

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol : CEG - CNX

Number of Outstanding Listed Securities : 110,568,790

Date : September 5, 2014

1. Provide General Overview and Discussion of Issuers Business

Following is an update on the key events following the Companies filing of its Policy 2A statement on August 25, 2014, at Compania Minera Pimenton, CEG's wholly owned subsidiary and only source of cash flow.

One very important point that should be understood by everyone is that the 43-101 reserve grades of 11 g/t Au and 1.2% Cu include a significant section of high grade that is at the moment inaccessible. Most of the high grade stopes we have are projected 30m down from the existing Esperanza 4 level ("Esp 4") (3195). We are currently half way down with our 600m ramp that will intercept Lucho 60m below the Esp4 level. We estimate some 8 to 10 weeks before we can intercept Lucho at the 3140 (approx.) Esperanza 5 level and start developing the vein and preparing it for production with raises etc. Once we accomplish this, our reserve grade and volume will increase as we add a large amount of potentially high grade stopes. As we develop the Lucho vein on the new lower level, we will be adding to the reserves 30m above and 30m below, thereby leaving a 50 to 60m block of accessible ore to develop above the lowest level.

While we develop the ramp towards the lower Lucho level, we have been working on adding a significant number of the more difficult lower grade stopes to the inventory, some of which were not in the previous reserve reports. These have had erratic grades due to faulting, pinching or splitting of the vein. We will be boosting production from these stopes in an effort to get more ounces through the plant. Currently the plant is attempting to maintain 150 tpd with a grade of 8 to 10 g/t Au and .8 to 1.5% Cu.

In an effort to minimize the chance that we do not have another geological setback like we had in Esp4 with the flat fault pinching out the vein at the same level as the cross cut, we have been drilling ahead with diamond drill holes to try to increase the measure of certainty as much as possible. All the drill holes are encountering ore within meters of forecasted positions for Lucho with positive grades. We are drilling the projected Lucho Vein level on 20m centers, above and below where the next level will be once the ramp arrives at Lucho.

The ramp is currently passing by Michele where we have some positive drill holes close by suggesting that grade may increase. We also have the Nicole vein joining up with Michele in this southern area and we

may have a good source of higher grade ore. The rate of advance has been approximately 6m per day for 24 days of the month (due to shift changes etc). We are currently upgrading the ramps and mine ventilation systems so we can take three rounds a day which would result in some 9m of advance on the ramp face. We should reach Lucho in less than two months as we have some 320m to go.

At this time, we are only making purchases of what we absolutely needed to keep the mine operating safely and producing cash flow. When our geologist left last month due to a family health crisis, we did not replace him since we have our plans laid out as far as the ramp development goes and where we will be getting production ore. When a Senior Consultant geologist called Enrique Grez came to the mine recently for a review regarding the gold debenture, he was in agreement with our mine plan. Mr. Grez also runs a geological consulting service and recommended some experienced Peruvian geologists with narrow vein know how. They required monthly flights to Lima and would work for 15 days a month. Unfortunately the wages were roughly twice the salary of our current Mine Manager!

We are hiring a new junior geologist on Monday and have sent out adds for a more experienced mine geo as well.

We have managed to fund the purchase of a new Falcon gravity concentrator to replace the very used Knelson unit we have had since 1994. Due to bearing problems and other wear and tear, the current Knelson concentrator has had a decreasing recovery down to 50 to 55% from previous highs of 60 to 70%. This directly affects our cash flow as the gold sales in flotation concentrates takes up to three months to recover compared to the dore sales that are paid in full within two weeks. The Falcon concentrator is a much more sophisticated design than the Knelson and operates with a variable spin rate generating 100 to 150 G. The Knelson we have works at a fixed gravity rate of 60G. Because of the increase in G and the ability to tailor it between 100 and 150G, we can adjust the centrifugal force to get the optimum recovery. The Falcon also is much more secure as it has automatic cleaning by computer control, allowing it to be in a secure enclosure. The current Knelson requires manual cleaning which is often done unsupervised.

We are also looking at a smaller less expensive Falcon that could be used to recover gold from the flotation concentrate to further increase our dore production. Our current gold concentrate grades of 50 to 60 g/t Au and are higher than the typical grades that ENAMI receives. It makes it a very tempting target for grade manipulation once it is delivered to the smelter, something that Enami has a long history of. If a small Falcon could recover half of the gold in the flotation concentrate it would help us significantly by a) not losing the gold to the smelter and b) faster cash back from sales.

Because the Falcon requires a minus 2mm feed size we are modifying and improving the ball mill discharge screen. This has always been a bottle neck for us and we can take advantage of the new screen to improve efficiency of the gravity concentrator while not introducing more water into the flotation circuit. We could expect recoveries as high as 80% if we are able to get the screen to function correctly. The plant has been operating at some 150 tons per day for the last few days without any problems despite the wet winter conditions.

The dore assaying problems that we have been having with Argor Heraeus have been answered with some detailed reports from Argor. They found that the problem was due too much lead in the dore leading to poor sampling (the lead and the gold do not mix well, leaving a unhomogenous melt). This is mainly due to our type of furnace combined with better heavy mineral recovery on our gravity clean up circuit. Argor reduced the problem by adding copper to the dore bar to dilute the lead, so that we could get a representative sample. Since then the melt loss has improved significantly. We are modifying an induction (electric) furnace to make the final dore melt and hopefully remove most of the lead. The current dore grades have gone from 60% to 76% and we hope to raise it to over 80%.

2. General Overview and Discussion of Activities of Management

Management has focused on the following activities:

- a) As described in 1. above, concentrating on increasing the production of mineral products from the Pimenton mine.
 - b) Working with KPMG as they review the Companies accounting procedures in anticipation of their annual audit for the fiscal year ended September 30, 2014.
 - c) Working with the Companies creditors to assure them that they will be paid the funds due them during the five week shut down of the Pimenton mine during the period of May 9, 2014 to June 12, as previously reported in the CSE policy 2-A report which was filed on August 25, 2014.
 - d) Working with Westmount Capital in their attempt to place a US \$3,000,000 gold backed debenture as reported in the Company's Policy 2A filing with the CSE on August 25, 2014.
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.

Describe any new Business Relationships between the Issuers, Issuer Affiliate or Third Parties:

- a) None

Describe the Expiry or Termination of any Contracts or Agreements between Issuers, Affiliates or Third Parties:

a) 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. Under the terms of the agreement, between July 31, 2011 and July 31, 2013 CEG must fund the CDM majority shareholders, and any option shareholders, the pro rata of a drilling campaign on the property consisting of a minimum of 7,200 meters of drilling, at an aggregate cost of approximately \$4,000. CEG is committed to fund an estimated \$2,624 or 65.6% of this drilling campaign. Mario Hernandez and Dr. David Thomson, both EVP's and Directors of the Company and an arms length third party (the majority shareholders in aggregate) are owners of 65.6% of CDM. At March 31, 2014, 3,335 meters had been drilled at a total costs to CDM of \$4,439 which includes \$448 related to a geophysical study. Please see News Releases dated March 22, 2013, June 19, 2013 and March 20, 2013 for drill hole results on the Company's web site, www.cegmining.com.

During the six month period ended March 31, 2014, the Company expensed a total of \$nil (2013 - \$599) relating to mining property costs and exploration costs on CDM.

In October 2012, the Company began an Orian 3D geophysical study by Quantec Geoscience Toronto, Canada on Santa Cecilia. Based on the study, Quantec recommends twenty-three DC/IP/MT anomalies for future drilling, nearly all of which are located within the previously established five MMI (mobile metal ion) gold and copper anomalies at Santa Cecilia. One of the most interesting DC/IP/MT anomalies sighted for drilling lies 1,000 meters to the south west of Exeter Resources Caspiche orebody.

Under the terms of the Letter of Agreement dated July, 2011 CEG has engaged a qualified engineering firm to supervise the drilling campaign on Santa Cecilia. This firm will also update NI 43-101 technical reports on CEG's other projects and Santa Cecilia on completion of the drilling campaign.

Following the completion of the drilling campaign on Santa Cecilia, and receipt of the NI 43-101 technical reports, an evaluation of CEG and CDM will be undertaken by a competent, independent investment banking group to value CEG and CDM. On completion of a satisfactory evaluation, CEG will have 90 days in which to determine if it wishes to proceed with acquiring the interest of the Majority Shareholders in CDM.

Under the terms of the agreement, CEG or CDM may terminate the Letter of Agreement under certain circumstances. Depending on the circumstance, CEG will be reimbursed up to 125% of its

share of drilling campaign costs. CEG may terminate the agreement at any time after having drilled not less than 1,500 meters.

The Letter Agreement was extended in July 2012, then to June 12, 2013 and expired on June 12, 2014. This Letter Agreement has now been retroactively extended to June 12, 2015 since the date of the Companies filing its policy 2A statement on August 25, 2014.

Since the letter of agreement has no immediate impact on the shareholdings of Mr. Hernandez and Dr. Thomson in CEG, CEG is unable to provide a description of any impact that a definite acquisition agreement may have on any shareholdings in CEG at this, or any other, time.

Final approval of any such acquisition will likely require CEG shareholder and CSE approval.

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 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) One miner quit and four miners were terminated for poor performance at the Pimenton mine since July 25, 2014, from date of filing the Companies Policy 2A filing.
 - b) Six new miners were hired to replace those that quit or were terminated from the date of filing the Companies Policy 2A filing. In total, the Pimenton mine has, as of September 5, a total of 231 employees including management and employees.
11. Report on any Labor Disputes or Resolutions of Those Disputes if Applicable.
 - a) None
12. Describe and Provide Details of Legal Proceedings to which Issuer became a Party, etc.
 - a) None
13. Provide Details of any Indebtedness Incurred or Repaid by Issuer and the Terms of such Indebtedness.

a) None since the date of filing by the Company of its Policy 2A statement.

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) None since the date of filing by the Company of its Policy 2A statement.

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 September 5, 2014.

Stephen W. Houghton
Name of Director or Senior
Officer

"Stephen Houghton"
Signature
Chief Executive Officer
Official Capacity

Issuer Details	For Month	Date of Report
Name of Issuer	End	YY/MM/D
Cerro Grande Mining Corporation	August 2014	September 5, 2014
Issuer Address		
Santa Maria 2224		
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Providencia, Santiago, Chile 7500014	(56)2-2335-2084	(56)2-2569-6224
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