

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE** – July 30, 2013

### **Cerro Grande Mining Corporation Announces Issuance of Convertible Unsecured Debentures and a Secured Non-Convertible Loan**

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”) (TSX-CEG; OTCQX-CEGMF) announced today that it has issued unsecured convertible debentures totalling US \$1,010,211.40 (the “**Debentures**”). The issuance of the Debentures has been conditionally approved by the TSX.

Mario Hernandez, (“**Hernandez**”) and David Thomson, (“**Thomson**”) both directors and officers of the Company, through their respective companies Compañía Minera Chanar Blanco S.A. (“**Chanar Blanco**”), and Compania Minera Auromin Ltda (“**Auromin**”) have each acquired one Debenture convertible into common shares of the Company (each, a “**Common Share**”). Each of Hernandez and Thomson acquired a Debenture in the aggregate principal amount of US\$505,105.70 which is convertible into Common Shares at a rate of CDN\$0.10 per Common Share (the “**Conversion Price**”), on the basis of an exchange rate of US\$1.00 to CDN\$1.00. On this basis, each of Chanar Blanco and Auromin may convert the Debentures on the basis of 1,000 Common Shares for each US\$100 of outstanding principal up to an aggregate of 10,102,114 Common Shares (or up to 5,051,057 Common Shares for Chanar Blanco and 5,051,057 for Auromin). However, under the terms of the Debentures, the maximum amount

convertible into Common Shares is such that each of Hernandez and Thomson do not hold, directly or indirectly, more than 19.99% of the issued and outstanding Common Shares of the Company as at the date of conversion.

The Debentures have been issued in payment of cash advances by each of Hernandez and Thomson to the Company in the aggregate amount of US\$1,010,211.40. The cash advances were used for working capital and to fund capital expenditures on the Pimenton Mine. The Debentures mature on July 30, 2018. The Debentures do not bear interest. The Company may also, at its option, accelerate the conversion (the “**Acceleration Right**”) of all or part of the outstanding principal at the Conversion Price, at any time if the closing price of the Common Shares on the Toronto Stock Exchange, equals or exceeds CDN\$0.15 per Common Share for a period of 20 consecutive trading days (the “**Acceleration Period**”), provided that the Acceleration Right is exercised by the Company within 20 business days after the end of the Acceleration Period. The Acceleration Period Right is subject to the 19.99% conversion threshold noted above.

Concurrent with the issuance of the Debentures, a wholly owned subsidiary of the Company, Compania Minera Pimenton (“**Pimenton**”), has today entered into agreements (the “**Loan Agreements**”) with Chanar Blanco and Auromin pursuant to which Pimenton may draw down up to an aggregate of US\$3,000,000 to cover operating expenses at the Pimenton Mine. Amounts drawn down under the Loan Agreements bear interest at a rate of 5% per annum, payable quarterly following an initial grace period of 15 months. In order to guarantee the payment obligations of Pimenton under the Loan Agreements, Pimenton has granted a first security interest in the mining concessions it holds in favour of Chanar Blanco and Auromin. All amounts outstanding under the Loan Agreements are to be repaid by Pimenton to Chanar Blanco and Auromin on or before July 25, 2016.

The participation of Hernandez and Thomson in the private placement of Debentures and entry into the Loan Agreement constitute a “related party transaction” under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), but the Company was exempt from both the formal valuation and minority shareholder approval requirements of MI 61-101 in connection with the private placement on the basis of the financial hardship of the Company.

Entry into the Debentures and Loan Agreements by the Company have become necessary as a result of the Company experiencing cash flow problems since March, 2013 at the Pimenton Mine. The causes of the shortages of cash flow at the Pimenton Mine is three fold, namely operational problems due to delays in a main drive to reach known ore shoots below the existing levels, a drop in the price of gold, and a reduction in plant operational days.

In addition to entering into the Loan Agreements and Debentures which allow the Company to sustain its operational costs, pay wages and keep its obligations to outside creditors up to date, the Company has taken significant steps to reduce costs at the Pimenton Mine and to reduce overhead costs, including salary reductions for all officers of the Company. The Company expects the recent difficulties it has faced to be reflected in the financial results for the third fiscal quarter ended June 30, 2013.

Cerro Grande Mining Corporation is a minerals producing, exploration and development company with properties and activities currently focused in Chile.

### **Forward-Looking Information**

This press release may contain forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. All statements that address future activities, events or developments that the Company believes, expects or anticipates will or may occur are forward-looking information. Forward-looking information is based upon assumptions by management that are subject to known and unknown risks and uncertainties and other factors that may cause actual results to differ materially from those expressed or implied by the forward-looking information. Factors that may cause actual results to vary materially include, but are not limited to changes in general economic conditions or conditions in the financial markets. Such forward-looking information is based on a number of assumptions, including but not limited to, there being no significant decline in existing general business and economic conditions. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligations to update publicly or otherwise revise any forward-looking information, except as may be required by law. For a more detailed discussion of such risks and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, refer to the Company's filings with the Canadian securities regulators available on [www.sedar.com](http://www.sedar.com).