Scorpio Mining Announces Cosalá District Project Development

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TORONTO, June 19 , 2014 /CNW/ - Scorpio Mining Corporation (TSX: SPM) ("Scorpio Mining" or the "Company") today announced its development plans for the Cosalá District projects with NI 43-101 compliant resources, namely the El Cajón and San Rafael deposits, both located within trucking distance from its Nuestra Señora processing plant.

El Cajón Mine Development Update

Underground development work is proceeding as scheduled. As of the end of May, the portal had been secured; 167 m of ramp had been driven, along with 42 m of lateral cross-cut to establish the powder magazine. Pictures of the on-going work at El Cajón are regularly posted on the Company's website (www.scorpiomining.com/s/elcajon.asp).

The field visit by the *Dirección General de Minería* ("DGM"), to provide surveying evidence of where the boundaries of the Company's concessions lie relative to those of a neighbour, has now been scheduled for June 25, 2014. Considering the time lapse since our request was issued, in late March, and the probable duration of the following cabinet work by the DGM, before issuing their final assessment, the publication of a prefeasibility study covering the El Cajón project may be postponed into Q1 2015. This is not affecting the underground development schedule though.

Prospective Cosalá Norte Project Development Sequence

With the ramp being driven into El Cajón and the subsequent production ramp-up expected to follow later this year, the Company is considering alternatives for bringing forward the development of the San Rafael Project as an additional source of ore. As indicated in the NI 43-101 technical report prepared for the San Rafael Project, (per Mine Development Associate's report dated September 7, 2012, filed on SEDAR) comprising both the Zn-Pb-Ag Main Zone and the Ag-Cu 120 Zone, both deposits hold a total of over 90 million silver equivalent ("Ag eq.") ounces[1] in the Measured & Indicated ("M&I") resource categories. It is envisioned that the potential development of the San Rafael Project through production would be coupled with the finalization of the plant expansion, from a nameplate capacity of 1,600 tonnes per day ("tpd") to 2,750 tpd.

(Note 1. Conversion to silver equivalent (Ag eq.) ounces based on 2014 budget metal pricing of $19/oz Ag, $0.99/lb Pb, $0.95/lb Zn, $2.97/lb Cu, $1,294/oz Au)

Towards this goal, specific tasks are planned, such as:

- **Permitting for Exploration Drilling at San Rafael** – Since 2012, Mexican regulations require a full permitting process for enabling surface exploration; similar to what is required for exploitation. The Company has filed the relevant application in Q1 2014 and received a request for additional information early in June 2014.
- **Infill Drilling at San Rafael** – Upon receipt of the above-mentioned exploration permit, the Company will embark on an infill program that will target the tabular, near-surface, Main Zone and the upper portion of the near-vertical 120 Zone. This 2,300 m program should be carried through H2 2014, with compilation and a revised resource estimate prepared in Q2 2015.
- **Preliminary Engineering for Development at San Rafael** – A Preliminary Economic Assessment ("PEA") published on May 22, 2013, (per Mine Development Associate's, filed on SEDAR) envisioned the establishment of an open pit at San Rafael, targeting production from the Main Zone, with a later development of an underground operation to mine the 120 Zone. The PEA gave consideration to the residual M&I resources at Nuestra Señora, along with the placement in operation of the El Cajón deposit in early 2014 and completion of a plant expansion during 2014, from its current nameplate capacity of 1,600 tpd to 2,750 tpd.

With last year's permitting delays related to the development of El Cajón, coupled with the uncertain long-term steady-state mining rate achievable from the remaining resources at Nuestra Señora, the Company elected not to proceed with the plant expansion which was slated to start early in 2014, per the PEA timeline. Nevertheless, the eventual availability of high-quality resources at San Rafael, as enhanced through the definition drilling of H2 2014, concurrent with mining at El Cajón, could create a set of conditions under which such an expansion would be justified, subject to metal pricing and financing.

The Company is reviewing the economics associated with the development of an underground operation at San Rafael, instead of an open pit, as suggested in the PEA. This approach provides multiple advantages:

- A faster realization timeline: the permitting process and pre-stripping requirements to establish an open pit would take more time than the residual permitting needed for the underground mine, the development of the initial access ramp, and the lateral development needed to commence mining in either the upper portion of the 120 Zone, or in the Main Zone. The Company already holds the approved environmental impact statement (MIA) to proceed with an underground operation, lacking only the change of use of land (ETJ) permit. The Company intends to file this application in Q4 2014, once the requirements for surface infrastructures and access have been finalized.
- Mining costs for an open pit operation are not expected to provide a competitive advantage over underground mining costs, due to a high strip ratio.
- Similar upfront capital for completing open pit pre-stripping as requirements for underground mobile equipment and initial ramp and lateral development workings for underground mine.
- Flexibility in having access, with minimal additional development cost, to either the 120 Zone or the Main Zone, depending on metal prices.
- Possibility of mining in both the Main and 120 Zones simultaneously in the future, after the higher value ore from the El Cajón orebody is mined out.

A decision towards development of an underground mine at San Rafael, in parallel with completion of the plant expansion, could be taken in the first half of 2015, with an estimated delay before expanded production, for completion of additional engineering, development and construction work, estimated at 12 months. This would allow for an increased annual production rate, towards 3.0 million Ag eq ounces (using the PEA's mined grades and cost basis assigned to the 120 Zone material) and reduced cash and total production costs, to be realized during the first half of 2016.

- **Financing** – The Company is relying on its existing cash balance of $17.2M at end of Q1 2014 (working capital of $35.7M), and the generation of cash flow from on-going operations, albeit limited by the current low metal pricing environment, to cover this year's sustaining capital requirements, the initial development costs at El Cajón and to realize the steps indicated above relating to San Rafael.

  If a decision to go ahead with the development of the San Rafael underground mine and the associated plant expansion was to be taken, it is envisioned that external funds will be required to realize these tasks. The Company has been in informal discussions with third-parties that would be interested in extending such financing, likely including an off-take agreement covering the purchase of concentrate production from the Cosalá District operations. An upper range on a preliminary estimate for the San Rafael initial underground development and plant expansion cost is put at $25-30 millions, considering the expansion's detailed engineering data available, the sunk costs for civil works and purchase of a used ball mill, as well as an estimate of the meterage of underground ramp and development required to access the 120 Zone. This estimate will be refined through the preliminary engineering expected in the second half of 2014.

About Us

Scorpio Mining Corp. is a silver producer operating in Mexico with significant base metal by-product credits. The 100% owned Nuestra Señora Mine located in the Cosalá District of the state of Sinaloa, has flexible mining methods and diversified metal production. It has a fully mechanized underground operation and a 1,600 tpd processing facility with permitted capacity for expansion to 4,000 tpd. The plant produces zinc, copper and lead concentrates, with a significant payable silver component in the copper and lead concentrates.

In addition, the Company has numerous exploration targets in the vicinity of its current operations as well as the advanced El Cajón and San Rafael development projects. The Company's strategy for near-term growth is currently focused on mine development of the fully-permitted El Cajón deposit.

Scorpio Mining's President and CEO, Mr. Pierre Lacombe, Eng. (OIQ, PEO), is a Qualified Person as

defined under National Instrument 43-101 and has reviewed and approved the content of this release.

ON BEHALF OF SCORPIO MINING CORPORATION

Pierre Lacombe, Eng.
President & CEO

This news release includes certain statements that may be deemed "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the Company's operations, exploration and development plans, expansion plans, estimates, expectations, forecasts, objectives, predictions and projections of the future. Generally, these forward-looking statements can be identified by the forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "projects", "intends", "anticipates", or "does not anticipate", or "believes", or "variations of such words and phrases or state that certain actions, events or results "may", "can", "could", "would", "might", or "will" be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Scorpio Mining Corp. to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the exploration and development and operation of the Company's projects in Mexico, risks related to international operations, construction delays and cost overruns, the actual results of current exploration, development and construction activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of silver, zinc, copper, lead and gold, risks relating to completing acquisition transactions as well as those factors discussed in the sections relating to risk factors of our business filed in Scorpio Mining Corp.'s required securities filings on SEDAR, including its Annual Information Form dated March 14, 2013. Although Scorpio Mining Corp. has attempted to identify important factors that could cause results to differ materially from those contained in forward-looking statements, there may be other factors that cause results to be materially different from those anticipated, described, estimated, assessed or intended.

There can be no assurance that any forward-looking statements will prove accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Scorpio Mining Corp. does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

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