

News Release

CERRO GRANDE MINING CORPORATION

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Cerro Grande Mining Corporation Announces the Conditional Approval for the Issuance of Convertible Debentures to Complete Debt Settlement

Toronto, Ontario, Canada – Cerro Grande Mining Corporation (the “**Company**” or “**CEG**”) (CSE:CEG) (OTCQB:CEGMF) announced today that its Board of Directors (with David Thomson and Mario Hernandez abstaining) has conditionally approved the issuance of Convertible Debentures of the Company, subject to the approval of the Chief Executive Officer of CEG and Mr. Thomson and Mr. Hernandez of the final documentation of the transaction. The Convertible Debentures will be issued to Mr. David Thomson, or a company controlled by him, and to Mr. Mario Hernandez or a company controlled by him in final payment of advances and salaries totalling US\$2,771,237 owed to them through the end of July 2016. Both Mr. Thomson and Mr. Hernandez are Directors and Officers of the Company. The Convertible Debentures are being issued to immediately improve the serious financial difficulties faced by the Company with of view of setting the Company on improved financial ground to carry out its mining business in Chile in the future.

The Convertible Debentures would be guaranteed by mortgages on the Tordillo and Catedral/Rino claims as well as shares of the companies controlled by Tordillo and Catedral. Tordillo is owned 100% by CEG and Catedral/Rino is owned 50,01% by CEG.

The Convertible Debentures would be convertible at Cdn \$0.05 per share for a term of 3 years and pay interest semi annually at the rate of 8%. Mr. Thomson would be issued a Convertible Debenture in the amount of US\$1,517,636 and Mr. Hernandez would be issued a Convertible Debenture in the amount of US\$1,253,601.

The proposed placement and related debt settlement (the “**Proposed Transaction**”) constitutes a “related party transaction” under Multilateral Instrument 61-101- *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”) due to the participation of Messrs. Thomson and Hernandez. The Company intends to rely on the “financial hardship” exemptions from both the formal valuation and minority shareholder approval requirements of MI 61-101 in connection with the Proposed Transaction. In reliance thereon, the Board of Directors of the Company (other than Messrs. Thomson and Hernandez, who abstained from voting), including all of its independent members, considered the Proposed Transaction and unanimously concluded that the Company is in serious financial difficulty and the Proposed Transaction, 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 Proposed Transaction.

Cerro Grande Mining Corporation currently has 267,852,410 shares outstanding (298,720,591 shares on a fully-diluted basis). Following the issuance of the Convertible Debentures, the Company will have 267,852,410 shares outstanding (370,258,965 shares on a fully-diluted basis).

Mr. David Thomson currently holds 100,493,029 common shares of the Company (106,593,243 shares on a fully-diluted basis), representing approximately 37.5% of the outstanding shares (approximately 35.7% on a fully-diluted basis). Following the issuance of the Convertible Debentures, he will hold 100,493,029 common shares of the Company (145,770,409 shares on a fully-diluted basis), representing approximately 37.5% of the outstanding shares (approximately 39.4% on a fully-diluted basis).

Mario Hernandez currently holds 100,023,501 common shares of the Company (112,870,615 shares on a fully-diluted basis), representing approximately 37.3% of the outstanding shares (approximately 37.8% on a fully-diluted basis). Following the issuance of the Convertible Debentures, he will hold 100,023,501 common shares of the Company (145,231,822 shares on a fully-diluted basis), representing approximately 37.3% of the outstanding shares (approximately 39.2% on a fully-diluted basis).

Following issuance of the Convertible Debentures, on a fully diluted basis, Mr. Thomson and Mr. Hernandez will 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.

The Convertible Debentures will be denominated in US Dollars and the conversion ratio is stated in Canadian Dollars. The exchange rate used in determining the above fully-diluted shareholdings following issuance of the Convertible Debentures is Cdn\$1.29073 for each US Dollar.

The closing of the Proposed Transaction will occur as soon as possible and may be less than 21 days following the date of this news release. Such shorter period is considered necessary in light of the serious financial difficulties faced by the Company and the need to improve the financial position of the Company in a timely manner.

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, including, the anticipated effects of the Proposed Transaction and the expected timing thereof. 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.