Orosur Mining Inc. Announces Results for the Full Year ended May 31, 2013

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SANTIAGO, Chile -- (BUSINESS WIRE) -- Orosur Mining Inc ("OMI" or "the Company") (TSX: OMI) (AIM: OMI), the South American-focused gold producer and explorer, today announces results for the fiscal year ended May 31, 2013 and the outlook for 2014.

Highlights

- 17% year-on-year increase in gold production in fiscal year 2013 with 64,994 oz Au produced.

- Cash flow from operations of US$ 21 million in line with FY 2012.

- Successful completion of the Arenal Deeps ramp in February 2013 to enable production from transverse stopes.

- Rich high grade ore brought into full production from the Arenal Transverse Stopes in April 2013. This is expected to provide 70% of cash flow for 2014 and has de-risked the Company's principal producing asset.

- Significant new appointments to the Orosur Board of three experienced directors, John Walmsley as Non-Executive Chairman and Max Oemick and Sergey Kuznetsov as Non-Executive Directors.

- Confirmation of Ignacio Salazar as Chief Executive Officer by the Board.

- The Company's reorganised management has implemented a range of procedures to enhance production and reduce the cost of mine operations. The programme commenced in 2013, and is anticipated to have a major impact on operational performance in 2014.

Operational & Financial Summary 1

		Full Year Ended May 31	
		2013	2012
Operating Results			
Gold produced	Ounces	64,994	55,458
Operating Cash cost of gold produced 3	US$/oz	1,093	1,016
Average price received	US$/oz	1,605	1,656
Financial Results			
Revenue	US$ ‘000s	105,884	93,679
Net Income before impairment before tax	US$ ‘000s	2,633	13,187
Net income after impairment and tax	US$ ‘000s	(14,825)	1,197
Cash flow from operations 2	US$ ‘000s	21,209	22,647
Cash at the end of the period	US$ ‘000s	5,633	11,461
Total Debt at the end of the period	US$ ‘000s	8,995	6,223

1 Results are based on IFRS and expressed in US dollars
2 Before non-cash working capital movements
3 Operating cash cost is total cost discounting royalties and capital tax on production assets.

2014 Outlook

The Company's forecast production for the 2014 fiscal year is 50,000 to 55,000 ounces of gold at an average forecasted operating cash cost of US$850 to US$925 per ounce. This represents a reduction of approximately 20% against the US$1,093 per ounce operating cash cost in FY2013. The Directors believe that the cost saving will be achieved by production of higher grade ore from the transverse stopes of Arenal, which commenced at the end of April 2013. Further benefits will accrue from the operational improvement program begun in March 2013. This program is continuing and is expected to generate further improvements in cost savings and overall efficiency in FY2014 and beyond.

Additionally, the Company has elected to reduce the gold price assumptions it uses to optimise its mining plans from US$1,300 to US$1,100 to safeguard the profitability of the reserves from further adverse price changes. The Company is focused on reducing unit operating cash costs while maintaining and extending a mine plan of approximately three years producing 50,000 to 55,000 ounces per year. The operations in Uruguay have maintained a rolling three to five year mine life since inception in 1996. In FY2014, the exploration program will focus on the definition of new resources and reserves near mine and extending the mine life at San Gregorio.

Variations in production and costs may occur each quarter because the mine plan draws ore from several pits at different grades and stages of stripping. The Company is accelerating stope access development for Arenal in the first quarter of FY 2014 and expects to produce some 13,500 to 14,500 ounces in the first quarter. These ounces, as they include development, will have a higher front ended operating cost in the first quarter (US$950 to US$1,000 per ounce) compared to the expected average of US$850-US$925 per ounce for the fiscal year. This is to the benefit of production in the rest of the year with advanced access to the scheduled transverse stoping zones.

Production in 2013

Full year production for the fiscal year ended 31 May 2013 was 64,994 ounces of gold, more than the Company´s guidance of 63,000 ounces for the full year announced on 29 April 2013. This was in the middle of the initial guidance range of 63,000 to 68,000 ounces for the year provided on 14 June, 2012. The production for the year compares with production of 55,458 oz and 55,817 oz in the previous two fiscal years.

The main sources of gold in the fiscal year 2013 were Arenal (33%) where stoping commenced at Arenal Deeps at the end of April, Crucera (20%) and Zapucay (15%). Mill availability reached a new record of 97.31%. Gold recovery increased from 91.8% in the first six months to 94.8% in the second half of the year as a result of optimizing processing procedures and a new strategy of blending ore from various pits.

In Arenal Deeps, ore and waste development during 2013 fiscal year totaled 5,133 metres length. The ramp development was completed in February 2013. During the year the Company made the transition from using a development contractor to performing mine development in-house using Orosur’s employees. The contractor workforce was retained by Orosur and a smooth handover was achieved.

Ore production from Arenal was 327,770 tonnes with a grade of 2.19 g/t Au. 126,330 tonnes of ore (39%) was produced from the ramp and the access areas with the balance (61%) coming from the Transverse stoping and Inclined Room and Pillar stopes. The first contribution to mill feed from the Transverse Stopes started at the end of April 2013. The Transverse stopes carry the highest volumes and grade in Arenal. The gold grade in this first stope (4.55 g/t Au) was above management’s expectations. The Back-fill raise (226 m long with a diameter of 2.44 m) was finished in April 2013.

The Company is keen to promote a local labour force and has a continuing training program to develop mining skills in Uruguay. Local Uruguayan employees now represent 65% of the total underground workforce.

Cost Control and operational improvement program

The Company has undertaken a significant operational improvement program during the last few months in parallel with its cost reduction efforts. During the first half of the 2013 fiscal year there were significant variances observed between the long term block model and the actual production and between the actual production and the ore control. Both were corrected during the last few months of the fiscal year with the support of expert consultants from Chile and Australia and by the establishment of a strong Mine Geology team. This resulted in improved geological models and ore control practices.

The Company purchased its own small vehicle fleet during FY2013. Over the past years contract mining of satellite pits and ore haulage had become a significant cost item for the Company. Total capital expenditure to acquire this fleet was approximately US$ 4.5m and was funded by a leasing contract with Banco Santander. The amount of material moved by contractors was slowly reduced and their use eliminated by the end of FY2013. The small vehicle fleet is being used to accelerate production in Arenal as well.

The Processing Plant has eliminated one shift of eight hours covering peak electrical power prices (peak prices are about three times standard prices). Despite the elimination of a shift, the plant is scheduled to achieve the production target of 50,000-55,000 ounces of gold for 2014 fiscal year, because of the higher feed grade.

As a consequence of the measures undertaken and the quality of the ore from Arenal, the Company is targeting to reduce its all-in-sustaining costs to approximately US$1,100 per ounce, making the Company well positioned in lower gold price scenarios. The Company continues to strive for further improvements both in the short and long term.

Financial Summary for 2013

Cash operating cost for the year was US$1,093 per ounce of gold compared to US$1,016 for FY2012. This is slightly above the upper limit of the forecast cash costs per ounce, which were increased from US$1,000 to $1,065 on January, 2013. Year on year unit costs have been affected by two opposing factors: whilst total nominal costs increased as a result of cost inflation in Uruguay, which was not offset by an Uruguayan peso depreciation against the US dollar, this loss was mitigated by an improved gold recovery rate from the Arenal Deeps and Crucera, which provided a higher grade of ore.

Cash flow generated by operations before working capital was US$21.2m, for the fiscal year (FY2012: US$22.6m). The average gold price received by the Company was US$1,605 per ounce for the year (FY2012: 1,656 US$/oz).

The Company completed an assessment of the carrying value of its cash generating units (CGUs) as at May 31, 2013, and as a result, recorded a non-cash impairment charge of US$14.1m for property, plant and equipment and development costs. The impairment was driven by a number of factors, including a decline in gold prices and a decline in industry-wide valuations. Additionally, the Company wrote off US$4.2m for exploration properties (Chile: US$0.6m, Uruguay US$3.6m), compared to US$1.2m in FY2012.

The profit before tax and before impairment for the fiscal year was US$2.6m, compared to a profit of US$13.2m in FY2012. The loss after tax and after impairment for the year was US$14.8m compared to a profit of US$1.2m in the prior year.

The Company invested US$22.0m in capital and US$9.2m in exploration for the year compared to US$32.8m and US$17.6m respectively in FY2012.

Orosur's cash position at the end of the year was US$5.6m (FY2012: US$11.5m) with net working capital (current assets less current liabilities including cash) of US$4.3m (FY2012:US$11.0m). The Company has US$ 4.0m of committed but unutilized lines of credit available at 31 May 2013 and it is not planning to use them within the current plans of developments and gold price assumptions.

Capital Expenditure in 2013

Capital expenditure for the year was US$ 22.0m compared to US$ 32.8m in the previous year. Expenditure on Arenal Deeps (US$ 11.4m) was slightly above expectations due to higher than anticipated contractor costs.

Other capital expenditure includes US$ 4.5m relating to the new mining fleet and US$ 2.5m for the second expansion of the tailings storage facilities and the closure of the old tailings dam. The tailings dam construction project was completed on time and within budget.

Exploration and Development in 2013

Chile Anillo – The Company's exploration activities have been focused on the discovery of high grade epithermal (El Peñon-type) gold-silver mineralization in the western part of the property. New data obtained after recent detailed surface mapping suggest the additional possibility of high sulfidation mineralization at Anillo Central area. Surface exploration completed during 2013 showed anomalous gold and silver values. A Controlled Source Audio-Frequency Magneto Tellurics ("CSAMT") survey suggested the presence of silica-bearing structures, which may host economic gold-silver mineralization. Subsequently, a 3,000 metres Reverse Circulation drill program, comprising 10 holes, was carried out, during May and June, 2013.

Results from drilling confirm the existence of gold and silver mineralized quartz structures at Anillo Central. This can be observed at hole AN-13-04RC with a 1.0 m intercept (*) with 490 g/t Ag (≈8.1 g/t Au gold equivalent), at hole AN-13-10RC with a 5 m intercept (*) with 0.46 g/t Au, which includes 1.0 m (*) at 1.1 g/t

Au and 11.4 g/t Ag and at hole AN-13-04RC with 1.0 m at 0.34 g/t Au. These results show that the area hosts silica-bearing mineralized structures with encouraging values of Au and Ag. Future work will focus on finding intercepts, grades and continuity of mineralization that may constitute an economic resource for the Company (* apparent width).

A map showing the results from initial drilling at Anillo are accessable at: http://www.orosur.ca/anillo_project

Chile Pantanillo – Orosur’s activities have recently been focused on the evaluation of new, potentially higher grade, exploration targets, that lie outside of the existing mineral resource at Pantanillo Norte. The Company has defined at Pantanillo Norte a maiden National Instrument 43-101 measured and indicated mineral resource of 47m tonnes at 0.69 grams of gold per tonne for 1.05 Million ounces of gold.

Recent evidence of a high sulfidation gold system under a steam- heated zone at Quebrada Pantanillo, located approximately 4 kilometres East-Southeast of Pantanillo Norte, and previous interesting Au intercepts at the Oro 52 area, has encouraged the Company to evaluate a further exploration campaign. During FY2013, the Company generated good results from Oro 52 drill campaign: 59 m at 0.48 g/t Au, including 4 m at 1.42 g/t Au and 2 m at 2.94 g/t Au, and 33 m at 0.66 g/t Au, incl 10 m at 1.20 g/t Au (*), (**), (* apparent width) (**intercepts use a cut-off grade of 0.2 g/t and may include up-to 2 meters of waste).

A map showing the location of exploration campaigns at Pantanillo is accessable at: http://www.orosur.ca/pantanillo_project

Uruguay Brownfield - The highest priority for exploration and development for the Company is near mine exploration and a study of remnants to add short term production and to extend the life of the San Gregorio mine.

Remnant Sobresaliente – At Sobresaliente, 6 kilometers from the mine, the North zone is in production with good reconciliation given the recent infill campaign which comprised 48 holes for 4.477 meters of drilling. Drilling is continuing in the Sobresaliente Central extension and has resulted in good intercepts that are expected to develop a geological model to support the feasibility to proceed to its exploitation during FY2014. This is additional production to the current mine plan. A table of drill results (mineralized intercepts @ 0.5 g/t cut off) at Sobresaliente is accessable at: http://www.orosur.ca/isla_cristalina_belt

Near mine Argentinita – At Argentinita, 29 kilometres from the mine, 75 holes (4,789 metres) were drilled to investigate the potential to increase its resources. The results are very encouraging and show the potential for extensions of the mineralization. More drilling will be required to define additional resources in this zone. The Company is evaluating the underground potential in Argentinita on the basis of these initial results. A table of drill (mineralized intercepts @ 0.5 g/t cut off) at Argentinita is accessable at: http://www.orosur.ca/isla_cristalina_belt

Near Mine and Development Vaca Muerta – At Vaca Muerta, the geological model was re-evaluated and 1,700 metres of infill drilling and exploration have been included in the plan for Q2 of fiscal 2014, with the objective of extending the mineralization and re-categorization of resources. The Company expects to exploit Vaca Muerta in the second half of fiscal 2014.

Mahoma – 44 drill holes equal to 4,530 meters were completed at the Mahoma project during the first half of 2012/13, approximately 400 kilometres from the San Gregorio mine. This included 1,560 metres of diamond drilling and 2,970 metres of reverse circulation drilling. A Scoping Study was finalized by South American Management S.A. (SAMSA) to update the resource for the Mahoma Project. This considered only the east and west zones of the project, as those are the main mineralized bodies. The South and Central zones were not evaluated. At a 1g/t Au cut-off, the results were a total indicated mineral resource of 162.3 kt @ 1.58 g/t for 8,222 oz Au; with a further 132.9 kt @ 1.61 g/t gold, for 6,861 oz Au in the inferred category. The results obtained did not reflect the expectations raised by the historical data taken on shallower zones. In the lower gold price scenario, Mahoma, located more than 400 km away from the Plant, ranks below the near mine projects in terms of priority, so no additional drilling has been included in the FY2014 and the Resource definition NI 43-101 report has been postponed.

Arenal Deeps – A project for the recovery of pillars in the Arenal Deeps transverse stopes started in May 2013 and is under development by AMEC Consulting. Preliminary results will be available during the second quarter of FY2014. A positive outcome would increase the Arenal resource by about 10,000 to 15,000 oz Au. Any production from these pillars is additional to the Company´s current budget.

Uruguay Greenfield Exploration - Nine projects are under review as part of the Company´s greenfield exploration program in Uruguay. Geological mapping, geophysics, sampling and shallow RAB drilling was carried out in areas with gold mineralization in quartz veins within granitic rock and shear zones in basement rocks. 592 rock and 1098 soil samples were taken and evaluation of these projects is continuing.

Board Changes

As announced on July 12, 2013, the Company appointed three new Directors to the Board of Orosur. John Walmsley (Non-Executive Chairman), Max Oemick and Sergey Kuznetsov (both Non-Executive Directors) joined the Board of the Company. Gustavo Licandro was appointed as interim Chief Financial Officer.

Ignacio Salazar has been confirmed by the Board as Chief Executive Officer with immediate effect.

In the last few months, additional changes to the operations and technical team has further strengthened performance and delivery.

John Walmsley, Non-Executive Chairman, commented: “It has been an eventful year for Orosur with major changes in the directorate and management of the Company and a significant reduction in both the current gold price and the price outlook.

Under the circumstances, I am very pleased to be able to report that the programme of vigorous cost cutting and replanning of mining operations, initiated in response to the deteriorating environment, is already beginning to bear fruit. This should bring cash costs down in FY2014 to approximately US$850 – US$925 per ounce and reduce all-in sustaining costs to approximately US$ 1,100 per ounce. Operationally, Orosur will benefit substantially from the recent developments in Arenal , where from the end of April 2013 the mine started to produce from the Transverse stopes where the highest volumes and grades of ore are to be found. This high grade mine is the major asset of the Company and looks set to provide a very attractive source of cash flow into the medium term, particularly in view of the major improvements to extraction techniques.

Ignacio Salazar has been confirmed as CEO of the Company, and the Board would like to commend him for negotiations with the authorities that enabled the Company to make major cost reductions while maintaining good industrial relations and for his leadership in building a first class management team and introducing rigorous planning techniques and controls.

Low and uncertain gold prices remain a concern for all gold miners and Orosur is no exception. However, the Company looks forward to meeting the challenge with a new CEO who has a highly capable and reorganised technical team, supported by a committed and focussed Board of Directors.”

END

Qualified Person's Statement

The information presented in this press release has been reviewed by Walter Muehlebach, GM Exploration of OMI and by Francisco Castillo, Development & Technical Services Manager of OMI and they are both considered to be in compliance with NI 43-101 reporting guidelines. Mr Muehlebach is a graduate in Geology of the Universidad Católica del Norte (Chile) and a member of the Chilean Comisión Calificadora de Competencias en Recursos y Reservas Mineras, and has 23 years of experience in the field of mineral exploration. Mr Castillo is a graduate in Mining Engineering of the Universidad de Santiago de Chile and a member of the Chilean Comisión Calificadora de Competencias en Recursos y Reservas Mineras, and has 12 years of professional experience.

Forward Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this news release, including any information as to the future financial or operating performance of the Company, constitute "forward-looking statements" within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario) and the United States Private Securities Litigation Reform Act of 1995 and are based on expectations estimates and projections as of the date of this news release. There can be no assurance that such statements will prove to be accurate, such statements are subject to significant risks and uncertainties, and actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include, without limitation success of exploration activities; permitting time lines; the failure of plant; equipment or processes to operate as anticipated; accidents; labour disputes; requirements for additional capital title disputes or claims and limitations on insurance coverage. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events and such forward-looking statements, except to the extent required by applicable law.

About Orosur Mining Inc.

Orosur Mining Inc is a fully integrated gold producer and exploration company focused on identifying and developing gold projects in South America. The Company operates the only producing gold mine in Uruguay (San Gregorio), and has assembled an exploration portfolio of high quality assets in Uruguay and Chile. The Company is quoted in Canada (TSX: OMI) and London (AIM: OMI).

For more information please visit www.orosur.ca

- Financial Statements Follow -

Orosur Mining Inc.
Consolidated Statements of Financial Position

Thousands of United States Dollars, except where indicated

As at May 31 As at May 31
2013($) 2012($)

Assets Notes
Cash and cash equivalents 5,633 11,461
Accounts receivable and other assets 6 3,776 4,734
Inventories 7 15,715 17,110
Total current assets 25,124 33,305
Property plant and equipment and development costs 8 47,321 58,737
Exploration and evaluation costs 9 31,686 26,872
Deferred income tax assets 15 5,305 3,642
Restricted cash 332 231
Total non-current assets 84,644 89,482
Total Assets 109,768 122,787

Liabilities and Shareholders' Equity
Trade payables and other accrued liabilities 6 16,665 18,868
Financial debt 21 4,172 3,418
Derivative financial instruments 17 - 41
Total current liabilities 20,837 22,327

Financial debt 21 4,823 2,805
Environmental rehabilitation provisions 11 6,148 5,091
Total non-current liabilities 10,971 7,896

Total liabilities 31,808 30,223

Capital stock 12 55,184 55,074
Warrants 13 276 276
Contributed surplus 13 5,535 5,424
Retained earnings 16,965 31,790
Total shareholders' equity 77,960 92,564

Total liabilities and shareholders' equity 109,768 122,787

Orosur Mining Inc.
Consolidated Statements of Income and Comprehensive Income

(Thousands of United States Dollars except for earnings per share amounts)

2013 ($) 2012 ($)
For the years ended May 31 Note
105,884 93,679
Sales

Cost of sales 22 (97,657) (73,279)
Gross profit 8,227 20,400
(5,303) (5,242)

Corporate and administrative expense
Exploration expenses and exploration write off 9 (4,282) (11,927)
Impairment of assets 10 (14,057) -
Other income 589 629
Finance cost 22 (261) (252)
Finance income 22 8 3
Derivative income (loss) 16 41 (41)
Net foreign exchange gain (loss) (603) 182
(23,868) (16,648)
Profit (loss) before income tax (15,641) 3,752

Provision for income taxes 15 816 (2,555)
Total income (loss) and comprehensive income (loss) for the year (14,825) 1,197
Earnings per common share

Basic 20 (0.19) 0.02
Diluted 20 (0.19) 0.02

Orosur Mining Inc.
Consolidated Statements of Cash Flows

Thousands of United States Dollars, except where indicated

For the years ended May 31 Note 2013 ($) 2012 ($)

Net inflow (outflow) of cash related to the following activities

Cash flow from Operating activities
Net income for the year (14,825) 1,197
Adjustments to reconcile net income to net cash provided from operating activities:
Depreciation 8 19,712 10,650
Impairment of assets 8 14,057 -
Exploration and evaluation expenses written off 9 4,217 9,435
Fair value of derivatives 17 (41) 41
Accretion of asset retirement obligation 11 76 52
Deferred income tax assets 15(b) (1,663) 1,506
Stock based compensation 13 151 296
Gain on sale of property, plant and equipment 8 (509) (523)
Others 34 (7)
Subtotal 21,209 22,647
Changes in operating assets and liabilities
Accounts receivable and other assets 897 (197)
Inventories 1,393 253
Trade payables and other accrued liabilities (2,267) 6,506
Net cash generated from operating activities 21,232 29,209

Cash flow from Financing activities
Proceeds from the exercise of share options 70 37
Proceeds from the issue of shares in a private placement 12 - 12,360
Loans received 21 4,713 5,636
Loan payments (1,518) (53)
Net cash from financing activities 3,265 17,980

Cash flow from Investing activities
Purchase of property, plant and equipment and development costs (22,048) (32,820)
8
Loans granted 6b) - (900)
Proceeds from the sale of fixed assets 969 1,366
Exploration and evaluation expenditure assets 9 (9,246) (17,552)
Net cash used in investing activities (30,325) (49,906)

Decrease in cash and cash equivalents (5,828) (2,717)

Cash and cash equivalents at the beginning of year 11,461 14,178

Cash and cash equivalents at the end of year

5,633
11,461

Orosur Mining Inc.
Consolidated Statements of Changes in Shareholders' Equity

Thousands of United States Dollars, except where indicated

For the years ended May 31 Note 2013 ($) 2012 ($)

Capital stock

Balance at beginning of year 55,074 42,692
Private placement net of share issuance costs 12 - 12,085
Finder's fee for Talca acquisition 12 - 250
Exercise of stock options 70 37
Transfer from contributed surplus for exercise of options 40 10
Balance at end of year 55,184 55,074

Broker warrants
Balance at beginning of year 276 -
Commission on private placement 12 - 276
Balance at end of year 276 276

Contributed surplus

Balance at beginning of year 5,424 5,138
Employee stock based compensation recognized 13 151 296
Transfer to Capital stock (40) (10)
Balance at end of year 5,535 5,424
Retained earnings
Balance at beginning of year 31,790 30,593
Net income for the year (14,825) 1,197
Balance at end of year 16,965 31,790
Shareholders' equity at end of year 77,960 92,564

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