

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**

December 1, 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 December 1, 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 announced that CEG’s Chilean wholly-owned subsidiary Minera Til Til SpA (“**Til Til**”) entered into the Asset Purchase and Contracts Assignment Agreement (the “**APA**”) with Compania Minera Tamidak Limitada (“**Tamidak**”) pursuant to which Til Til acquired from Tamidak the mining concessions and other assets covering the Pimentón Copper Gold Mining Project owned by Tamidak as well as Tamidak’s rights and obligations under the Exploration and Option to Joint Venture Agreement (the “**FQM Agreement**”) entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. (“**FQM**”), a Chilean subsidiary of First Quantum Minerals Ltd.

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:**

See above. Pursuant to the APA, CEG has paid, on behalf of Til Til as purchaser, the first installment in the amount of \$1,300,000,000 Chilean Pesos (approximately CDN\$2,202,755) of the total \$3,900,000,000 Chilean Pesos purchase price (the “**Purchase Price**”) payable thereunder (approximately

CDN\$6,608,265, based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on November 30, 2020 as published by the Central Bank of Chile) by issuing 44,055,102 common shares of the Company to Tamidak at an issuance price of CDN\$0.05 per share (the "Issuance").

Pursuant to the APA, the second installment of the Purchase Price in the amount of \$1,300,000,000 Chilean Pesos is due on the date that is not more than 18 months from December 1, 2020, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG common share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time), and the third instalment of the purchase price in the amount of \$1,300,000,000 Chilean Pesos is due on the date that is not more than 36 months from December 1, 2020, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG common share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time). In case of payments to be made in shares of CEG as aforementioned, the number of CEG common shares issuable shall be determined based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on the day before the applicable payment as published by the Central Bank of Chile.

If either of the remaining two Purchase Price installments indicated above is not timely and fully paid to Tamidak, the APA will be automatically terminated and CEG must return all the Assets and the rights and obligations under the FQM Agreement to Tamidak. In such an event, Tamidak will retain all payments previously made to it under the APA as compensatory damages, without prejudice to any other damages that Tamidak may be entitled to by law. Further details relating to the APA and the FQM Agreement are set out in the news releases of the Company dated July 15 and September 14, 2020.

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

The acquisition enables the Company to effectively reacquire the Pimenton Copper Gold Mining Project which it owned through a subsidiary prior its bankruptcy and to become party to the FQM Agreement.

(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 completion of the Issuance, David, Ian and Matthew Thomson had beneficial ownership of, or exercised control or direction over, 44,063,005, 47,803,595 and 47,803,595 Common Shares, respectively, representing 12.98%, 14.09% and 14.09%, respectively, of the 339,390,784 Common Shares then issued and outstanding, calculated on a non-diluted basis.

In addition, David, Ian and Matthew Thomson jointly had beneficial ownership of, or exercised control or direction over, an additional 81,807,694 Common Shares, representing 19.42%, in the aggregate, of the 339,390,784 Common Shares then issued and outstanding, assuming the conversion in full of the principal amount of a Debenture made as of February 20, 2020 (the “**Debenture**”).

Immediately after giving effect to the Issuance, David, Ian and Matthew Thomson, through Tamidak, beneficially own or exercise control or direction over an additional 44,055,102 Common Shares, representing approximately 11.5%, in the aggregate, of the 383,445,886 Common Shares currently issued and outstanding.

This represents an increase of approximately 6.7%, in the aggregate in the number of Common Shares over which David, Ian and Matthew have beneficial ownership, or control or direction, as compared to their early warning report of June 22, 2020, calculated on a non-diluted basis and approximately 4.6% calculated on a partially diluted basis, assuming exercise in full of the principal amount of the Debenture.

Accordingly, as a result of the Issuance, David, Ian and Matthew Thomson, directly and indirectly, beneficially own or exercise control or direction over 183,725,297 Common Shares, representing approximately 47.9%, in the aggregate, of the 383,445,886 Common Shares currently issued and outstanding, calculated on a non-diluted basis or approximately 57.1%, in the aggregate, of the 383,445,886 Common Shares currently issued and outstanding, calculated on a partially diluted basis, assuming exercise in full of the principal amount of the Debenture.

- 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 transaction was approved at a meeting of the Board of Directors pursuant to resolutions unanimously passed by the board of directors of the Company (with Mr. David Thomson abstaining from voting thereon). There were no contrary views or disagreements in respect of the matters contemplated by the transactions. Minority approval (which excluded the votes attaching to all common shares of the Company held or controlled by David, Ian and Matthew Thomson) was obtained at a special meeting of shareholders of the Company held on November 10, 2020.

- (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**

Tamidak entered into the APA with Til Til. See paragraphs 4 and 5.1(a) above.

- (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 requirement under MI 61-101 of having to perform a formal valuation pursuant to subsection 5.5(b) of MI 61-101 because the common shares of the Company are not listed on a specified market being those markets described in section 5.5(b) of MI 61-101.

As set out herein, the Company obtained minority approval of the transaction in accordance with MI 61-101.

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
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9. **Date of Report**

December 1, 2020.

SCHEDULE "A"

News Release

CERRO GRANDE MINING CORPORATION

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FOR IMMEDIATE RELEASE – December 1, 2020

Cerro Grande Mining Corporation Announces Completion of the Acquisition of the Assets relating to the Pimentón Copper Gold Mining Project

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”) (CSE:CEG) announces that, further to its news releases of July 15 and September 14, 2020, CEG’s Chilean wholly-owned subsidiary Minera Til Til SpA (“**Til Til**”) today entered into the Asset Purchase and Contracts Assignment Agreement (the “**APA**”) with Minera Tamidak Limitada (“**Tamidak**”) pursuant to which Til Til has acquired from Tamidak the mining concessions and other assets covering the Pimentón Copper Gold Mining Project owned by Tamidak as well as Tamidak’s rights and obligations under the Exploration and Option to Joint Venture Agreement (the “**FQM Agreement**”) entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. (“**FQM**”), a Chilean subsidiary of First Quantum Minerals Ltd. Tamidak is a private Chilean company owned by David Thomson and his sons.

The Pimentón Copper Gold Mining Project covers 3,121 hectares located approximately 120km northeast of Santiago in the Andes mountains in Chile, and hosts the Company’s former Pimentón gold mine which closed down in May 2017 and was subsequently forfeited to the liquidator when the Company’s subsidiary, Compañía Minera Pimentón, entered into voluntary bankruptcy proceedings in June 2017. Tamidak acquired the Pimentón Copper Gold Mining Project in those bankruptcy proceedings on June 25, 2018.

Pursuant to the APA, CEG has paid, on behalf of Til Til as purchaser, the first installment in the amount of \$1,300,000,000 Chilean Pesos (CDN\$2,202,755.14) of the total \$3,900,000,000 Chilean Pesos purchase price (the “**Purchase Price**”) payable thereunder (approximately CDN\$6,608,265, based on the nominal exchange rate of the Chilean peso to the Canadian dollar

determined on November 30, 2020 as published by the Central Bank of Chile) by issuing 44,055,102 common shares of the Company to Tamidak at an issuance price of CDN\$0.05 per share. The shares issued to Tamidak are subject to a hold period expiring on April 2, 2021.

Pursuant to the APA, each of the second and third installments of the Purchase Price, each in the amount of \$1,300,000,000 Chilean Pesos, is due on the date that is not more than 18 months and 36 months from today, respectively, and is payable in cash or its equivalent in common shares of the Company, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG common share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time). In case of payments to be made in common shares of the Company as aforementioned, the number of CEG common shares issuable shall be determined based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on the day before the applicable payment as published by the Central Bank of Chile.

If either of the remaining two Purchase Price installments is not timely and fully paid to Tamidak, the APA will be automatically terminated and CEG shall be required to return all the Assets and the rights and obligations under the FQM Agreement to Tamidak. In such an event, Tamidak will retain all payments previously made to it under the APA as compensatory damages, without prejudice to any other damages that Tamidak may be entitled to by law. Further details relating to the APA and the FQM Agreement are set out in the news releases of the Company dated July 15 and September 14, 2020.

Such acquisition constitutes a related party transaction for CEG. As such, the Company sought and obtained at a special meeting of shareholders held on November 10, 2020 the minority approval of shareholders for the transaction (which excluded the votes attached to the common shares of the Company beneficially owned or over which control or direction is exercised by David, Ian and Matthew Thomson) in accordance with Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). Pursuant to MI 61-101, the transaction is not subject to the formal valuation requirement of MI 61-101 because the common shares of the Company are not listed on a specified market being those markets described in section 5.5(b) of MI 61-101.

This news release was prepared by management of CEG which takes full responsibility for its contents.

Cerro Grande Mining Corporation is an exploration and development company with properties and activities currently focused in Chile.

Cautionary Statement on Forward-looking Information:

This press release contains certain “forward-looking information”. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, information relating to the payment of the future purchase price installments) constitute forward-looking information.

This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company as well as certain assumptions including, the ability of the Company to make any future purchase price instalment payments in a timely manner. Forward-looking information is subject to a

number of significant risks and uncertainties and other factors that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations, include, but are not limited to, the inability of the Company to make the required instalment payments or the failure to achieve the expected benefits from the FQM Agreement.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.