

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE – February 20, 2020**

### **Cerro Grande Mining Corporation Announces Issuance of Convertible Unsecured Debentures for Prior Cash Advances**

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”) (CSE:CEG) (OTCQB:CEGMF) announced today that it has issued unsecured convertible debentures in the aggregate principal amount totaling approximately US\$3,786,979 ((or CDN\$4,918,529) using an exchange rate of US\$1.00/CDN\$1.2988)) (the “**Debentures**”).

Mario Hernandez, (“**Hernandez**”) a director and officer of the Company, personally and through Compañía Minera Chanar Blanco S.A. (“**Chanar Blanco**”), a company controlled by Hernandez and David Thomson, (“**Thomson**”) a director and officer of the Company, through Compañía Minera Auromin Ltda (“**Auromin**”), a company controlled by Thomson, have each acquired one Debenture convertible into common shares of the Company (each, a “**Common Share**”). Hernandez has acquired a Debenture in the principal amount of US\$33,965.59 (CDN\$44,114.50), Chanar Blanco has acquired a Debenture in the principal amount of US\$603,657.29 (CDN\$784,030.08) and Minera Auromin has acquired a Debenture in the principal amount of US\$3,149,356.87 (CDN\$4,090,384.70). The outstanding amount of principal under each Debenture is convertible into Common Shares at a conversion price (the “**Conversion Price**”) equal to the greater of (i) CDN\$0.05 per Common Share, and (ii) the simple average of the closing price per Common Share on the Canadian Securities Exchange (or such other exchange on which the Common Shares may then be listed) for the 15 consecutive trading days period ending immediately prior to the date of the notice of conversion provided by the holder of the Debenture to the Company. On this basis, each of Hernandez, Chanar Blanco and Minera Auromin, can acquire at their option, at any time after the date that is 180 days from the date hereof until maturity, up to

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882,290, 15,680,601 and 81,807,694 Common Shares, respectively, upon conversion of the full amount of principal under their respective Debentures.

The Debentures have been issued in exchange for the cancellation of cash advances made to the Company up to December 31, 2019 by each of Hernandez, Chanar Blanco and Minera Auromin in the aggregate amount of US\$3,786,979.75. The cash advances were used for working capital purposes and to pay for the Company's MAG and DCIP surveys conducted on the Company's Tordillo property by Quantec Geoscience. The Debentures mature on February 20, 2025 and 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 Canadian Securities Exchange, equals or exceeds CDN\$0.15 per Common Share for a period of 20 consecutive trading days (the "**Acceleration Period**").

Each Debenture issuance to Hernandez, Chanar Blanco and Minera Auromin, (the "**Related Parties**") respectively, constitutes a "related party transaction" under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* ("**MI61-101**"). The Company is relying on the "financial hardship" exemptions from both the formal valuation and minority shareholder approval requirements of MI61-101 in connection with such issuances. In reliance thereon, the Board of Directors of the Company (other than Hernandez and Thomson who abstained from voting), including all of its independent members, have unanimously concluded that the Company is in serious financial difficulty and the contemplated transactions, the terms of which are reasonable in the circumstances, will improve the financial position of the Company. There is no requirement, corporate or otherwise (including pursuant to the rules of the Canadian Securities Exchange), to hold a meeting to obtain any approval of the holders of Common Shares in connection with the issuances.

The Related Parties currently hold or control 272,054,904 Common Shares representing approximately 80.16% of the issued and outstanding Common Shares. After giving effect to the conversion of the Debentures, if and when converted, and which conversion may not take place prior to the date that is 180 days from the date hereof, the Related Parties would hold approximately 84.6% of the Common Shares.

The Company is a mineral exploration and development company with properties and activities currently focused in Chile.