

Cerro Grande Mining Corporation Announces Letter of Intent to acquire the Assets relating to the Pimentón Copper Gold Mining Project

TORONTO, July 15, 2020 -- Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”) (CSE:CEG) announces that it has entered into a non-binding letter of intent (the “**LOI**”) with Minera Tamidak Limitada (“**Tamidak**”), a private Chilean company owned by David Thomson and his family, to acquire from Tamidak certain assets, rights and obligations of Tamidak relating to the Pimentón Copper Gold Mining Project. The Pimentón Mining Project covers 3,121 hectares located approximately 120km northeast of Santiago in the Andes mountains in Chile, and hosts the Company’s former Pimentón gold mine which closed down in May 2017 and was subsequently forfeited to the liquidator when the Company’s subsidiary Compañía Minera Pimentón entered into voluntary bankruptcy proceedings in June 2017. Tamidak acquired the Pimentón Mining Project in those bankruptcy proceedings on June 25, 2018.

Pursuant to an asset purchase agreement to be negotiated by the parties (the “**APA**”), CEG’s Chilean subsidiary Minera Til Til SpA would acquire from Tamidak the mining concessions and other assets covering the Pimentón Mining Project as well as Tamidak’s rights and obligations under the Exploration and Option to Joint Venture Agreement (the “**FQM Agreement**”) entered into on or about April 27, 2020 between Tamidak and FQM Exploration (Chile) S.A. (“**FQM**”), a Chilean subsidiary of First Quantum Minerals Ltd.

In summary, the FQM Agreement provides that:

- (a) during the 12-month period following execution of the FQM Agreement (extensible up to 18 months), subject to permitting, FQM will proceed with a 3D deep penetrating geophysical survey, upon the completion of which FQM will have the right to continue to earn a 49% equity interest in a joint venture company (the “**JV Company**”) to be incorporated by the parties;
- (b) after the completion of the 3D survey, FQM will, among other things and subject to certain conditions (including termination rights), (i) work towards completing a resource report concerning the Pimentón properties in accordance with reporting standards set out in National Instrument 43-101 - Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators; and (ii) complete an in-house feasibility study sufficient to lead to a decision to mine, in each case at the expense of FQM. If such 43-101 report is timely completed and other conditions are met, FQM may elect to form the JV Company (49% FQM and 51% Tamidak) upon payment to Tamidak of US\$5 million. If FQM timely completes such feasibility study, and upon payment to Tamidak of an additional US\$5 million, FQM will increase its equity interest in the JV Company to up to 70% (70% FQM and 30% Tamidak).
- (c) If a Decision to Mine, as such concept is defined in the FQM Agreement is made, Tamidak may elect to request that FQM fund its capital contributions until commercial production of the mine has started, through a loan to Tamidak, diluting Tamidak’s participation in the JV Company to 25% and providing FQM with an extra 5% interest (75% FQM and 25% Tamidak).
- (d) Tamidak has the right to resume the exploitation of the existing Pimenton mine subject to the terms described in the FQM Agreement.

Pursuant to the LOI, the total purchase price (the “**Purchase Price**”) payable under the APA for the acquisition of Tamidak’s assets relating to the Pimentón Mining Project and the rights and obligations of Tamidak under the FQM Agreement will be approximately 4,236,999,999 Chilean Pesos (approximately CDN\$7,303,535 based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on July 14, 2020 as published by the Central Bank of Chile), will not be subject to adjustment after the execution of the APA, and will be payable in three equal installments as follows: (i) \$1,412,333,333 Chilean Pesos (approximately CDN\$2,434,511 upon execution of the APA (the “**Execution Date**”), payable in common shares of CEG at a price per share equal to the greater of (A) the simple average of the closing price per CEG common share on the Canadian Securities Exchange (“**CSE**”) for the 10 consecutive trading days ending on the date immediately prior to the date of execution of the APA; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time); (ii) 1,412,333,333 Chilean Pesos (approximately CDN\$2,434,511) on the date that is not more than 18 months following the Execution Date, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time); and (iii) 1,412,333,333 Chilean Pesos (approximately CDN\$2,434,511) on the date that is not more than 36 months following the Execution Date, payable in cash or its equivalent in common shares of CEG, as Tamidak may elect in its sole and absolute discretion, at a price per share equal to the greater of (A) the simple average of the closing price per CEG Common Share on the CSE for the 10 consecutive trading days ending on the date immediately prior to such payment being made; and (B) CDN\$0.05 per share (or such other minimum price per share as may be in effect pursuant to the policies and rules of the CSE at the relevant time). In case of payments to be made in shares of CEG as aforementioned, the number of CEG shares issuable shall be determined based on the nominal exchange rate of the Chilean peso to the Canadian dollar determined on the day before the applicable payment as published by the Central Bank of Chile.

If any of the Purchase Price installments indicated in (ii) and (iii) above is not timely and fully paid to Tamidak, the APA will be automatically terminated and CEG must return all the Assets and the rights and obligations under the FQM Agreement to Tamidak. In such case Tamidak shall retain all payments previously made to it under the APA as compensatory damages, without prejudice to any other damages that Tamidak may be entitled to by law.

During the term of the LOI parties will negotiate in good faith the final exact amount of the Purchase Price.

The execution of the APA and the completion of the transactions thereunder is subject to following conditions precedent: (i) the negotiation of a final execution ready form of APA between the parties; (ii) satisfactory completion of legal and technical due diligence by CEG in its sole discretion; (iii) there being no material adverse change in the business, results of operations, prospects, condition (financial or otherwise), as applicable, relating to the assets and the mining concessions to be purchased according to the APA and the FQM Agreement and (iii) obtaining all applicable corporate, legal, shareholder and/or stock exchange approvals or permits.

To the extent, the parties negotiate a final execution ready form of APA and agree to complete the acquisition contemplated thereby, such acquisition will constitute a related party transaction for CEG. As such, the Company intends to seek minority approval of shareholders for the transaction in accordance with Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). Pursuant to MI 61-101, the transaction would not be subject to the formal valuation requirement because the common shares of the Company are not listed on a specified market being those markets described in section 5.5(b) of MI 61-101.

The LOI will automatically terminate and be of no further force and effect upon the earlier of: (a) the execution of the APA by the parties; (b) mutual agreement of the parties; or (c) October 13, 2020. Tamidak has agreed that, until such time as the LOI has terminated as aforementioned, it will not initiate, solicit, entertain, negotiate, accept or discuss, directly or indirectly, any proposal or offer from any person or group of persons other than CEG and its affiliates to directly acquire all or any portion of the assets and the mining concessions to be purchased according to the APA and/or the rights and obligations of Tamidak under the FQM Agreement or enter into any agreement, arrangement or understanding requiring it to abandon, terminate or fail to consummate the transactions set forth in the LOI with the Company.

The LOI reflects the current intention of the parties but for the avoidance of doubt the LOI does not give rise to any legally binding or enforceable obligation on any party to enter into the APA or to complete the transactions contemplated thereby.

This news release was prepared by management of CEG which takes full responsibility for its contents.

Cerro Grande Mining Corporation is an exploration and development company with properties and activities currently focused in Chile.

Cautionary Statement on Forward-looking Information:

This press release contains certain “forward-looking information”. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, the negotiation of the APA and the completion of the anticipated transaction described in this news release) constitute forward-looking information.

This forward-looking information reflects the current expectations or beliefs of the Company based on information currently available to the Company as well as certain assumptions including, the ability of the Company to enter into the APA and to complete the acquisition of the assets, mining concessions and rights and obligation of Tamidak under the FQM Agreement in a timely manner. Forward-looking information is subject to a number of significant risks and uncertainties and other factors that may cause the actual results of the Company to differ materially from those discussed in the forward-looking information, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations, include, but are not limited to, an unsuccessful due diligence review by the Company of the assets and the mining concessions, the inability of the Company to enter into the APA and/or complete the transactions contemplated thereby and, if the APA is agreed to, the failure to obtain minority shareholder approval to the transaction as required by MI 61-101.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

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