

News Release

CERRO GRANDE MINING CORPORATION

Registered Office:
79 WELLINGTON STREET WEST, SUITE 2300
TORONTO, ONTARIO M5K 1H1
CANADA

Toronto Office:
67 YONGE STREET, OF. 1201
TORONTO, ONTARIO M5J 1J8
CANADA

Santiago Office:
AVDA. SANTA MARIA 2224
PROVIDENCIA, SANTIAGO, CHILE
Telephone: 56-2-569 6200

For further information, contact:
Stephen W. Houghton, CEO
David R. S. Thomson, EVP
E-Mail: ceg@cegmining.com
Telephone: 56-2-569 6200
Website: www.cegmining.com

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Cerro Grande Mining Corporation Reports 3 Months and 9 Months Results for its Fiscal Period Ended June 30, 2012 Compared to a Year Ago

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (TSX-CEG; OTCQX-CEGMF) announced today its interim consolidated Financial Statements and Management Discussion and Analysis for the 3 months fiscal quarter ended June 30, 2012 compared to the comparable quarter a year ago and its results for the 9 month period ended June 30, 2012 compared to the 9 month period ended June 30, 2011 a year ago have been filed and the Company refers the reader to those materials for additional information.

For the 3 months fiscal quarter ended June 30, 2012 revenues totalled \$8,199,000 of which gold sales were \$6,295,000 (3,962 ozs of gold), sales of copper and silver were \$959,000 and service revenue was \$945,000 compared to total revenues of \$7,695,000 for the comparable period a year ago which included gold sales of \$6,640,000 (4,305 ozs of gold) and sales of copper and silver of \$1,055,000 and services revenue nil. The service revenue of \$945,000 in the 3 months ended June 30, 2012 relate to service charges for drilling costs and services on the Santa Cecilia project against actual expenses of \$932,000.

Net income was a negative \$2,328,000 for the 3 months ended June 30, 2012 compared to a positive net income of \$2,306,000 for the comparable period in 2011.

Exploration costs were \$2,008,000 in the 3 months ended June 30, 2012 compared to \$172,000 for the comparable period a year ago following the Company previous policy of writing off exploration costs until NI 43-100 resources are established and as required under the new IFRS accounting standards.

Operating costs for the 3 months ended June 30, 2012 were \$5,819,000 compared to \$4,119,000 for the comparable period a year ago. The principal reasons for the increase in operating costs of \$1,700,000 during the quarter ended March 31, 2012 were:

- (1) Increase in labor costs of \$524,000 which included partial payment of the bonus to the Pimenton mine union workers and non union workers in return for a 4 year labor agreement which amounted to \$313,000 (a part of this bonus amounting to \$364,000 was paid in March, 2012);
- (2) An increase in operating cost \$1,005,000 relating to unsold gold and copper inventory.

For the 9 months ended June 30, 2012 revenues totalled \$19,770,000 which included gold sales of \$15,728,000 (9,617 ozs of gold), \$2,146,000 sales of copper and silver and \$1,896,000 of revenues from services compared to \$18,715,000 of revenues in the comparable period a year ago which included \$15,990,000 of gold sales (11,262 ozs of gold) and \$2,725,000 of copper and silver sales and services revenue nil. Gold and copper sales were lower in the first 9 months of 2012 due to a production stoppage for approximately three weeks during the first 3 months of the Company's first fiscal quarter ended December 31, 2011, due to a fatigued ball mill crown gear which also caused a production slow down in the plant.

Net income for the 9 months ended June 30, 2012 was a negative \$3,280,000 compared to a positive net income of \$2,787,000 for the same period in 2011. This was in part the result of exploration costs of \$3,021,000 for the 9 months ended June 30, 2012 compared to \$865,000 in the comparable period in 2011 following the Company's previous policy of writing off exploration costs until NI 43-101 resources are established on a project and as required by the new IFRS accounting standards.

Operating costs for the 9 months period ended June 30, 2012 were \$13,732,000 compared to \$9,806,000 for the comparable period a year ago. The principal reasons for the increase in operating costs of \$3,926,000 during the 9 months period ended June 30, 2012 were:

- (1) Increase in labor costs of \$1,420,000 which included the previously discussed bonus payment of \$677,000 for the Pimenton union and non-union workers in return for a four year labor contract.
- (2) Increase in services costs of \$516,000 which included external payments for maintenance and repairs to machinery and equipment of \$459,000.

(3) Increase in fuel supply costs of \$274,000.

(4) An increase in operating costs of \$1,634,000 relating to unsold gold and copper inventory.

Working capital for the period ended March 31, 2012 was a negative \$598,000 as of June 30, 2012.

Stephen W. Houghton, CEO stated that we are pleased to be in a position to be able to conduct exploration activities. Many junior mining companies have had to severely cut their exploration budgets due to a lack of an operating and profitable mining operation such as the Company's Pimenton mine. He also noted that operating costs during the 9 months period ended June 30, 2012 were impacted by several one time events such as the bonus paid to the workers at the Pimenton mine in the amount of \$677,000 to obtain a 4 year labor contract and the external payment for repair and maintenance of equipment of \$516,000. The increase in operating costs of \$1,634,000 relating to unsold gold and copper inventory was caused by the timing difference of actual production dates and the sales date of gold and copper which will in fact be realized in the succeeding quarters.

Pimenton

The Company expects an improvement in the Pimenton mine's gold ounces produced over the next months as it reaches higher grades of gold and increases its meters of advance in mine development. This will be accomplished in part with the addition to our mining fleet of 4 new LHD's, 2 new Hagg Loaders and a new mini jumbo drill. We expect this equipment to arrive over the next 3 to 4 months.

Diamond drill hole N° 5 on the Pimenton porphyry deposit was terminated at 800 meters due to snow conditions. We expect to continue drilling this hole in the Chilean spring.

Santa Cecilia

The Company's second drill hole at its Santa Cecilia reached a depth of 1,597 meters, as reported by the Company on June 19, 2012.

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.

Renmark Financial Communications Inc.

Erica Lomonaco: elomonaco@renmarkfinancial.com

Gareth Charles: gcharles@renmarkfinancial.com

Tel.: (514) 939-3989 or (416) 644-2020

www.renmarkfinancial.com