

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE** – August 15, 2013

### **Cerro Grande Mining Corporation Reports 3 Months and 9 Months Results for its Fiscal Period Ended June 30, 2013 Compared to Comparable Period a Year Ago**

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (TSX:CEG) (OTCQX:CEGMF) announced today its interim unaudited consolidated Financial Statements and Management Discussion and Analysis for the 3 months fiscal quarter ended June 30, 2013 compared to the same quarter a year ago and its results for the nine months fiscal period ended June 30, 2013 compared to the nine month period ended June 30, 2012 a year ago and have been filed on SEDAR. The Company refers the reader to those materials for additional information.

The table below shows the summary of unaudited results of the consolidated profit and loss statements for three and nine fiscal month periods ended June 30, 2013 and 2012.

(Expressed in thousands of US dollars except per share amounts)

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>June 30, 2013</b>	<b>June 30, 2012</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
Sales	2,423	7,254	15,079	17,874
Services	-	945	101	1,896
	<u>2,423</u>	<u>8,199</u>	<u>15,180</u>	<u>19,770</u>
<b>Expenses</b>				
Operating costs	4,384	6,460	14,922	15,445
Operating costs for services	8	932	85	1,760
Reclamation and remediation	10	14	32	55
General, sales and administrative	1,206	950	2,970	2,408
Foreign exchange	( 73)	73	( 34)	116
Interest	91	35	235	104
Other gains and losses (net)	( 865)	55	( 821)	97
Impairment charges	2,140	-	2,140	-
Exploration costs	(96)	2,008	1,105	3,021
	<u>6,805</u>	<u>10,527</u>	<u>20,634</u>	<u>23,006</u>
<b>Loss and comprehensive loss before income taxes</b>	<b>( 4,382)</b>	<b>( 2,328)</b>	<b>( 5,454)</b>	<b>( 3,236)</b>
Income tax expense	( 158)	-	( 158)	( 44)
Deferred income tax	392	-	270	-
<b>Loss and comprehensive loss for the period</b>	<b>( 4,148)</b>	<b>( 2,328)</b>	<b>( 5,342)</b>	<b>( 3,280)</b>
	<u><u>( 4,148)</u></u>	<u><u>( 2,328)</u></u>	<u><u>( 5,342)</u></u>	<u><u>( 3,280)</u></u>
<b>Basic and diluted loss per share</b>	<b>( 0.05)</b>	<b>( 0.03)</b>	<b>( 0.06)</b>	<b>( 0.04)</b>
	<u><u>( 0.05)</u></u>	<u><u>( 0.03)</u></u>	<u><u>( 0.06)</u></u>	<u><u>( 0.04)</u></u>

- 1) Consolidated statements of (loss) income and other comprehensive (loss) income for the three fiscal month period ended June 30, 2013 and 2012: (Expressed in thousands of US dollars)
  - a) Revenue for the three month period ended June 30, 2013 decreased over the same period in 2012 due to a decrease in gold sales to 1,590 oz compared to 3,997 oz in the three month period ended June 30, 2012. This, in combination with a drop in the gold price to an average closing price on the LME of \$1,414 for the quarter ended June 30, 2013 (2012-\$1,611).
  - b) Operating expenses for the three months ended June 30, 2013 were \$4,384 compared to \$6,460 for the same period in 2012. The decrease of \$2,076 consists of decreased direct costs of \$353; labor cost of \$132; net smelter return of \$285; indirect costs of \$199, of which \$57 related to mine insurance and \$103 related to a measurement and monitoring program. In addition depreciation and amortization decreased by \$70, refining and metallurgical charges decreased by \$39, inventory variation decreased by \$907 and expansion costs decreased by \$91. Costs from services provided by Pimenton to CDM including management, machinery and equipment rent was \$8 (2012 - \$932).
  - c) General and administrative costs for the three months ended June 30, 2013 were \$1,206 compared to \$950 for the same period in 2012. This \$256 increase was due to an increase of \$305 in stock based compensation; an increase in professional fees of \$32; an increase in insurance and other expenses of \$33. This was offset by a reduction in salaries of \$67 and a reduction in overhead expenses of \$47.
  - d) The Company expenses its exploration costs on properties until a NI 43 -101 compliant resource has been established on a property. As a result during the three month period ended June 30, 2013, the Company expensed \$96 (2012 - \$2,008) of exploration costs as follows: La Bella \$nil (2012 - \$45); Bandurrias \$5 (2012 - \$13); Santa Cecilia \$263 (2012 - \$1,864); Tordillo \$75 (2012- \$nil); Catedral \$16 (2012 - \$14) and other \$71 (2012 -\$72).
  - e) Impairment charges in mining properties, plant and equipment for the three month period ended June 30, 2013 were \$2,140 (2012 - \$nil). The decline in metal prices towards the latter half of the third quarter of 2013 was an indicator of potential impairment. The Company performs impairment testing annually and when impairment indicators are present. Impairment testing is performed using value-in-use, which incorporates reasonable estimates of interest rates, metal prices, production based on current estimates of recoverable mineral reserves and mineral resources and future operating cost.
  - f) Other gains and loss for the three months ended June 30, 2013 was a net gain of \$865 and was principally from a conversion of the \$1,568 convertible unsecured debentures due on June 26, 2013 by the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice Presidents and directors of the Company, which were issued to them on November 15, 2012 and which were due to mature on November 15, 2017 into

5,228,076 common shares at a conversion price \$0.30 per share. These shares were valued at \$375 using the TSX closing price of CA\$0.075 on June 26, 2013 resulting in a gain of \$1,252 of which \$868 was recorded as other income for the three months ended June 30, 2013 and \$384 was recorded as contributed surplus. Net losses for the three month period ended June 30, 2012 amounted to \$55 and were principally from a reduction in the value of shares given to the miners of \$47; labor fines, donations and other expenses of \$8.

Net income after taxes was a negative \$4,148 for the three month period ended June 30, 2013. During the period, the Company had negative cash flow of \$1,427 after an impairment charge of \$2,140.

Net income after taxes for the three month period ended 2012 was a negative \$2,328. During the period, the Company had a negative cash flow of \$1,688 after exploration expenses of \$2,008.

On a stand alone basis for the three month period ended June 30 2013, the Pimenton mine had net loss of \$4,417. Depreciation and amortization amounted to \$574. The Pimenton mine had a negative cash flow of \$1,703 for the three month period ended June 30, 2013. This compares to a positive cash flow of \$762 in the comparable three month period ended June 30, 2012.

Pimenton's cash cost per ounce of gold produced was \$1,907 for the three month period ended June 30, 2013 compared to \$910 in the same period a year ago.

- 2) Consolidated statements of (loss) income and other comprehensive (loss) income for the fiscal nine month period ended June 30, 2013 and 2012: (Expressed in thousands of US dollars)
  - a) Revenue for the nine month period ended June 30, 2013 decreased compared to the same period 2012 due to lower gold sales of 8,300 oz compared to 9,617 oz in the nine month period ended June 30, 2012. This combined with a drop in the gold price to an average closing price of gold on the LME of \$1,588 for the nine ended June 30, 2013 (2012 - \$1,662)
  - b) Operating expenses for the nine months ended June 30, 2013 were \$14,922 compared to \$15,445 for the same period in 2012. The change of \$523 consists of increased labor costs of \$87; direct costs of \$304; indirect costs of \$60; depreciation and amortization of \$145, refining and metallurgical charges of \$7. This was offset by a reduction of net smelter return of \$165; inventory variation of \$833 and expansion costs and other costs of \$128. Costs from services provided by Pimenton to CDM including management, machinery and equipment rent was \$85 (2012 - \$1,760).
  - c) General and administrative costs for the nine months ended June 30, 2013 were \$2,970 compared to \$2,408 for the same period in 2012. This \$562 increase was due to an

increase of \$155 in salaries; an increase in listing fees \$68; an increase in stock based compensation of \$248; an increase in sale expense of \$19; an increase in overhead expenses of \$16, and an increase in patents, notary, licenses and office expenses of \$111. This was offset by a reduction in professional fees of \$55.

- d) The Company expenses its exploration costs on properties until a NI 43 -101 compliant resource has been established on a property. As a result during the nine month period ended June 30, 2013, the Company expensed \$1,105 (2012 – \$3,021) of exploration costs as follows: La Bella \$142 (2012 – \$534); Bandurrias \$27 (2012 – \$31); Santa Cecilia \$336 (2012 - \$2,073); Tordillo \$305 (2012- \$67); Catedral \$58 (2012 – \$56); Cal Norte \$5 (2012 – \$5); and other \$232 (2012 -\$255).
- e) Impairment charges in mining properties, plant and equipment for the nine month period ended June 30, 2013 were \$2,140 (2012 - \$nil). The decline in metal prices towards the latter half of the third quarter of 2013 was an indicator of potential impairment. The Company performs impairment testing annually and when impairment indicators are present. Impairment testing is performed using value-in-use, which incorporates reasonable estimates of interest rate, metal prices, production based on current estimated of recoverable mineral reserves and mineral resources, future operating cost.
- f) Other gains and losses for the three months ended June 30, 2013 were \$821 and was principally from a conversion of the \$1,568 convertible unsecured debenture due on June 26, 2013 by the holders, Mr. David R.S. Thomson and Mr. Mario Hernandez both Executive Vice Presidents and directors of the Company, which was issued to them in November 15, 2012 and was due to mature on November 15, 2017 into 5,228,076 common shares at a conversion price \$0.30 per share. These shares were valued at \$375 using the TSX closing price of CA\$0.075 on June 26, 2013 resulting in a gain of \$1,252 of which \$868 was recorded as other income for the three months ended June 30, 2013 and \$384 was recorded as contributed surplus. Other gains and losses were \$97 in the nine months ended June 30, 2012. The Company paid a labor fines, donations and other expenses of \$65; a reduction in the value of labor shares of \$47. This was offset by interest received of \$15.

Net income after taxes was a negative \$5,342 for the nine month period ended June 30, 2013. During the period, the Company had a negative cash flow of \$1,345 after exploration expenses of \$1,105 and impairment charges of \$2,140.

Net income after taxes was a negative \$3,280 for the nine month period ended 2012. During the period, the Company had negative cash flow of \$1,568 after exploration expenses of \$3,021.

On a stand alone basis for the nine month period ended June 30, 2013, the Pimenton mine had negative net earnings of \$3,416. Depreciation and amortization amounted to \$1,831. In total (net earning plus depreciation and amortization) the Pimenton mine had a positive cash flow of

\$555 for the nine month period ended June 30, 2013. This compares to a positive cash flow of \$2,636 in the comparable nine month period ended June 30, 2012.

Pimenton's cash cost per ounce of gold produced net of by product credits was \$1,250 for the nine month period ended June 30, 2013 compared to \$1,042 in the same period a year ago.

As of June 30, 2013, the Company shows a negative working capital of \$2,942 (2012-\$598). This reduction in working capital was principally due to a reduction in accounts receivable of \$1,376 and an increase in payables to related parties consisted principally of cash advances of \$2,818 provided by David Thomson and Mario Hernandez.

The principal reasons for the poor results in the third quarter ended June 30, 2013, compared to the three months ended June 30, 2012, were a reduction in gold ounces produced, a lower head grade of ore into the mill and a reduction in the price of gold. We are working to improve the ore grades into the mill along with cost reductions in the entire organization. These cost reductions will not be completely recognized until the fourth quarter of our fiscal year ended September 30, 2013.

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

#### Cautionary Statement on Forward-looking Information

*This news release contains "forward-looking information", which may include, but is not limited to, statements with respect to the future financial or operating performance of CEG. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CEG to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements contained herein are made as of the date of this press release based on current expectations and beliefs and CEG disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.*

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