Scorpio Mining Corp. Reports Third Quarter 2014

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TORONTO, Nov. 6, 2014 /CNW/ - Scorpio Mining Corp. (TSX: SPM) ("Scorpio Mining" or the "Company") reports its financial and operating results for the third quarter ("Q3") ended September 30, 2014. This press release should be read in conjunction with the Company's unaudited Financial Statements and Management's Discussion and Analysis ("MD&A") for the third quarter ended September 30, 2014, available on the Company's website at www.scorpiomining.com and on SEDAR at www.sedar.com. All monetary figures are expressed in Canadian dollars unless otherwise specified.

HIGHLIGHTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014

	Three Months Ended			Nine Months Ended	
	September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Mine operating (loss) earnings ($000's)	$ (1,005)	$ (441)	$ 803	$ (2,755)	$ 1,054
Net loss ($000's)	$ (2,509)	$ (1,963)	$ (5,381)	$ (5,696)	$ (7,314)
Loss per share (basic)	$ (0.01)	$ (0.01)	$(0.03)	$ (0.03)	$ (0.04)
Adjusted EBITDA ($000's) (1)	$ 901	$ 856	$ 2,012	$ 2,650	$ 3,691
Adjusted EBITDA per share (basic)(1)	$ 0.00	$ 0.00	$ 0.01	$ 0.01	$ 0.02
Cash flows from operating activities before changes in working capital ($000's)	$ 928	$ 887	$ 2,050	$ 2,741	$ 3,810
Underground ore production (tonnes)	120,955	121,630	123,807	390,394	376,355
Plant throughput (tonnes)	124,391	139,581	136,610	401,289	399,606
Surface stockpile (tonnes)	43,787	37,150	19,580	43,787	19,580
Head Grades:					
Silver grade (g/t)	84	87	67	83	68
Zinc grade (%)	1.45	1.49	2.09	1.43	1.70
Copper grade(%)	0.20	0.18	0.16	0.19	0.23
Lead grade (%)	1.07	0.64	0.95	0.76	0.85
Recovered metals in concentrates:					
Silver ounces	277,796	316,738	240,499	888,483	706,645
Zinc pounds (000's)	2,831	3,477	4,738	9,295	11,130
Copper pounds (000's)	274	257	201	859	980
Lead pounds (000's)	2,131	1,389	2,036	4,718	5,319
Silver equivalent ounces (2)	573,224	603,109	614,844	1,733,244	1,693,345
Total cash cost per payable silver ounce (US$) (1)	$ 11.69	$ 12.68	$11.16	$ 12.88	$ 13.59
Payable metals in concentrates:					
Silver ounces	239,143	288,611	207,316	799,864	608,836
Zinc pounds (000's)	2,383	3,097	3,698	7,867	9,075

Copper pounds (000's)	234	242	194	797	901
Lead pounds (000's)	2,007	1,339	1,919	4,514	4,890
Silver equivalent ounces [(2)]	499,446	551,109	522,531	1,553,030	1,458,271
Revenue from payable metals ($000's)	$ 10,690	$ 11,958	$ 10,824	$ 33,786	$ 29,471
Revenue distribution:					
Silver	47%	53%	46%	51%	49%
Zinc	25%	27%	30%	25%	26%
Copper	8%	8%	6%	10%	9%
Lead	20%	12%	18%	14%	16%

THIRD QUARTER 2014 HIGHLIGHTS

Financial

- Revenue from payable metals of $10.7 million in Q3 2014, decreased from $12.0 million in Q2 2014 due to lower silver prices, lower silver and zinc grades, and lower plant throughput; partially offset by higher head grades for lead and copper;
- Cash cost per payable silver ounce, net of by-product credits[(1)], decreased to $11.69 in Q3 2014 from $12.68 in Q2 2014 due to higher base metal credits stemming from higher contained metal production of copper and lead, and higher metal prices for copper, lead and zinc;
- Net loss in Q3 2014 was $(2.5) million or $(0.01) per share (basic) compared to a net loss of $(2.0) million or $(0.01) per share (basic) in Q2 2014. The net loss in Q3 2014 includes an impairment charge of $0.8 million related to the Company's investment in the common shares of Scorpio Gold Corp. ("Scorpio Gold");
- Adjusted EBITDA[(1)] of $0.9 million in Q3 2014 was the same as Q2 2014;
- Cash flow from operating activities before movements in working capital of $0.9 million in Q3 2014 was the same in Q2 2014; and
- Working capital was $28.3 million at the end of Q3 2014, lower than $35.7 million at the end of 2013 due to decreases in cash, trade receivables and the fair value of the investment in Scorpio Gold, as well as an increase in trade payables.

Operations

- Q3 2014 plant throughput of 124,391 tonnes was 10.9% lower than the 139,581 tonnes recorded in Q2 2014, the latter having been a historic high for the Company since the plant start-up in 2008. The decline in throughput was due to scheduled plant maintenance and unscheduled repairs to the secondary crusher;
- Silver recovery remained consistent at 83% in both Q3 2014 and Q2 2014, while silver head grades decreased to 84 g/t in Q3 2014 from 87 g/t in Q2 2014;
- Head grades and recoveries for lead and copper increased in Q3 2014 compared to Q2 2014, while zinc head grade and recovery declined slightly;
- Recovered silver equivalent ounces[(2)], at 573,224 ounces in Q3 2014, decreased by 5% from 603,109 ounces in Q2 2014 due to the decrease in plant throughput, and contained silver and zinc;
- Processing of 8,778 tonnes of stockpiled material from the Company's wholly-owned silver-copper La Verde Mine during Q3 2014 resulted in the production of 29,115 silver equivalent ounces. Underground contract mining was curtailed at the end of the Q1 2014 as the Company is conducting a more detailed evaluation of the mine area, towards definition of resources, but production was obtained during August from the historical open pit above the mine workings; and
- Processing of 4,635 tonnes of stockpile material available from historical mining activities on various concessions the Company holds in the Cosalá Norte sector during Q3 2014 resulted in the production of 30,193 silver equivalent ounces. Trucking of these so-called *terreros* to the plant site will continue through Q4 2014 and the mineralized material will be blended as plant feed in conjunction with Nuestra Señora ore, at an expected 2:10 approximate ratio.

[(1)] This is a non-IFRS performance measure; please see Non-IFRS Performance Measures section of the MD&A.

(2) Silver equivalent ounces were calculated using the following 2014 budget metal prices: silver US$19/oz.; zinc US$0.95/lb.; copper US$2.97/lb.; and lead US$0.99/lb.

Project development

- On-going underground development work at the El Cajón Project as of the end of September resulted in 213 m of ramp advance and 307 m of lateral cross-cuts to establish the powder magazine, sumps and definition drilling stations. Faults encountered required redirecting the ramp advance to minimize ground support issues which caused delays. Initial development ore has been obtained in Q3 2014, with 750 tonnes processed in the plant in September. Ramp-up to steady-state production will extend into Q2 2015;
- The submittal of the Documento Técnico Unificado ("DTU"), combining the provision of both of the Environmental Impact Statement ("MIA") and related request for Change of Use of Land ("ETJ"), for permitting the execution of a surface exploration program above the El Cajón and San Rafael deposits, was done in Q1 2014 with the Secretariat of Environment and Natural Resources ("SEMARNAT") for the State of Sinaloa, Mexico, for its evaluation and approval. Additional information and clarifications requested by the SEMARNAT in early June were provided to the authorities in early July. This permit was subsequently received on October 31, 2014;
- Having received the DTU, the Company can now proceed with infill drilling required to enhance the quality of the near-surface resources found within the Main Zone of the San Rafael deposit, leaving for later further definition of the deeper Ag-Cu 120 Zone at San Rafael; and
- In its news release dated October 29, 2014, the Company provided additional information concerning its ongoing review of the concessions boundaries of the Company's El Cajón mineral deposit, located in the Cosalá Norte District near Cosalá, Sinaloa in Mexico. In particular, the Company announced that the Dirección General de Regulación Minera (the "DGRM"), the Mexican government bureau responsible for administering mining concessions, passed a resolution (the "Resolution"), which the Company believes is likely to result in a significant change to the position of the boundaries of the concessions encompassing the Company's El Cajón resource outline from what the Company has historically believed them to be.

As previously disclosed, the Company had identified discrepancies between registered data and mapped information relative to the boundaries of the concessions encompassing the Company's El Cajón resource outline. In conjunction with its ongoing internal review of the matter, the Company had also previously announced that it is seeking confirmation from the DGRM of the concessions boundaries. While the Company continues to await a final determination of the concessions boundaries from the DGRM, the DGRM recently passed a resolution that confirmed the position of the respective reference points that were used to register the concessions. In accordance with the Resolution, the Company and the owner of the adjacent Silvia Maria concession are now required to provide the DGRM with legal surveying data within 30 days from the Resolution date, after which time the final boundaries are expected to be confirmed by the DGRM.

In light of the DGRM's Resolution, and based on the surveying work carried out by the Company's independent contractors and its own personnel since the boundary discrepancy first became known to the Company, the Company now believes that there is a strong likelihood that there will be a significant change to the positions of the boundaries of the concessions encompassing the Company's El Cajón mineral deposit as they were previously understood to be. If any such variation to the concessions boundaries is finally confirmed by the DGRM, the Company's management also expects that it will be necessary to prepare a revised mineral resource estimate based on the confirmed boundaries, which will likely result in a significant reduction of the quantity of estimated mineral resources compared to the Company's estimate disclosed in its most recent technical report.

As a result of the foregoing developments, management cautions investors that the mineral resource estimate with respect to the Company's El Cajón deposit and the Preliminary Economic Assessment (the "PEA") for its Nuestra Señora, San Rafael and El Cajón deposits set out in the "Technical Report and Preliminary Economic Assessment, Nuestra Señora , San Rafael and El Cajón Deposits", dated April 12, 2013 and prepared for the Company by Mine Development Associates should no longer be relied upon as it relates to the mineral resource estimate for El Cajón deposit.

The Company intends to prepare an updated mineral resource estimate for its El Cajón deposit and a revised technical report, prepared in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects, following the DGRM's final confirmation of the concessions boundaries underlying the El Cajón deposit.

Exploration

- Diamond drilling continues on a routine basis at the Nuestra Señora Mine. Specific targets for definition resulted in the identification of a large block of material, outside of the resources, extending between levels 6 and 4;
- Drilling of targets identified in the La Verde mine commenced in August, based on reinterpretations of existing data. The original drilling program of 2,000 m has been expanded to 2,800 m;
- Geochemistry and mapping based on geophysical data have outlined a 6 kilometer long structural zone, related to La Verde, which contains several targets around small prospects conforming to the same La Verde model. Steps are being taken for filing a permit application to allow for the detailed exploration of these zones. Archeological studies have been performed and clearance received for future work;
- Underground drilling of approximately 2,400 m planned at El Cajón commenced in July to assist in mine planning of the first year of production with 1,947 m completed in Q3 2014; and
- Surface exploration in the area North of San Rafael Project, known as Humaya, which contains the historic La Estrella and Magistral Mines has begun with mapping and outcrop sampling. Nearly 100,000 tonnes of Zn-Pb-Cu-Ag bearing dumps ("*terreros")* with grades higher than current economic cut-off have been identified and transported to the Nuestra Señora Plant.

OUTLOOK

The Company is focused on maintaining ore production at current levels, to meet the nominal plant capacity of 1,600 tpd throughout 2014, first through providing the plant with material mined from the Nuestra Señora Mine, complemented with output from the La Verde Mine and the historical *terreros*. Towards the end of the year, the El Cajón Project is expected to become a new regular source of plant feed, with its importance increasing during the first two quarters of 2015 while it is ramping up.

Mining of the reserves and resources at Nuestra Señora will continue, with additional plant feed likely provided as defined by definition drilling.

The Company is committed to advancing the establishment of a ramp into the El Cajón orebody and eventual development of San Rafael. This underground development work at El Cajón is expected to allow for the provision of mill feed from production stopes starting in Q4 2014. Two additional quarters will be needed to ramp up mining activities to a regular production level. This level of sustainable output will be better determined once underground operations are underway and multiple accesses to the orebody are achieved.

The Company has delayed the completion of the PFS related to the El Cajón orebody that is being prepared with the assistance of JDS Energy and Mining Inc. ("JDS") until the boundary issue is finally determined by

As at September 30, 2014, the Company had $13.9 million in its treasury, over $28 million in working capital and no debt. The Company is expending significant efforts to maintain positive cash flow from its existing operations and continues to believe that its treasury and future cash flows will be adequate to finance the development of the El Cajón Project, advance towards the definition of resources at the La Verde Mine, proceed with infill drilling in San Rafael's Main Zone and sustain minimal regional exploration during the remainder 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 state of Sinaloa, has flexible mining methods and diversified metal production. It has a fully mechanized underground operation and a 1,600 tonnes per day processing facility with permitted capacity for expansion to 4,000 tonnes per day. 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 El Cajón deposit.

Scorpio Mining's President and CEO, Mr. Pierre Lacombe, Eng., 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
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 the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the resolution of the boundary at El Cajón and the impact of any associated reduction of resources, any future mineral resource estimate, the preparation and delivery of a technical report or PEA, 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 the Company's required securities filings on SEDAR, including its Annual Information Form dated March 13, 2014. Although the Company 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.

Contact

Scorpio Mining Corp.
Tel: 416-585-2200
Email: scorpio@scorpiomining.com
Website: www.scorpiomining.com

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