

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE** – May 16, 2014

### **Cerro Grande Mining Corporation Reports 3 Months and 6 Months Results for its Fiscal Period Ended March 31, 2014 Compared to Comparable Period a Year Ago and Subsequent Event**

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 March 31, 2014 compared to the same quarter a year ago and its results for the six months fiscal period ended March 31, 2014 compared to the six month period ended March 31, 2013 a year ago have been filed on SEDAR and 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 the six and three fiscal month periods ended March 31, 2014 and 2013. (Expressed in thousands of US dollars except per share amounts)

|  | <b>Three months ended</b> |                           | <b>Six months ended</b>   |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | <b>March 31,<br/>2014</b> | <b>March 31,<br/>2013</b> | <b>March 31,<br/>2014</b> | <b>March 31,<br/>2013</b> |
| <b>Revenue</b>   | <b>\$</b>                 | <b>\$</b>                 | <b>\$</b>                 | <b>\$</b>                 |
| Sales  | 4,233                     | 6,199                     | 8,774                     | 12,656                    |
| Services   | -                         | 126                       | -                         | 101                       |
|  | <u>4,233</u>              | <u>6,225</u>              | <u>8,774</u>              | <u>12,757</u>             |
| <b>Expenses</b>  |                           |                           |                           |                           |
| Operating costs  | 4,909                     | 5,841                     | 9,699                     | 10,538                    |
| Operating costs for services                           | -                         | 24                        | -                         | 77                        |
| Reclamation and remediation                            | 11                        | 11                        | 22                        | 22                        |
| General, sales and administrative                      | 577                       | 910                       | 1,347                     | 1,764                     |
| Foreign exchange                                       | (8)                       | (4)                       | (58)                      | 39                        |
| Interest   | (5)                       | 95                        | 90                        | 144                       |
| Other gains and losses (net)                           | (3)                       | 43                        | 6                         | 44                        |
| Exploration costs                                      | -                         | 506                       | 2                         | 1,201                     |
|  | <u>5,481</u>              | <u>7,426</u>              | <u>11,108</u>             | <u>13,829</u>             |
| <b>Loss and comprehensive loss before income taxes</b> | <b>(1,248)</b>            | <b>(1,201)</b>            | <b>(2,334)</b>            | <b>(1,072)</b>            |
| Income tax expense                                     | -                         | 189                       | -                         | -                         |
| Deferred income tax                                    | -                         | (70)                      | -                         | (122)                     |
| <b>Loss and comprehensive loss for the period</b>      | <b>(1,248)</b>            | <b>(1,082)</b>            | <b>(2,334)</b>            | <b>(1,194)</b>            |
| <b>Basic and diluted loss per share</b>                | <b>(0.01)</b>             | <b>(0.01)</b>             | <b>(0.01)</b>             | <b>(0.01)</b>             |

- 1) Consolidated statements of income and other comprehensive (loss) income for the three month period ended March 31, 2014 and 2013:
  - a) Revenue for the three month period ended March 31, 2014 decreased over the same period 2013 due to a drop in the price of gold and sales of 2,785 oz compared to sales of 3,373 oz in the three month period ended March 31, 2013.
  - b) Operating expenses for the three months ended March 31, 2014 were \$4,909 compared to \$5,841 for the same period in 2013. The decrease of \$932 consists basically in a drop in labor and mine operating costs.

- c) General and administrative costs for the three months ended March 31, 2014 were \$577 compared to \$910 for the same period in 2013. This significant drop of \$333 was mainly due to a decrease of \$264 in salaries. Other variations were an increase in sales expenses of \$28; an increase in listing fees of \$38; a decrease in professional fees of \$52 and a reduction in overhead expenses of \$83.
  - d) The Company expenses its exploration expenditures on properties until a NI 43 -101 compliant resource has been established on a property. As a result during the three month period ended March 31, 2014, the Company expensed \$nil (2013 – \$506) of exploration costs as follows: La Bella \$nil (2013 – \$31); Bandurrias \$nil (2013 – \$18); Santa Cecilia \$nil (2013 - \$179); Tordillo \$nil (2013- \$160); Catedral \$nil (2013 – \$43); Cal Norte \$nil (2013 – \$5); and other \$nil (2013 -\$70).
- 2) Consolidated statements of income and other comprehensive (loss) income for the six month period ended March 31, 2014 and 2013:
- a) Revenue for the six month period ended March 31, 2014 dropped over the same period 2013 due to decreased gold sales of 5,910 oz compared to 6,737 oz in the six month period ended March 31, 2013. Added to this the price of gold has also dropped significantly
  - b) Operating expenses for the six months ended March 31, 2014 were \$9,699 compared to \$10,538 for the same period in 2013. The decrease of \$839 is due to a continuing campaign to reduce costs.
  - c) General and administrative costs for the six months ended March 31, 2014 were \$1,347 compared to \$1,764 for the same period in 2013. This \$417 decrease is also in line with the cost reduction campaign.
  - d) The Company expenses its exploration expenditures on properties until a NI 43 -101 compliant resource has been established on a property. As a result during the six month period ended March 31, 2014, the Company expensed \$2 (2013 – \$1,201) of exploration costs.

3) Consolidated Cash flow for the six months ended March 31,2014

Cash generated by the Pimenton Mine continues to decrease due to drops in gold sales and prices. As a result the Company's capital expenditures related primarily to expenditures at the Pimenton Mine were \$234 for the six month period ended March 31, 2014 (2013 - \$2,889) and have been limited to the minimum requirements.

4) Consolidated Statement of Financial Position as at March 31, 2014

As at March 31, 2014, the Company had a negative working capital of \$1,429 (2012 negative \$218). David Thompson and Mario Hernandez have provided funds for working capital during prior quarters. \$2,719 of these funds were converted to a loan which will be repaid by July 2016 at a 5% interest rate.

### **Subsequent event**

On Friday the 9<sup>th</sup> of May, 2014 the Municipality of San Esteban in which the Pimenton Mine and installations are located, ordered the mine shut down because the Pimenton Mine lacks the proper municipal permit for the plant and camp buildings.

The Company has undergone a long process of permitting with the municipality and all other relevant government authorities over a number of years which has resulted in all the appropriate permits being issued except the final one for the plant and camp buildings which is based to large extent on first receiving other permits or certificates dealing with water use, land use, health and safety and structural calculations amongst others. The only missing document is the certificate relating to the structural calculations used in the construction of the plant and camp buildings.

At this moment, the company is concentrating its efforts on getting the already completed structural calculations approved by a required third party specialist so that it can be filed with the municipality in order to get the last remaining permit issued. Until such time as this permit is issued operations at the Pimenton Mine will be on hold. The company cannot predict how long it will take the municipality to issue the final permit for the mine plant and buildings, but is reasonably confident that it will be done quickly in order to restart operations at the Pimenton Mine.

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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