

**COMPANIA MINERA CHANAR BLANCO S.A. REPORT  
ON HOLDINGS OF COMMON SHARES OF  
CERRO GRANDE MINING CORPORATION**

**Toronto, ON, July 31, 2013** – Compania Minera Chanar Blanco S.A. (“**Chanar Blanco**”) announces that on July 30, 2013, Chanar Blanco, a company controlled by Mario Hernandez, a director and officer of Cerro Grande Mining Corporation (the “**Company**”), was issued a convertible debenture (the “**Debenture**”) in the principal amount of US\$505,105.70 (or CDN\$505,105.70 converted using an exchange ratio of US\$1.00 to CDN\$1.00). The outstanding amount of principal under the Debenture is convertible at any time at the option of Chanar Blanco (the “**Conversion Right**”) into common shares of the Company (“**Common Shares**”) at a rate of CDN\$0.10 per Common Share (the “**Conversion Price**”). On this basis, Chanar Blanco may convert the Debenture on the basis of 1,000 Common Shares for each US\$100 of outstanding principal up to an aggregate of 5,051,057 Common Shares. The Debenture also provides that the Company may, at its option, require the conversion (the “**Acceleration Right**”) of all of the outstanding principal under the Debenture at the Conversion Price, 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**”) and provided further that such Acceleration Right is exercised within 20 business days after the end of the Acceleration Period. However, under the terms of the Debenture, the maximum amount of Common Shares into which Chanar Blanco can convert the Debenture at any time is limited to that number which, when added to Mr. Hernandez’ beneficial holdings at such time, does not exceed 19.99% of the issued and outstanding Common Shares as at the date of conversion.

For purposes of applicable Canadian securities laws, Mr. Hernandez currently beneficially owns 17,266,761 Common Shares, representing 17.01% of the issued and outstanding Common Shares. Assuming the conversion of the Debenture in full, and assuming that the 19.99% ownership threshold is not triggered, Mr. Hernandez would beneficially hold an additional 5,051,057 Common Shares. The 5,051,057 Common Shares represent approximately 4.74% of the issued and current outstanding Common Shares. However, as noted above, the maximum amount of Common Shares into which Chanar Blanco can convert the Debenture at any time is limited to that number which, when added to Mr. Hernandez’ beneficial holdings at such time, does not exceed 19.99% of the issued and outstanding Common Shares as at the date of conversion. Beneficial ownership and control of the Common Shares will be acquired by Mr. Hernandez upon conversion of the Debenture.

The Debenture was issued to Chanar Blanco to evidence a cash advance made by Chanar Blanco to the Company totalling US\$505,105.70, to be used for working capital and to fund capital expenditures on the Company’s Pimenton Mine. Chanar Blanco may in the future increase or decrease its ownership of securities of the Company from time to time depending upon the business and prospects of the Company and future market conditions.

*Other Information*

Concurrent with the issuance of the Debenture, a wholly owned subsidiary of the Company, Compañia Minera Pimenton (“**Pimenton**”), has today entered into an agreement (the “**Loan**”

**Agreement**”) with Chanar Blanco pursuant to which Pimenton may draw down up to US\$1,500,000 to cover operating expenses at the Pimenton Mine. Amounts drawn down under the Loan Agreement 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 Agreement, Pimenton has granted a first security interest in the mining concessions it holds in favour of Chanar Blanco. All amounts outstanding under the Loan Agreement are to be repaid by Pimenton to Chanar Blanco on or before July 30, 2016.

Chanar Blanco’s address and other contact information is set forth below. For further information, including to obtain a copy, once filed, of the report required to be filed by Mr. Hernandez and Chanar Blanco in accordance with applicable Canadian securities laws, contact Chanar Blanco at the address specified below.

The issuance of this news release is not an admission that an entity named in this news release owns or controls any described securities or is a joint actor with another named entity.

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