

News Release

CERRO GRANDE MINING CORPORATION

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Cerro Grande Mining Corporation Announces its First Fiscal Quarter Ended December 31, 2014 Results Compared to the Comparable Period in 2013

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (CSE-CEG; OTCQB-CEGMF) reported its unaudited results for its first fiscal quarter ended December 31, 2014 compared to same period in 2013. The Company’s financial statements and MD&A for its fiscal first quarter ended December 31, 2014 compared to the comparable quarter in 2013 have been filed on SEDAR. The Company refers the reader to those materials for additional information.

Revenues totalled US \$2,464,000 for the Company’s first fiscal quarter ended December 31, 2014 which includes gold sales of US\$2,159,000 (1,745 ozs of gold) and copper and silver sales of US\$305,000 compared to revenues in its first quarter ended December 31, 2013 of US \$4,541,000 which includes gold sales of US \$3,884,000 (3,088ozs of gold) and copper and silver sales of US \$657,000.

Net loss before income taxes for the first fiscal quarter ended December 31, 2014 was US \$1,415,000 compared to a loss of US \$1,086,000 in the comparable period a year ago. Net loss after taxes was US \$1,415,000 after depreciation and amortization charges of US \$597,000 and exploration expense of US \$nil. This compares to the same period a year ago when loss after taxes was US \$1,086,000 after depreciation and amortization charges of US \$724,000 and exploration expenses of US \$2,000.

At December 31, 2014 the Company had a negative working capital position of US \$1,576,000 compared to a negative US \$2,747,000 at September 30, 2014.

On a standalone basis, the Pimenton mine had a net loss for its first fiscal quarter ended December 31, 2014 of US \$1,108,000 after depreciation and amortization expense of US \$597,000 compared to the same period in 2013 when the net loss was US \$683,000 after deducting depreciation and amortization expense of US \$716,000.

Overview

The Company is an exploration, development and mining corporation focused in Chile. The Company's primary asset is an operating gold and copper mine in Chile (the "Pimenton Mine"). The Pimenton mine is a narrow high-grade gold and copper mine located in the high mountain range of Chile and encompasses 3,121 hectares (7,708 acres).

The Company's other major assets are a porphyry copper deposit (the "Pimenton Porphyry") and other projects in various stages of exploration and development in Chile which include "Santa Cecilia", "Tordillo", and two limestone deposits "Catedral" and "Cal Norte".

Operational Highlights

- Gold produced by the Pimenton Mine for the three months ended December 31, 2014 was 1,822 oz compared to 2,558 oz produced in the prior quarter.
- Pimenton's cash cost for the first quarter ended December 31, 2014 was \$1,119 per ounce of gold produced net of by product credits, compared to \$991 per oz in the prior quarter.
- Pimenton's production cost, which includes depreciation and amortization, for the first quarter ended December 31, 2014, was \$1,444 per ounce of gold produced net of by product credit, compared to \$2,002 per oz in the prior quarter.
- The average gold recovery for the three months ended December 31, 2014 was 95.10% compared to 94.28% in the prior quarter.
- The Company expects the mine to maintain milling rates of 120 tons per day depending on the rate of conversion of its known resources to reserves.
- Currently the plant has been permitted to operate at an average of 166 tons per day. The Company has prepared but not yet submitted permits to take the mine up to 500 tons per day.

Financial Highlights

- Loss before income taxes for the three months period ended December 31, 2014 was \$1,415,000 compared to a loss of \$1,086,000 in the same three month period in 2013.
- Average price per ounce of gold sold for the three months ended December 31, 2014 was \$1,207 (2013 - \$1,258).
- Net loss after income taxes for the three months ended December 31, 2014 was \$1,415,000 compared to \$1,086,000 in the same three month period in 2013.
- Basic loss per share for the three months ended December 31, 2014 was a loss of 0.008 cents per share (2013 – 0.011).
- At December 31, 2014, the Company had cash and cash equivalents of \$245,000 compared to \$87,000 at September 30, 2014.
- Cash flow provided by operating activities for the quarter ended December 31, 2014 was \$202,000 (2013 - \$750,000).

Other Highlights

- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, the Santa Cecilia project, Tordillo exploration and the Catedral/Rino and Cal Norte limestone deposits are not reflected in the Company's market capitalization. The Company will continue its effort to enhance the underlying values of its assets.
- On October 24, 2014 Mr. David Thomson and Mr. Mario Hernandez, both Officers and Directors of the Company, through their respective companies have (i) Subscribed to a Private Placement of units of the Company for cash proceeds of US\$700,000 (the "Placement"), and (ii) extinguish certain outstanding indebtedness owed to the Directors by issuing common shares of the Company (each, a "Common Share") in settlement of such debt (the "Debt Settlement"). The Placement and Debt Settlement has been completed in order to immediately improve the financial position of the Company given the serious financial difficulties it is currently facing, and with a view of setting the Company on firm financial ground to carry out its mining business in Chile in the future.
- Pursuant to the Placement the Company has issued an aggregate of 15,743,000 units of securities of the Company (each, a "Unit") at CDN\$0.05 per Unit, with each Unit comprising one Common Share and one Common Share purchase warrant (each, a "Warrant"), with each Warrant exercisable for a period of 5 years to purchase one Common Share at CDN\$0.07. Proceeds of the Placement are expected to be used for general working capital purposes, including, but not limited to, corporate and administrative purposes.
- Pursuant to the Debt Settlement, the Company has extinguished outstanding indebtedness in the aggregate amount of US\$2,162,000 owed to these Directors, such indebtedness being made up of accrued but unpaid royalty payments and service fees owed to the Directors and

cash advances made to the Company by the Directors and interest thereon, by issuing an aggregate of 48,645,220 Common Shares (representing an issue price of CDN\$0.05 per share) in full and final settlement thereof. All dollar amounts have been converted at an exchange rate of CND\$1.1245 per US\$1.

- In January 2015 the Company was successful in extending its labour contract with the Union at the Pimenton mine by one year (February 2016 to February 2017). The agreed extension was due to the Pimenton mine's management agreeing to a 7 by 7 shift compared to the actual 10 by 5 shift along with a 3% increase in base wages. The Company believes the small adjustment in wages will be more than offset through adjustments to plant and mine operations and an increased productivity of the mine workers.

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.