

FORM 7

MONTHLY PROGRESS REPORT

Name of CNSX Issuer : Cerro Grande Mining Corporation (the "Issuer")

Trading Symbol : CEG - CNX

Number of Outstanding Listed Securities : 267,852,410

Date: January 6, 2016

1. Provide General Overview and Discussion of Issuers Business

Following is an update on the key events following the Companies filing of its Form 2A, AIF and related information on March 7, 2016. As noted in its previous Form 7 statements, CEG's wholly owned subsidiary, Compañía Minera Pimenton is its only source of cash flow.

The Company previously reported on June 6, 2016 that its Pimenton Mine had been shut down due to a severe snow storm which dropped 3.14 meters of snow on June 2nd to the 4th.

On June 20, 2016 the Company reported that all personnel had been evacuated from the mine by PistenBully snow cats. While there was no damage to the installations at the mine, the lack of cash flow from the mine has caused severe financial difficulties for Compañía Minera Pimenton and CEG.

On October 5, 2016 the Company reported a change in Auditors from KPMG LLP to Davidson & Company LLP.

On October 25, 2016 the Company announced the partial restart of the Pimenton Mine.

During the month of December 2016, the mine processed approximately 2000 tons with a grade of 10 g/t and 1% copper. These grades are preliminary as the mines assay lab is being restarted and we are currently working with xrf grade estimates.

From an operations perspective, the Company has completed an independent National Instrument 43-101 technical review of Pimenton's current proven, probable and resource position which was completed on July 21, 2016. The Company has also submitted a high grade pillar recovery and replacement plan which is in the final review stage by SERNAGEOMIN, the Government of Chile's mining agency.

2. General Overview and Discussion of Activities of Management

Management has focused on the following activities:

- a) Management has been focused on working with its new Auditors in the preparation of its fiscal year ended September 2016 Financial Statements and MD&A.
 - b) Working on final preparation of its Annual Information Form.
 - c) Working on final preparation of its Policy 2A Statement.
 - d) Working with SERNAGEOMIN to finalize approval of its Pillar replacement plan.
3. Describe and Provide Details of any New Products of Services and For Exploration Companies any New Exploration Programs or Acquisitions:
- a) The Company has made no new Acquisitions
 - b) See 1 above for details of ongoing exploration of the Pimenton mine.
4. Describe any Drilling, Exploration or Production Programs that have been amended or abandoned:
- a) See 1, above.
5. Describe any new Business Relationships between the Issuers, Issuer Affiliate or Third Parties:
- a) See Santa Cecilia below.
6. Describe the Expiry or Termination of any Contracts or Agreements between Issuers, Affiliates or Third Parties:
- a) See Santa Cecilia below.

Santa Cecilia

On July 11, 2011 CEG signed a Letter of Agreement with the majority shareholders representing 65.6% of the outstanding shares of Compania Minera Cerro del Medio (CDM), the 100% owner of the Santa Cecilia project which is located in the Maricunga gold district of Chile and adjacent to Exeter Resources Caspiche project.

The Letter Agreement was signed in July 2011, then, extended to June 12, 2015 when it expired. This letter agreement is now being reviewed by all parties.

7. Describe any Acquisitions or Dispositions of Issuers Assets that Occurred During the Preceding Month.
- a) None.

8. Describe the Acquisitions of New Customers or the Loss of Customers
- a) None
9. Describe any New Developments or Effects on Intangible Products such as Brand Names, Circulations Lists, Copyrights, Franchises, Licenses, Patents, Software, Subscriptions Lists and Trade-Marks

a) None

10. Report any Employee Hirings, Terminations or Lay-Offs with Details of Anticipated Length of Lay-Offs.

a) 5 workers resigned or were released in December, 2016.

b) 11 workers were hired in November, 2016. As of December 30, 2016, Compañia Minera Pimenton had a total of 142 employees.

There have been no changes in management or other employees of Cerro Grande Mining Corporation since the filing of the Corporations Policy 2 A statement on March 7, 2016.

11. Report on any Labor Disputes or Resolutions of Those Disputes if Applicable.

a) During the period June 4 to August 31, 2016, 104 workers resigned and are seeking payment of salaries of \$208,923 and severance payments amounting to \$1,679,615 owed to them totaling approximately \$1,888,538. These 104 workers have hired 5 different law firms who represent from 1 to 50 individuals. The Company is in discussions with each group, but no firm conclusion has been reached at this time, and to what percentage of severances which will be agreed to in the final settlement.

12. Describe and Provide Details of Legal Proceedings to which Issuer became a Party, etc.

a) See paragraph 11 above.

13. Provide Details of any Indebtedness Incurred or Repaid by Issuer and the Terms of such Indebtedness.

a) Mr. David Thomson, a Director, Officer and major shareholder of the Company, advanced to the Company during the 12 month period ended September, 2015 US\$1,782,616. Mr. Mario Hernandez, a Director, Officer and major shareholder of the Company, advanced to the Company during the 12 month period ended September, 2015 US\$1,682,885. The total cash advances to the Company by Mr. David Thomson and Mr. Mario Hernandez, both Directors, Officers and major shareholders of the Company have totaled US\$3,465,501 or Cdn\$4,643,771 (Cdn\$1.34=US\$1.00) to September 30, 2015.

b) On November 6, 2015, The Board of Directors, (except Mr. Thomson and Hernandez who both abstained from voting) approved the issuance of common shares of the Company to Mr. Thomson of 47,774,100 shares and to Mr. Hernandez of 45,101,300 shares at Cdn\$0.05 per share.

This placement was completed in order to immediately improve the financial position of the Company given the serious financial difficulties it was facing and with a view of setting the Company on a firmer financial ground to carry out its mining business in Chile.

The participation of each Director in the Placement and the Debt Settlement constitutes a “related party transaction” under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Company has used the “financial hardship” exemptions from both the formal valuation and minority shareholder approval requirements of MI 61-101 in connection with the Placement and Debt Settlement. In reliance thereon, the Board of Directors of the Company (other than the Directors who abstained from voting), including all of its independent members, have unanimously concluded that the Company was in serious financial difficulty and the 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 Settlement), to hold a meeting to obtain any approval of the holders of Common Shares in connection with the Placement and the Debt Settlement.

The Placement was completed on November 12, 2015. David Thomson and Mario Hernandez now hold a total of 200,516,530 Common Shares representing approximately 74.86% of the issued and outstanding Common Shares. On a fully-diluted basis, David Thomson and Mario Hernandez hold approximately 81.33% of the Common Shares.

For the period of October 2015 to October 30, 2016, Mr. David Thomson, an Officer and Director of the Company, and Mr. Mario Hernandez, an Officer and Director of the Company, have advanced, either personally or through their respective companies, a total of approximately US\$3,057,236.

On August 25, 2016 the Company placed a 3 year \$200,000 Unsecured Debenture at an interest rate of 8% payable quarterly. The debenture shall repay \$33,333.33 of the principal amount semi-annually through and including August 25, 2019. However, if the volume weighted average price (in Dollars, net of refinery, transportation and insurance charges) per ounce of gold bullion sold by the Corporation from the Pimenton mine during the six month period prior to any Repayment Date (the “**Gold Price**”) is greater than \$1,260.00, the Holder shall be entitled to receive, in satisfaction of such Repayment, a payment equal to the product of: (i) the net Gold Price; and (ii) 26.45 (the “**Gold Payment**”).

On November 8, 2016 the Company announced that its Board of Directors (with David Thomson and Mario Hernandez abstaining) had conditionally approved the issuance of Convertible

Debentures of the Company, subject to the approval of the Chief Executive Officer of CEG and Mr. Thomson and Mr. Hernandez of the final documentation of the transaction. The Convertible Debentures will be issued to Mr. David Thomson, or a company controlled by him, and to Mr. Mario Hernandez or a company controlled by him in final payment of advances, salaries, interest payments and royalty payments totaling US\$2,771,237 owed to them through the end of July 2016. Both Mr. Thomson and Mr. Hernandez are Directors and Officers of the Company. The Convertible Debentures are being issued to immediately improve the serious financial difficulties faced by the Company with of view of setting the Company on improved financial ground to carry out its mining business in Chile in the future.

These Convertible Debenture where issued on December 7, 2016 and are convertible at Cdn \$0.05 per share for a term of 3 years from the date of issuance and pay interest semi annually at the rate of 8%. Mr. Thomson has been issued a Convertible Debenture in the amount of US\$1,517,636 and Mr. Hernandez has been issued a Convertible Debenture in the amount of US\$1,253,601.

The placement and related debt settlement (the “**Transaction**”) constitutes a “related party transaction” under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) due to the participation of Messrs. Thomson and Hernandez. The Company has relied on the “financial hardship” exemptions from both the formal valuation and minority shareholder approval requirements of MI 61-101 in connection with the Transaction. In reliance thereon, the Board of Directors of the Company (other than Messrs. Thomson and Hernandez, who abstained from voting), including all of its independent members, considered the Transaction and unanimously concluded that the Company is in serious financial difficulty and the Transaction, 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 Proposed Transaction.

Cerro Grande Mining Corporation currently has 267,852,410 shares outstanding (298,720,591 shares on a fully-diluted basis). Following the issuance of the Convertible Debentures, the Company will have 267,852,410 shares outstanding (370,258,965 shares on a fully-diluted basis).

Mr. David Thomson currently holds 100,493,029 common shares of the Company (106,593,243 shares on a fully-diluted basis), representing approximately 37.5% of the outstanding shares (approximately 35.7% on a fully-diluted basis). Following the issuance of the Convertible Debentures, he will hold 100,493,029 common shares of the Company (145,770,409 shares on a fully-diluted basis), representing approximately 37.5% of the outstanding shares (approximately 39.4% on a fully-diluted basis).

Mario Hernandez currently holds 100,023,501 common shares of the Company (112,870,615 shares on a fully-diluted basis), representing approximately 37.3% of the outstanding shares (approximately 37.8% on a fully-diluted basis). Following the issuance of the Convertible

Debentures, he will hold 100,023,501 common shares of the Company (145,231,822 shares on a fully-diluted basis), representing approximately 37.3% of the outstanding shares (approximately 39.2% on a fully-diluted basis).

Following issuance of the Convertible Debentures, on a fully diluted basis, Mr. Thomson and Mr. Hernandez will hold an aggregate of 291,002,231 common shares of the Company, representing approximately 78.6% of the shares of the Company on a fully diluted basis.

The Convertible Debentures are denominated in US Dollars and the conversion ratio is stated in Canadian Dollars. The exchange rate used in determining the above fully-diluted shareholdings following issuance of the Convertible Debentures is Cdn\$1.29073 for each US Dollar.

This transaction closed on December 7, 2016 and a Form 9 was filed on December 6, 2016 with the Canadian Securities Exchange.

14. Provide any Details of Securities Issued and Options or Warrants Granted

a) None.

15. Provide Details of Any Loan to or By Related Parties

a) See paragraph 13, above

16. Provide Details of any Changes in Directors, Officers or Committee Members.

a) None.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's Market(s) or Political/Regulatory Trends

a) None

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated January 6, 2017

Stephen W. Houghton
Name of Director or Senior Officer

Steven W Houghton
Signed Signature

Chief Executive Officer
Official Capacity

Issuer Details	For Month End	Date of Report
Name of Issuer	December, 2016	YY/MM/D January 6, 2016
<i>Cerro Grande Mining Corporation</i>		
Issuer Address		
<i>Santa Maria 2224</i>		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
<i>Providencia, Santiago, Chile, 7500014</i>	<i>(56)-2-2335-2084</i>	<i>(56)-2-2569-6224</i>
Contact Name	Contact Position	Contact Telephone No.

<i>Stephen W. Houghton</i>	<i>C.E.O.</i>	<i>56-2-2569-6224</i>
Contact Email Address ceg@cegmining.com	Web Site Address www.cegmining.com	