

CERRO GRANDE MINING CORPORATION

(the "Corporation")

BY-LAW NO. 1B

BE IT ENACTED as a by-law of the Corporation as follows:

ENHANCED QUORUM FOR MEETINGS OF SHAREHOLDERS

1. By-law No. 1 of the Corporation is hereby amended by adding thereto, following Section 10.22 thereof and preceding Article 11 thereof, the following:

"Section 10.23 Enhanced Quorum.

At any annual meeting of shareholders, or at any special meeting of shareholders, if one of the purposes for which the special meeting was called was the election of directors, called:

- (a) by or at the direction of the board, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act, or a requisition of the shareholders made in accordance with the provisions of the Act; or
- (c) by any person (a "**Nominating Shareholder**") who: (A) at the close of business on the date of the submission by the Nominating Shareholder of the nomination provided for in subparagraph (b) below and at the close of business on the record date for notice of such meeting, is entered in the securities register of the Corporation as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (B) complies with the procedures set forth below,

where nominations by any Nominating Shareholder of persons for election to the board given in proper written form in accordance with subparagraph (b) below to the corporate secretary of the Corporation may result in persons who were members of the board immediately prior to any such meeting ceasing to constitute a majority of the board following any such meeting, other than pursuant to a Change of Control (as defined below) of the Corporation, a quorum shall be at least two persons present in person and entitled to vote thereat and who, together, hold or represent by proxy at least a majority of the shares issued and outstanding in the capital of the Corporation and entitled to be voted thereat (an "**Enhanced Quorum**"). In the absence of an Enhanced Quorum for the transaction of business at any such meeting, those present and entitled to vote thereat shall constitute a quorum for the purpose only of adjourning such meeting; provided, however, that any such meeting may be adjourned by no more than two adjournments for an aggregate of no more than 65 days in respect of all other such meetings. If an Enhanced Quorum is not present at the opening of the second adjourned meeting, if any, those present and entitled to vote at any such adjourned meeting shall constitute a quorum for the transaction of business at such adjourned meeting.

- (d) To be in proper written form, a Nominating Shareholder's nomination to the corporate secretary of the Corporation must set forth:
 - (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person;

(C) the citizenship of such person; (D) the class or series and number of shares in the capital of the Corporation which are owned beneficially or of record by the person or under the control or direction of the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; (E) such person's written consent to being named in the notice as a nominee and to serving as a director of the Corporation if elected; and (F) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and

- (ii) as to the Nominating Shareholder giving the notice, (A) the name and address of such Nominating Shareholder, as they appear on the securities register of the Corporation; (B) the class or series and the number of securities of the Corporation owned of record and beneficially by such Nominating Shareholder; (C) full particulars regarding any agreement, arrangement or understanding with respect to the nomination between or among such Nominating Shareholder, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing, including the nominee; (D) full particulars regarding any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of the notice by, on behalf of, such Nominating Shareholder, whether or not such instrument or right shall be subject to settlement in underlying securities of the Corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, such Nominating Shareholder with respect to securities of the Corporation; (E) full particulars regarding any proxy, contract, agreement, arrangement or understanding pursuant to which such Nominating Shareholder has a right to vote or direct the voting of any shares of the Corporation; and (F) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

- (e) For purposes of this section 10.23:
- (i) **"Applicable Securities Laws"** means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada;
- (ii) **"Change of Control"** shall mean:
- (1) the acceptance and sale by the shareholders of the Corporation, representing in the aggregate more than 50 per cent of all issued and outstanding Common Shares, of any offer, whether by way of a takeover bid or otherwise, for all or any of the Common Shares; or

- (2) the acquisition, by whatever means (including, without limitation, amalgamation, arrangement, consolidation or merger), by a person (or two or more persons who in such acquisition have acted jointly or in concert or intend to exercise jointly or in concert any voting rights attaching to the Common Shares acquired), directly or indirectly, of the beneficial ownership of such number of Common Shares or rights to Common Shares, which together with such person's then owned Common Shares and rights to acquire Common Shares, if any, represent (assuming the full exercise of such rights to acquire Common Shares) more than 50 per cent of the voting rights of the Common Shares together with the Common Shares that would be outstanding on the full exercise of the rights to acquire Common Shares and such person's previously owned rights to acquire Common Shares; or
- (3) the closing of a transaction whereby either the Corporation merges, consolidates, amalgamates, is arranged or absorbed by or into another person, and as a result of such transaction, the shareholders of the Corporation prior to the transaction own directly or indirectly less than 50 per cent of the equity of the entity resulting from the transaction; or
- (4) the passing of a resolution by the board, or the shareholders of the Corporation to substantially liquidate its assets or wind-up its business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such rearrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and where the shareholdings remain substantially the same following the rearrangement as existed prior to the re-arrangement); or
- (5) the sale by the Corporation of all or substantially all of its respective assets; or
- (6) any other event which, in the opinion of the board reasonably constitutes a change of control of the Corporation;

provided however, that a Change of Control shall be deemed not to have occurred if the board, in good faith, determines that a Change of Control was not intended to occur in the particular circumstances in question; and

(iii) "**Common Shares**" means the common shares in the capital of the Corporation.

- (f) Notwithstanding any other provision of By-law No. 1, notice given to the corporate secretary of the Corporation pursuant to this Section 10.23 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the corporate secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the corporate secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day."

2. By-law No. 1, as amended from time to time, of the by-laws of the Corporation and this by-law shall be read together and shall have effect so far as practicable, as though all the provisions thereof were contained in one by-law of the Corporation. All terms contained in this by-law which are defined in By-law No. 1, as amended from time to time, of the by-laws of the Corporation shall, for all purposes hereof, have the meanings given to such terms in the said By-law No. 1 unless expressly stated otherwise or the context otherwise requires.