

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**”)
1 King Street West, Suite 4009, Toronto ON M5H 1A1

2. **Date of Material Change**

April 30, 2021.

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 April 30, 2021.

4. **Summary of Material Change**

Further to the matters described in the news release attached hereto as Schedule “A” (which news release is incorporated herein), the Company has issued 12,984,107 common shares of the Company (“**Common Shares**”) to Stephen W. Houghton (“**Houghton**”), the Company’s former CEO to settle all amounts owed to Houghton in connection with his retirement as the Company’s CEO and the related termination of his employment agreement.

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:

On May 4, 2021, the Company issued 12,984,107 Common Shares to Houghton at a deemed price of \$0.05 per share to settle \$649,205.35 owed to Houghton.

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

The issuance of the Common Shares to Houghton was completed to settle all amounts outstanding owed to Houghton in connection with his retirement as

CEO of the Company and the associated termination of his employment agreement with the Company.

(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 Common Shares to Houghton, Houghton had beneficial ownership of, or exercised control or direction over, 2,874,963 Common Shares and 1,200,000 stock options to acquire 1,200,000 Common shares, representing 1.06% of the 383,445,886 Common Shares issued and outstanding, calculated on a partially diluted basis and 0.75% calculated on a non-diluted basis.

After giving effect to the issuance of the said Common Shares, Houghton had beneficial ownership of, or exercised control or direction over, 15,859,070 Common Shares and 1,200,000 stock options to acquire 1,200,000 Common shares, representing 4.3% of the 396,429,993 Common Shares issued and outstanding, calculated on a partially diluted basis and 4.0% calculated on a non-diluted basis.

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. Houghton abstaining from voting thereon). There were no contrary

views or disagreements in respect of the matters contemplated by the transaction.

- (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(a) and 5.7(a) of MI 61-101, respectively.

Valuation Exemption

The issuance of the Common Shares was exempt from the formal valuation requirements of MI 61-101 pursuant to the exemption set out in paragraph (a) of section 5.5 of MI 61-101. As such, at the time the transaction was agreed to in February 2021, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the issuance of the Common Shares to Houghton (approximately \$649,205) exceeded 25% (being

approximately \$2,156,883) of the market capitalization of the Company determined to be \$8,627,532 calculated in accordance with MI 61-101.

Shareholder Approval Exemption

The issuance of the Common Shares was exempt from the minority shareholder approval requirements of MI 61-101 pursuant to the exemption set out in paragraph 5.7(a) of MI 61-101 which provides that this exemption applies in the event the circumstances described in paragraph (a) 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.

Peter Hogg
Chief Financial Officer and interim Chief Executive Officer
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ceg@cegmining.com

9. Date of Report

May 5, 2021.

SCHEDULE "A"

News Release

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FOR IMMEDIATE RELEASE – April 30, 2021

Cerro Grande Mining Corporation to Issue Shares to Former CEO in Debt Settlement

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (CSE:CEG) announces that further to Mr. Houghton’s termination of his employment agreement and resignation as the Company’s CEO effective March 31, 2021 as per his agreement with the Company made as of February 17, 2021, the Company will issue 12,984,107 common shares of the Company at a deemed price of CDN\$0.05 per share to settle all amounts owing to Mr. Houghton in the aggregate amount of US\$516,266.70 (approximately \$649,205 based on an exchange rate of US\$1.00/CDN\$1.2575 as at March 31, 2021) in connection with his former employment, which includes a retirement payment of US\$330,000, the balance of his unpaid salary, reimbursement of certain expenses and certain severance obligations pursuant to Chilean law less cash advances previously made to Mr. Houghton by the Company. The Company intends to complete such share issuance on or about May 4, 2021. Mr. Houghton remains as the President of the Company on an unpaid basis and without any day-to-day responsibilities, and remains a director of the Company pursuant to his election at the annual meeting of shareholders held on March 31, 2021.

The participation of Mr. Houghton in this share issuance constitutes a “related party transaction” under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company will rely on the exemptions set out in subsection 5.5(a) and subsection 5.7(a) from both the formal valuation and minority shareholder approval requirements of MI 61-101 in connection with the share issuance. In reliance thereon, the Company has determined that at the time the transaction was agreed to, neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the share issuance, exceeds 25% of the Company’s market capitalization (as determined in accordance with the requirements of MI 61-101).

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 news release contains certain “forward-looking information” as such term is defined under applicable Canadian securities laws. All disclosure herein, other than information regarding historical fact, regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions or courses of action, including any future-oriented financial information with respect to prospective financial performance, financial position or cash flows that is presented either as a forecast or a projection, is forward looking information. Forward-looking information contained in this news release includes, but may not be limited to, the anticipated closing of the share issuance and the timing thereof. The forward- looking information contained in this news release reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. With respect to the forward-looking information contained in this news release, the Company has made assumptions regarding, among other things, the Company’s ability to complete the share issuance in a timely manner. The forward-looking information contained in this news release is subject to a number of risks and uncertainties that may cause actual results or events to differ materially from current expectations, including the inability of the Company to complete the share issuance in a timely manner. Any forward-looking information speaks only as of the date on which It is made and, except as may be required by applicable law, the Company disclaims any obligation to update or modify such forward-looking information, either because of new information, future events or for any other reason.