

FORM 51-102F3

MATERIAL CHANGE REPORT UNDER SECTION 7.1(1) OF NATIONAL INSTRUMENT 51-102 AND SECTION 5.2 OF MULTILATERAL INSTRUMENT 61-101

1. **Name and Address of Company**

Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”)  
Avenida Santa Maria 2224, Providencia, Santiago, Chile.

2. **Date of Material Change**

February 20, 2020.

3. **News Release**

The news release attached hereto as Schedule “A” announcing the material change described herein was released through GlobeNewswire in Toronto, Ontario on February 20, 2020.

4. **Summary of Material Change**

As described in the news release attached hereto as Schedule “A” (which news release is incorporated herein), the Company has issued unsecured convertible debentures in the aggregate principal amount totaling approximately US\$3,786,979 ((or CDN\$4,918,529) using an exchange rate of US\$1.00/CDN\$1.2988)) (the “**Debentures**” and, each a “**Debenture**”) in exchange for cash advances made to the Company up to December 31, 2019.

5. **Full Description of Material Change**

5.1 Full Description of Material Change

In addition to the information included in the news release attached hereto as Schedule “A”, the following disclosure is required under Multilateral Instrument 61-101 (“**MI 61-101**”).

(a) **a description of the transaction and its material terms:**

Mario Hernandez (“**Hernandez**”), a director and officer of the Company, personally and through Compañía Minera Chanar Blanco S.A. (“**Chanar Blanco**”), a company controlled by Hernandez, and David Thomson (“**Thomson**”), a director and officer of the Company, through Compañía Minera Auromin Ltda. (“**Auromin**”), a company controlled by Thomson, have each acquired one Debenture convertible into common shares of the Company (each, a “**Common Share**”). Hernandez has acquired a Debenture in the principal amount of US\$33,965.59 (CDN\$44,114.50), Chanar Blanco has acquired a Debenture in the principal amount of US\$603,657.29

(CDN\$784,030.08) and Auromin has acquired a Debenture in the principal amount of US\$3,149,356.87 (CDN\$4,090,384.70). The outstanding amount of principal under each Debenture is convertible into Common Shares at a conversion price (the “**Conversion Price**”) equal to the greater of (i) CDN\$0.05 per Common Share and (ii) the simple average of the closing price per Common Share on the Canadian Securities Exchange (or such other exchange on which the Common Shares may then be listed) for the 15 consecutive trading days period ending immediately prior to the date of the notice of conversion provided by the holder of the Debenture to the Company. On this basis, each of Hernandez, Chanar Blanco and Auromin, can acquire at their option, at any time after the date that is 180 days from the date of the applicable Debenture until maturity, up to 882,290, 15,680,601 and 81,807,694 Common Shares, respectively, upon conversion of the full amount of principal under the Debentures.

The Debentures have been issued in exchange for the cancellation of cash advances made to the Company up to December 31, 2019 by each of Hernandez, Chanar Blanco and Auromin in the aggregate amount of US\$3,786,979.75. The cash advances were used for working capital purposes and to pay for the Company’s MAG and DCIP surveys conducted on the Company’s Tordillo property by Quantec Geoscience. The Debentures mature on February 20, 2025 and do not bear interest. The Company may also, at its option, accelerate the conversion (the “**Acceleration Right**”) of all or part of the outstanding principal at the Conversion Price, at any time if the closing price of the Common Shares on the Canadian Securities Exchange, equals or exceeds CDN\$0.15 per Common Share for a period of 20 consecutive trading days (the “**Acceleration Period**”).

**(b) the purpose and business reasons for the transactions:**

The issuance of the Debentures to Hernandez, Chanar Blanco and Auromin will provide financial relief to the Company in a time of financial hardship.

**(c) the anticipated effect of the transaction on the issuer’s business and affairs:**

See paragraph 5(b) above.

**(d) a description of:**

**i. the interest in the transaction of every interested party and of the related parties and associated entities of the interested parties:**

Immediately prior to the issuance of the Debentures to Hernandez and Chanar Blanco, Hernandez (directly, and indirectly through Chanar Blanco and Spier Business Corp.) had beneficial ownership of, or exercised control or direction over, 132,384,709 Common

Shares, representing 39.01% of the 339,390,784 Common Shares issued and outstanding, calculated on a partially diluted basis and on a non-diluted basis (as Hernandez did not own, directly or indirectly, any stock options, warrants or other securities of the Company convertible into Common Shares).

After giving effect to the issuance of the said Debentures, Hernandez (directly, and indirectly through Chanar Blanco and Spier Business Corp.) has beneficial ownership of, or exercises control or direction over, 132,384,709 Common Shares and Debentures to acquire up to 16,562,891 Common Shares, representing approximately 41.8% of the current number of issued and outstanding Common Shares being 339,390,784 Common Shares, calculated on a partially diluted basis, assuming the conversion of the Hernandez and Chanar Blanco Debentures, in full, (which Debentures may not be converted prior to August 19, 2020).

Immediately prior to the issuance of the Debenture to Auromin, Thomson (directly, and indirectly through companies he controls, including Auromin), who has beneficial ownership, control and direction over 44,063,005 common shares, and his sons, Matthew and Ian Thomson, who each have beneficial ownership, control and direction over 47,803,595 Common Shares through Auromin, have beneficial ownership of, or exercised control or direction over, an aggregate of 139,670,195 Common Shares representing 41.15% of the 339,390,784 Common Shares issued and outstanding, calculated on a partially diluted basis and on a non-diluted basis (as neither Thomson nor his sons owned, directly or indirectly, any stock options, warrants or other securities of the Company convertible into Common Shares).

After giving effect to the issuance of the said Debenture to Auromin, Thomson (directly, and indirectly through companies he controls, including Auromin), who as beneficial ownership, control and direction, 44,063,005 Common Shares, and his sons, Matthew and Ian Thomson, who each have beneficial ownership, control and direction over 47,803,595 Common Shares through Auromin) have beneficial ownership of, or exercise control or direction over, an aggregate of 139,670,195 Common Shares and the Debenture to acquire up to 81,807,694 Common Shares, representing approximately 52.6% of the current number of issued and outstanding Common Shares being 339,390,784 Common Shares, calculated on a partially diluted basis, assuming the conversion of the Auromin Debenture, in full, (which Debenture may not be converted prior to August 19, 2020).

- ii. the anticipated effect of the transaction on the percentage of securities of the issuer, or of an affiliated entity of the issuer, beneficially owned or controlled by each person or company identified as an "interested party" in subparagraph (i) for which there would be a material change in that percentage:

See subparagraph 5(d)i. above.

- (e) unless this information will be included in another disclosure document for the transaction, a discussion of the review and approval process adopted by the board of directors and the special committee, if any, of the issuer for the transaction, including a discussion of any materially contrary view or abstention by a director and any material disagreement between the board and the special committee:

The transactions were approved at a meeting of the Board of Directors pursuant to resolutions unanimously passed by the board of directors of the Company (with Hernandez and Thomson abstaining from voting thereon). There were no contrary views or disagreements in respect of the matters contemplated by the transactions and the issuance of the Debentures to Hernandez, Chanar Blanco and Auromin.

- (f) a summary, in accordance with section 6.5 of MI 61-101, of the formal valuation, if any, obtained for the transaction, unless the formal valuation is included in its entirety in the material change report or will be included in its entirety in another disclosure document for the transaction:

Not applicable.

- (g) disclosure, in accordance with section 6.8 of MI 61-101, of every prior valuation in respect of the issuer that relates to the subject matter of or is otherwise relevant to the transaction:

- i. that has been made in the 24 months before the date of the material change report:

Not applicable.

- ii. the existence of which is known, after reasonable inquiry, to the issuer or to any director or senior officer of the issuer:

Not applicable.

- (h) the general nature and material terms of any agreement entered into by the issuer, or a related party of the issuer, with an interested party or a joint actor with an interested party, in connection with the transaction

Not applicable.

- (i) **disclosure of the formal valuation and minority approval exemptions, if any, on which the issuer is relying under sections 5.5 and 5.7 of MI 61-101 respectively, and the facts supporting reliance on the exemptions**

The Company is exempted from the requirements under MI 61-101 of having to perform a formal valuation and obtain minority shareholder approval pursuant to subsections 5.5(g) and 5.7(1)(e) of MI 61-101, respectively.

#### Valuation Exemption

The issuance of the Debentures was exempt from the minority shareholder approval requirements of MI 61-101 pursuant to the exemption set out in paragraph (g) of section 5.5 of MI 61-101. As such, the Board of Directors of the Company determined that it met the “financial hardship” requirements enumerated in paragraph (g) of section 5.5 of MI 61-101, namely that: (i) the Company was and is in serious financial difficulty; (ii) the exchange of existing cash advances for the issuance of the Debentures would improve the financial position of the Company as the Debentures are interest-free and not repayable until 2025 upon maturity; (iii) paragraph (f) of section 5.5 of MI 61-101 does not apply; and (iv) the Company’s Board of Directors (inclusive of its independent directors), acting in good faith determined that subparagraphs (i) and (ii) above applied and that the terms of the Transactions were reasonable in the circumstances of the Company.

#### Shareholder Approval Exemption

The issuance of the Debentures was exempt from the minority shareholder approval requirements of MI 61-101 pursuant to the exemption set out in paragraph 5.7(1)(e) of MI 61-101 which provides that this exemption applies in the event the circumstances described in paragraph (g) of section 5.5 of MI 61-101 apply. As set out above under “Valuation Exemption”, such circumstances apply.

#### 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 telephone number of an executive officer of the Company who is knowledgeable about the material change and this report.

Stephen Houghton  
Chief Executive Officer  
56-2-2569 6224  
ceg@cegmining.com

9. **Date of Report**

February 25, 2020.

## SCHEDULE "A"

# 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  
CEO TORONTO, ONTARIO M5H 1A1  
CANADA  
[ceg@cegmining.com](mailto:ceg@cegmining.com)

For further information, contact:  
Stephen W. Houghton,  
David R. S. Thomson, EVP  
E-Mail:

Telephone: 56-2-2569 6224  
Website: [www.cegmining.com](http://www.cegmining.com)

**FOR IMMEDIATE RELEASE – February 20, 2020**

### **Cerro Grande Mining Corporation Announces Issuance of Convertible Unsecured Debentures for Prior Cash Advances**

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”) (CSE:CEG) (OTCQB:CEGMF) announced today that it has issued unsecured convertible debentures in the aggregate principal amount totaling approximately US\$3,786,979 ((or CDN\$4,918,529) using an exchange rate of US\$1.00/CDN\$1.2988)) (the “**Debentures**”).

Mario Hernandez, (“**Hernandez**”) a director and officer of the Company, personally and through Compañía Minera Chanar Blanco S.A. (“**Chanar Blanco**”), a company controlled by Hernandez and David Thomson, (“**Thomson**”) a director and officer of the Company, through Compañía Minera Auromin Ltda (“**Auromin**”), a company controlled by Thomson, have each acquired one Debenture convertible into common shares of the Company (each, a “**Common Share**”). Hernandez has acquired a Debenture in the principal amount of US\$33,965.59 (CDN\$44,114.50), Chanar Blanco has acquired a Debenture in the principal amount of US\$603,657.29 (CDN\$784,030.08) and Minera Auromin has acquired a Debenture in the principal amount of US\$3,149,356.87 (CDN\$4,090,384.70). The outstanding amount of principal under each Debenture is convertible into Common Shares at a conversion price (the “**Conversion Price**”) equal to the greater of (i) CDN\$0.05 per Common Share, and (ii) the simple average of the closing price per Common Share on the Canadian Securities Exchange (or such other exchange on which the Common Shares may then be listed) for the 15 consecutive trading days period ending immediately prior to the date of the notice of conversion provided by the holder of the Debenture to the Company. On this basis, each of Hernandez, Chanar Blanco and Minera Auromin, can acquire at their option, at any time after the date that is 180 days from the date hereof until maturity, up to 882,290, 15,680,601 and 81,807,694 Common Shares, respectively, upon conversion of the full amount of principal under their respective Debentures.

The Debentures have been issued in exchange for the cancellation of cash advances made to the Company up to December 31, 2019 by each of Hernandez, Chanar Blanco and Minera Auromin in the aggregate amount of US\$3,786,979.75. The cash advances were used for working capital purposes and to pay for the Company's MAG and DCIP surveys conducted on the Company's Tordillo property by Quantec Geoscience. The Debentures mature on February 20, 2025 and do not bear interest. The Company may also, at its option, accelerate the conversion (the "**Acceleration Right**") of all or part of the outstanding principal at the Conversion Price, at any time if the closing price of the Common Shares on the Canadian Securities Exchange, equals or exceeds CDN\$0.15 per Common Share for a period of 20 consecutive trading days (the "**Acceleration Period**").

Each Debenture issuance to Hernandez, Chanar Blanco and Minera Auromin, (the "**Related Parties**") respectively, constitutes a "related party transaction" under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* ("**MI61-101**"). The Company is relying on the "financial hardship" exemptions from both the formal valuation and minority shareholder approval requirements of MI61-101 in connection with such issuances. In reliance thereon, the Board of Directors of the Company (other than Hernandez and Thomson who abstained from voting), including all of its independent members, have unanimously concluded that the Company is in serious financial difficulty and the contemplated transactions, the terms of which are reasonable in the circumstances, will improve the financial position of the Company. There is no requirement, corporate or otherwise (including pursuant to the rules of the Canadian Securities Exchange), to hold a meeting to obtain any approval of the holders of Common Shares in connection with the issuances.

The Related Parties currently hold or control 272,054,904 Common Shares representing approximately 80.16% of the issued and outstanding Common Shares. After giving effect to the conversion of the Debentures, if and when converted, and which conversion may not take place prior to the date that is 180 days from the date hereof, the Related Parties would hold approximately 84.6% of the Common Shares.

The Company is a mineral exploration and development company with properties and activities currently focused in Chile.