

# News Release

## CERRO GRANDE MINING CORPORATION

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**FOR IMMEDIATE RELEASE – January 31, 2017**

### **Cerro Grande Mining Corporation Announced its Consolidated Profit and Loss for the Fourth Quarter and Year Ended September 30, 2016 with Comparatives for the Same Periods in 2015**

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, 2016 with the comparatives for the same periods in 2015 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, 2016 and 2015.

	Three months ended		Twelve months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	62	2,016	5,887	8,995
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<b>Expenses</b>				
Operating costs	2,459	2,397	10,616	12,088
Reclamation and remediation	5	-	21	27
General, sales and administrative	173	922	1,871	2,765
Foreign exchange	49	(71)	64	(154)
Share-based compensation	87	-	87	-
Interest	39	88	211	283
Other (income) and expenses (net)	206	455	(47)	(43)
Impairment charges	-	6,737	-	6,737
Exploration costs	-	19	-	21
	3,018	10,547	12,823	21,724
<b>Loss and comprehensive loss before income taxes</b>	(2,956)	(8,531)	(6,936)	(12,729)
Income tax (expense)/recovery	0	(176)	-	(176)
Deferred income tax	-	-	-	-
<b>Loss and comprehensive loss for the period</b>	(2,956)	(8,706)	(6,936)	(12,905)
<b>Basic and diluted loss per share</b>	(0.01)	(0.05)	(0.03)	(0.08)
<b>Weighted average number of shares outstanding</b>	256,687,061	170,743,264	256,687,061	170,743,264

1) Consolidated statements of loss and other comprehensive loss for the three month periods ended September 30, 2016 and 2015:

- a) Revenue for the three month period ended September 30, 2016 was \$62 due to the shut-down of the Plant and Mine during the quarter compared to \$ 2,016 in the three month period ended September 30, 2015.

- b) Operating expenses for the three months ended September 30, 2016 were \$2,459 compared to \$2,397 for the same period in 2015.
- c) General sales and administrative costs for the three months ended September 30, 2016 were \$173 compared to \$922 for the same period in 2015.

2) Consolidated statements for the year ended September 30, 2016 and 2015:

- a) Sales revenue for the year ended September 30, 2016 decreased over the same period in 2015 due to gold sales of 4,256 oz compared to 6,633 oz in the year ended September 30, 2015. This, in combination with a drop in the gold price and the grade for the year ended September 30, 2015 coupled with having to shut down the plant during the months of June 2016 to September 2016, have led to lower results for the year.
- b) Operating expenses for the year ended September 30, 2016 were \$10,616 compared to \$12,088 for the same period in 2015. The decrease of \$1,472 consists mainly of a reduction in labour costs and lower fuel, maintenance and other production costs as a result of the mine closure during the last quarter.
- c) General and administrative costs for the year ended September 30, 2016 were \$1,871 compared to \$2,765 for the same period in 2015, mainly due to reduction in labour costs.

3) Consolidated Cash flow for the year ended September 30, 2016:

Cash generated by the Pimenton Mine decreased due to operational problems and the drop in the price and grade of gold. The operational problems related to delays in reaching known and expected ore shoots below the existing levels. In addition, as mentioned previously, the Mine was closed down for a four month period starting in June 2016.

4) Consolidated Statement of Financial Position as at September 30, 2016:

As at September 30, 2016 the Company had a negative working capital of \$10,252 (2015–negative \$8,200).

## **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 projects are a porphyry copper deposit (the "Pimenton Porphyry") and other projects in various stages of exploration and development in Chile which include "Tordillo", and two limestone deposits "Catedral" and "Cal Norte".

## **HIGHLIGHTS**

### **Operational Highlights**

- Gold produced by the Pimenton Mine for the year ended September 30, 2016 was 4,256 oz compared to 6,633 oz produced in the prior year.
- The average gold recovery for the year ended September 30, 2016 was 91.75% compared to 92.54% in the prior year.
- The Company expects the mine to increase milling rates to 140 tons per day depending on the rate of conversion of its known resources to reserves.
- Currently the plant has been permitted to operate at an average of 166 tons per day. During the present year the plant has operated at an average of 100 tons per day and was closed for the period June to September 2016 due to a snow storm early in June. The Company has prepared but not yet submitted permits to take the mine up to 500 tons per day.
- Non-IFRS Measures:
- Pimenton's cash cost for the year ended September 30, 2016 was \$1,389 per ounce of gold produced net of by-product credits, compared to \$1,136 per oz in the prior year.
- Pimenton's production cost including depreciation and amortization for the year ended September 30, 2016 was \$1,862 per ounce of gold produced net of by product credit compared to \$1,505 per oz in the prior year.

### **Financial Highlights**

- Loss before income taxes for the year ended September 30, 2016 was \$6,936 compared to a loss of \$12,729 in the same period in 2015. Loss before income taxes for the three month period ended September 30, 2016 was \$2,956 (2015 – \$8,463)
- Average price per ounce of gold for the year ended September 30 2016 was \$1,145. This considers only the first nine months of sales due to no production or sales in Q4 (2015 - \$1,164 based on twelve months). Average price per ounce during the three months ended September 2016 was \$nil due to no production or sales (2015 - \$1,099).

- Net loss after income taxes for the year ended September 30, 2016 was \$6,936 compared to \$12,905 in the same period in 2015. Net loss after income taxes for the three months ended September 30, 2016 was \$2,956 compared to \$8,639 for the same period in 2015. For both comparative periods \$6,737 was incurred as a result of an impairment charge.
- Basic loss per share for the year ended September 30, 2016 was a loss of 0.03 cents per share (2015 – loss of 0.08).
- At September 30, 2016 the Company had cash and cash equivalents of \$118 compared to \$252 at September 30, 2015.
- Cash flow from operations for the year ended September 30 2016 was negative \$1,667 (2015 – negative \$2,834).

### **Other Highlights**

- Management believes that the values of the Pimenton gold mine, the potential porphyry copper deposit, Tordillo exploration and the Catedral/Rino and Cal Norte limestone deposits are not reflected in the Company's market capitalization. The Company will continue its effort to enhance the underlying values of its assets.
- Subsequent to year end, on December 7, 2016 the Company reported that it has agreed in principle to extinguish certain outstanding indebtedness owed to David Thomson and Mario Hernandez (the "Related Parties"), both directors and officers of the Company, by issuing common shares of the Company (each, a "Common Share") in settlement of such debt (the "Debt Settlement"). The Debt Settlement was completed in order to immediately improve the financial position of the Company given the serious financial difficulties it is currently facing.

Pursuant to the Debt Settlement, the Company extinguished outstanding indebtedness in the aggregate amount of US\$ 2,771,237 owed to the Related Parties, such indebtedness being made up of net smelter royalty, management fees, cash advances and interest thereon made to the Company by the Related Parties, by issuing a three year 8% Convertible Debenture convertible into 92,875,400 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 CDN\$1.34 per US\$1.00.

With the completion of the Debt Settlement on December 7, 2016, the Related Parties hold 200,516,530 Common Shares representing approximately 74.86% of the issued and outstanding Common Shares. On a fully diluted basis they hold an aggregate of 291,002,231 Common Shares of the Company representing approximately 78.6% of the shares of the Company on a fully diluted basis.

- On January 25, 2017 the Company announced approval by SERNAGEOMIN of the Pillar Recovery and Replacement Plan for the Pimenton Mine. The Pimenton Mine

remnant pillars contain an estimated 28,000 tons of high grade mineralized material with an estimated grade of 15.8 grams per ton gold and 1.4% copper, as reported in the latest Technical Report on the Pimenton Mine dated July 21, 2016.

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.*