and new advances for working capital by the same individuals. As noted before, negotiations are taking place to extend this indebtedness.

## Overview

The Company is an exploration, development and mining corporation focused in Chile. The Company's primary asset is an operating gold and copper mine in Chile (the "Pimenton Mine"). The Pimenton mine is a narrow high-grade gold and copper mine located in the high mountain range of Chile and encompasses 3,121 hectares (7,708 acres).

The Company's other major projects are a porphyry copper deposit (the "Pimenton Porphyry") and other projects in various stages of exploration and development in Chile which include "Tordillo", and two limestone deposits "Catedral" and "Cal Norte".

## Operational Highlights

- Gold produced by the Pimentón Mine for the nine month period ended June 30, 2016 was 4,246 oz compared to 5,087 oz produced in the same period ended June 30, 2015.
- Pimenton's cash costs for the nine months ended June 30, 2016 was \$1,158 per ounce of gold produced net of by-product credits, compared to \$1,248 per oz in the same period for 2015.
- Pimenton's production costs, which include depreciation and amortization, for the nine months ended June 30, 2016 was \$1,555 per ounce of gold produced net of by-product credit, compared to \$ 1,148 per oz in the same period for 2015.
- The average gold recovery for the nine month period ended June 30, 2016 was 91.90% compared to 92.62 % in the same period ended June 30, 2015.
- The Company expects the mine to increase milling rates to 140 tons per day depending on the rate of conversion of its known resources to reserves.
- Currently the plant has been permitted to operate at an average of 166 tons per day. During the present quarter the plant has operated at an average of 105 tons per day. The Company has prepared but not yet submitted permits to take the mine up to 500 tons per day.

## Financial Highlights

- Loss before income taxes for the nine month period ended June 30, 2016 was \$3,980 compared to a loss of \$ 4,264 in the same period in 2016.
- Average price per ounce of gold for the nine month period ended June 30, 2016 was \$1,145 (2015 - \$ 1,185). Average price per ounce during the three months ended June 30, 2016 was \$1,209 (2015-1,155)

- Net loss after income taxes for the nine month period ended June 30, 2016 was \$3,980 compared to \$ 4,264 in the same period in 2015.
- Basic loss per share for the nine month period ended June 30, 2016 was a loss of 0.01 cents per share (2015 – loss of 0.02).
- At June 30 2016, the Company had cash and cash equivalents of \$37 compared to \$62 at June 30, 2015.
- Cash flow from operations for the nine month period ended June 30, 2016 was negative \$1,541 (2015 – negative \$1,433).

### **Other Highlights**

- Due to a snow storm at the beginning of the month of June 2016, during which approximately 3.10 meters of snow were accumulated at the mine site, production was interrupted and all the miners had to be evacuated. This interruption has caused severe financial problems as with no production no cash was available to pay suppliers and the worker's wages at month end. As no cash was available to clear the road and set up operations, the mine and plant have been closed down until external financing is obtained to cover our debts with suppliers and workers plus working capital to start up operations.
- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, 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.

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.*