

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE** – January 29, 2015

### **Cerro Grande Mining Corporation Announced its Consolidated Profit and Loss for the Fourth Quarter and Year Ended September 30, 2014 with Comparatives for the Same Periods in 2013**

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “Company” or “CEG”) (CSE:CEG) (OTCQB:CEGMF) announced today its audited Consolidated Financial Statements and Management Discussion and Analysis for its fourth quarter and year ended September 30, 2014 with the comparatives for the same periods in 2013 have been filed on SEDAR. The Company refers the reader to those materials for additional information.

## SUMMARY FINANCIAL RESULTS

The table below sets out the consolidated loss for fourth quarter and year ended September 30, 2014 and 2013.

	Three months ended		Twelve months ended	
	Sept 30, 2014	Sept 30, 2013	Sept 30, 2014	Sept 30, 2013
<b>Revenue</b>	\$	\$	\$	\$
Sales	3,067	3,598	14,064	18,677
Services	-	-	-	101
	<u>3,067</u>	<u>3,598</u>	<u>14,064</u>	<u>18,778</u>
<b>Expenses</b>				
Operating costs	2,908	3,659	15,868	18,581
Operating costs for services	-	-	-	85
Reclamation and remediation	25	10	45	42
General, sales and administrative	1,276	529	3,138	3,499
Foreign exchange	(112)	50	(186)	16
Interest	86	80	324	315
Other gains and losses (net)	(40)	(5)	(96)	42
Impairment charges	-	-	-	2,140
Exploration costs	5	81	195	1,186
	<u>4,148</u>	<u>4,404</u>	<u>19,288</u>	<u>25,906</u>
<b>Loss and comprehensive loss before income taxes</b>	(1,081)	(806)	(5,224)	(7,128)
Income tax (expense)/recovery	-	(43)	77	(201)
Deferred income tax	-	839	-	1,109
<b>Loss and comprehensive loss for the period</b>	<u>(1,081)</u>	<u>(10)</u>	<u>(5,147)</u>	<u>(6,220)</u>

1) Consolidated statements of loss and other comprehensive loss for the three months ended September 30, 2014 and 2013:

- a) Revenue for the three months ended September 30, 2014 decreased over the same period in 2013 due to a decrease in gold production and sales to 2,068 oz compared to 3,031 oz in the three month period ended September 30, 2013. These factors, in combination with a drop in the gold price during the quarter ended September 30, 2014, have led to lower results.

- b) Operating expenses for the three months ended September 30, 2014 were \$3,512 compared to \$3,659 for the same period in 2013. The decrease of \$147 is mainly a result of a decrease in direct labor cost considering the drop in the price of gold.
  - c) General and administrative costs for the three months ended September 30, 2014 were \$411 compared to \$529 for the same period in 2013. This \$118 decrease was due mainly to a reduction in staff costs and overheads.
  - d) The Company expenses its exploration costs on properties until a NI 43-101 compliant resource has been established on a property. As a result during the three months ended September 30, 2014, the Company expensed \$5 (2013 – \$81).
- 2) Consolidated statements of loss and other comprehensive loss for the year ended September 30, 2014 and 2013:
- a) Sales revenue for the year ended September 30, 2014 decreased by \$ 4,613 compared to the same period in 2013 due to lower gold production and sales of 9,220 oz compared to 10,591 oz in the year ended September 30, 2013. The mine was shut down for a five week period during the third quarter and had no production during that time. These factors, in combination with a drop in the gold price and the grade for the year ended September 30, 2014, have led to lower results for this year.
  - b) Operating expenses for the year ended September 30, 2014 were \$15,868 compared to \$18,581 for the same period in 2013. The reduction of \$2,713 is explained principally by a reduction in staff in order to compensate for the drop in production due to the mine closure as well as the drop in the price and grade of gold.
  - c) General and administrative costs for the year ended September 30, 2014 were \$3,138 compared to \$3,499 for the same period in 2013. The decrease of \$361 can be attributed to a reduction of staff costs and overheads.
  - d) The Company expenses its exploration costs on properties until a NI 43-101 compliant resource has been established on a property. As a result during the year ended September 30, 2014, the Company expensed \$195 (2013 – \$1,186).
  - e) Other net (gains)/losses for the year ended September 30, 2014 were \$96.
- 3) Consolidated Cash flow for the year ended September 30, 2014

Cash generated by the Pimenton Mine decreased due to operational problems, the mine closure and the drop in the price and grade of gold. The operational problems related to delays in a main drive to reach known ore shoots below the existing levels and the mine being forced to close for a 5 week period by the Municipality of San Esteban due to a missing permit.

#### 4) Consolidated Statement of Financial Position as at September 30, 2014

As of September 30, 2014, the Company shows a negative working capital of \$2,747 (2013—surplus \$187). This reduction in working capital was mainly due to a reduction in both inventories and funds provided by David Thomson and Mario Hernandez.

The following information is provided for each of the eight most recent quarterly periods ending on the dates specified. The figures are extracted from underlying unaudited financial statements.

### **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 year ended September 30, 2014 was 9,220 oz compared to 10,835 oz in the prior year.
- The average gold recovery for the year ended September 30, 2014 was 93.73% compared to 94.28% in the prior year.
- The Company expects the mine to increase milling rates to 140 tons per day based on its known resources and reserves.
- Currently the plant has been permitted to operate at an average of 166 tons per day.
- Non-IFRS Measures:
  - Pimenton's cash cost for the year ended September 30, 2014 was \$935 per ounce of gold produced net of by product credits, compared to \$1,191 per oz in the prior year.
  - Pimenton's production cost including depreciation and amortization for the year ended September 30, 2014 was \$1,223 per ounce of gold produced net of by product credit compared to \$1,422 per oz in the prior year.

### **Financial Highlights**

- Loss before income taxes for the year ended September 30, 2014 was \$5,224 (2013 - \$7,128 which included an impairment charge of \$2,140). Loss before income taxes for the three months ended September 30, 2014 was \$1,081 (2013- \$806).
- Average price per ounce of gold during the year ended September 30, 2014 was \$1,282 (2013 - \$1,536). Average price per ounce of gold during the three months ended September 30, 2014 was \$1,255 (2013 - \$1,327).
- Net loss after income taxes for the year ended September 30, 2014 was \$5,147 compared to \$6,220 in the same period in 2013. Net loss after income taxes for the three months ended September 30, 2014 was \$795 compared to \$10 for the same period in 2013.
- Basic loss per share for the year ended September 30, 2014 was \$0.05 per share compared to \$0.06 per share in the same period 2013.
- At September 30, 2014, the Company had cash and cash equivalents of \$87 compared to \$53 at September 30, 2013.
- Cash flow from operations as at September 30, 2014 was negative \$289 (2013- negative \$2,338).

## **Other Highlights**

- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, Santa Cecilia project, Tordillo exploration and the Catedral/Rino and Cal Norte limestone deposits are not currently reflected in the Company's market capitalization. The Company will continue its effort to enhance the underlying values of its assets.
- As mentioned in our second quarter filings, in March 2014 Loewen, Ondaatje, McCutcheon Limited, Toronto, Ontario, Canada ("LOM") completed a Valuation report for the Company which valued the Company at USD\$14,880. This report was referred to in an April 14, 2014 press release filed on SEDAR. The LOM valuation may have been performed under different requirements to International Financial Reporting Standards ("IFRS") and consideration of any impairment under IFRS is under constant monitoring by the Board.
- On May 9, 2014 the Municipality of San Esteban, in which the Pimenton Mine and installations are located, ordered the mine shut down because the Mine lacked a 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 a 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 was a certificate relating to the structural calculations used in the construction of the plant and camp buildings. The Company presented the already completed structural calculations approved by a required third party specialist and successfully obtained the last remaining permit issued. As a consequence of the above, the mine obtained permission to restart its

operations on June 16<sup>th</sup>.

- As informed in a press release dated July 4<sup>th</sup>, the company signed a Private Placement Debenture for up to US\$3,000 of debentures to be issued. Westmount Capital is a Switzerland-based capital market firm and has been engaged to assist with identifying and introducing purchasers to the Company related to the placement which shall be repaid in 6 semi-annual instalments either in cash or in gold dore produced by the Pimenton Mine at a deemed price per ounce of gold of US\$ 1,157. The Debentures will bear an annual interest rate of 6% to be paid in cash quarterly in arrears. As of this date, this Private Placement has not occurred in the terms and amounts previously stated and only USD 100,000 have been raised. As of November 6, 2014 a subscription agreement for debentures was executed and the terms have changed as repayment in gold has been agreed at a price per ounce of gold of US\$ 1,057 and the Debenture will bear an annual interest rate of 10% to be paid in cash quarterly in arrears.
- On July 28<sup>th</sup>, the Company was advised by the Toronto Stock Exchange (TSX) that the Continued Listing Committee of the TSX had decided to delist the Company effective August 25<sup>th</sup> primarily under Section 710 (a) (i) Financial condition. However, the Company applied for listing with the Canadian Security Exchange (CSE). This application was successful and the Company is now listed with the Canadian Security Exchange (CSE).
- Subsequent to year end, on October 24, 2014 Mr. David Thomson and Mr. Mario Hernandez, both Officers and Directors of the Company, through their respective companies have (i) Suscribed to a Private Placement of units of the Company for cash proceeds of US\$700 (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, 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 we were successful in extending our 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.*