

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**

February 17, 2017.

3. **News Release**

The news release attached hereto as Schedule "A" announcing the material change described herein were released through Canada News Wire Group at Toronto, Ontario on February 17, 2017.

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
56-22-569-6244

9. **Date of Report**

February 27, 2017.

News Release

CERRO GRANDE MINING CORPORATION

Registered Office:
ROYAL BANK PLAZA
SOUTH TOWER
200 BAY STREET, SUITE 3800
TORONTO, ONTARIO M5J 2Z4
CANADA

Santiago Office:
AVENIDA SANTA MARIA 2224
PROVIDENCIA, SANTIAGO, CHILE
Telephone: 56-2-2569 6200

Toronto Office:
1 KING STREET WEST, SUITE 4009
TORONTO, ONTARIO M5H 1A1
CANADA

For further information, contact:
Stephen W. Houghton, CEO
David R. S. Thomson, EVP
E-Mail: ceg@cegmining.com
Telephone: 56-2-2569 6224
Website: www.cegmining.com

FOR IMMEDIATE RELEASE –February 17, 2017

Cerro Grande Mining Corporation Announces its First Fiscal Quarter Ended December 31, 2016 Results compared to the Comparable Period in 2015

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (CSE-CEG; OTCQB-CEGMF) reported its unaudited results for its first fiscal quarter ended December 31, 2016 compared to same period in 2015. The Company’s financial statements and MD&A for its fiscal first quarter ended December 31, 2016 compared to the comparable quarter in 2015 have been filed on SEDAR. The Company refers the reader to those materials for additional information.

Revenues totalled US \$1,138,000 for the Company’s first fiscal quarter ended December 31, 2016 which includes gold sales of US\$986,000 (857 ozs of gold) and copper and silver sales of US\$152,000 compared to revenues in its first quarter ended December 31, 2015 of US \$2,646,000 which includes gold sales of US \$2,309,000 (2,138 ozs of gold) and copper and silver sales of US \$337,000..

Net loss before income taxes for the first fiscal quarter ended December 31, 2016 was US \$1,186,000 compared to a loss of US \$1,040,000 in the comparable period a year ago. Net loss after taxes was US \$1,186,000 after depreciation and amortization charges of US \$446,000 and exploration expense of US \$nil. This compares to the same period a year ago when loss after taxes was US \$1,040,000 after depreciation and amortization charges of US \$673,000 and exploration expenses of US \$nil.

At December 31, 2016 the Company had a negative working capital position of US \$8,059,000 compared to a negative US \$10,252,000 at September 30, 2016.

On a standalone basis, the Pimenton mine had a net loss for its first fiscal quarter ended December 31, 2016 of US \$980,000 after depreciation and amortization expense of US \$441,000 compared to the same period in 2015 when the net loss was US \$815,000 after deducting depreciation and amortization expense of US \$666,000.

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 assets 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 three month period ended December 31, 2016 was 932 oz compared to 2,138 oz produced in the first quarter ended December 31, 2015.
- The average gold recovery for the quarter ended December 31, 2016 was 91.50% compared to 92.73 % in the same quarter ended December 31, 2015.
- The Company expects the mine to increase milling rates to 110 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 60 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 quarter ended December 31, 2016 was \$ 1,186 compared to a loss of \$ 1,040 in the same period in 2015.
- Average price per ounce of gold for the quarter ended December 31, 2016 was \$ 1,165 (2015 - \$ 1,080).
- Net loss after income taxes for the quarter ended December 31, 2016 was \$ 1,186 compared to \$ 1,040 in the same period in 2015.
- Basic loss per share for the quarter ended December 31, 2016 was a loss of 0.003 cents per share (2015 – loss of 0.003).
- At December 2016, the Company had cash and cash equivalents of \$181 compared to \$149 at December 31, 2015.
- Cash flow from operations for the quarter ended December 31, 2016 was negative \$ 790 (2015 – negative \$53).

Other Highlights

- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, Tordillo exploration and the Cathedral/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.
- On December 7, 2016 the Company reported that it has agreed to extinguish certain outstanding indebtedness owed to David Thomson and Mario Hernandez (the "Related Parties"), both directors of the Company, by issuing common shares of the Company (each, a "Common Share") in settlement of such debt (the "Debt Settlement").

Pursuant to the Debt Settlement, the Company extinguished outstanding indebtedness in the aggregate amount of \$2,771 owed to the Related Parties, such indebtedness being made up of net smelter royalty, management fees, cash advances and interest thereon made to the Company by the Related Parties, by issuing a Convertible Debenture for an aggregate of 71,538,734 Common Shares (representing an issue price of CDN\$0.05 per share) in full and final settlement thereof. All dollar amounts have been converted at an exchange rate of CDN\$1.29 per US\$1.00. This debenture has an annual 8% interest payable semi-annually for a period of three years.

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.