

## Orosur Mining Inc. Announces Results for the First Quarter Ended August 31, 2012

MONTEVIDEO, Uruguay October 15, 2012. **Orosur Mining Inc.** (“OMI” or “the Company”) (TSX: OMI) (LSE: OMI), today announced results for the first fiscal 2013 quarter ended August 31, 2012.

### Operating and Financial Summary

Key Results Summary <sup>1</sup>		Quarter 1 Ended Aug 31	
		2013	2012
<b>Operating Results</b>			
Gold produced	Ounces	15,451	12,488
Cash Operating cost	US\$/oz	1,094	944
Average price received	US\$/oz	1,598	1,612
<b>Financial Results</b>			
Revenue	US\$ '000s	26,334	21,026
Net income for the period	US\$ '000s	2,291	4,412
Cash flow from operations <sup>2</sup>	US\$ '000s	5,038	5,572
Cash at the end of the period	US\$ '000s	7,192	20,286
Total Debt at the end of the period <sup>3</sup>	US\$ '000s	6,325	3,849

<sup>1</sup> Results are based on IFRS and expressed in US dollars

<sup>2</sup> Before non-cash working capital movements

<sup>3</sup> HSBC and Santander loans and finance lease.

David Fowler, Chief Executive Officer commented: “Production for the quarter was 15,451 ounces of gold, which is 23.7 per cent higher than the corresponding quarter of the previous year while 404,997 tonnes of ore were milled at an average grade of 1.29 grammes per tonne of gold with a recovery of 91.8 per cent.

We are making good progress with the ramp at Arenal Deepes which is key to our development. We completed 1,462 meters of ramp development by the end of August and plan to finalize the remaining 494 meters by the end of the year. The Company took over all development operations in August 2012 from the contractor and progress has now been accelerated as a result. The transition has taken place without disruption and important cost savings have been achieved.”

## Highlights

### Production

- Production for the quarter 15,451 ounces was in line with expectations and represented a 23.7% increase over the 12,488 ounces produced in the corresponding quarter of the prior financial year.
- Successful transition to owner mining at Arenal Deepes with ongoing improved development advance being achieved.
- Cash operating costs were US\$ 1,094 per ounce. While this is higher than the target for the full year of US\$ 975 per ounce it is in line with budget for the quarter.

### Financial

- Revenue of US\$ 26.3 million (US\$ 21.0 million in Q1 2011/12), with realized gold price of \$US 1,598 compared to US\$ 1,612/oz in Q1 2011/12.
- Net profit after tax for the quarter was US\$ 2.3 million (US\$ 4.4 million in Q1 2011/12).
- Cash flow from operations for the quarter was US\$ 5.0 million (US\$ 5.8 million in Q1 2011/12)
- Cash balance at the quarter end of US\$ 7.2 million (US\$ 20.3 million in Q1 2011/12). The debt, excluding Talca outstanding payments, was US\$ 6.3 million (compared to US\$ 3.8 million of last year in Q1 2011/12).

### Exploration and Development

- Infill drilling at Arenal Deepes is confirming resource. Best holes include 43 m at 4.49 g/t Au in hole DDHUGN132-5 from 133 meters and 23.2 meters at 9.8 g/t Au in hole DDHUGN132-008 from 148.2 meters. These results are not true width.
- Discovery of new mineralization at the Pantanillo project. Best intercepts at Oro 52 were 59 meters at 0.48 g/t Au intercepted in hole ORO52-12-010 from 232 meters and 33 meters at 0.66 g/t Au from 212 meters intercepted in hole ORO52-12-010. Orosur has completed expenditure and drilling commitments to earn 100% of the project.
- Exploration re-commenced at Anillo project in northern Chile.

### Production and Costs

Production for the quarter was 15,451 ounces of gold which is 23.7 per cent higher than the corresponding quarter of the previous year when 12,488 ounces were produced. This production level is in line with the Company's production expectations for the quarter. During the quarter 404,997 tonnes of ore were milled (2012: 414,737 tonnes) at an average grade of 1.29 g/t Au (2012: 1.01 g/t) with a recovery of 91.8 % (2012: 92.7 %).

Cash operating cost for the quarter was US\$ 1,094 per ounce of gold which was in line with expectations. The increase when compared to the prior year cost of \$US 944 per ounce of gold was attributable to higher stripping ratio (10.3 in the current quarter as opposed to 4.8 in the same quarter of last year) and higher costs from underground operations (development ore) addition to cost inflation in Uruguay. That was partially offset by weakening of the Uruguayan Peso against the US Dollar and better grade processed for the quarter which was 29 per cent higher than the corresponding quarter of the previous financial year (1.29 Au g/t vs 1.01), reflecting the addition of high grade ores to the ore blend, mainly Arenal Underground and Crucera pit.

4,891 meters of decline development have been completed up to the end of August 2012. The Company has completed 1,462 meters of ramp development to the end of August and plans to finalize the remaining 494 meters of the ramp during the 3<sup>rd</sup> fiscal quarter of 2012/13. OMI took over all development operations in August 2012 from the contractor and progress in the decline development has been accelerated. The transition has taken place without disruptions in operations or development and important cost savings achieved as a result.

Authorization to operate the new tailings storage facility was granted on the 4th of July, 2012. The second stage of expansion of the new tailings storage facility has already begun and the project is progressing as planned.

Mining equipment bought to replace contractor mining in smaller deposits is going to be commissioned in October 2012 to allow greater flexibility and cost savings. The Company is finalizing plans for the development of the San Gregorio open pit which is expected to contribute approximately 80,000 ounces of reserves over the next 4 years of mine plan. To maximize production levels in coming years and allow more time for permitting of new deposits the company may accelerate the start date for San Gregorio to January 2013. This would imply an additional \$US 4 m worth of capital investment from future years being accelerated into the 2012/13 financial year. A decision will be taken on this in December 2012.

The Company's forecast gold production for the 2011/2012 financial year remains in the range of 63,000 to 68,000 ounces at an operating cash cost per ounce of approximately US\$ 975 per ounce. Variations in production and costs between quarters will occur as the mine plan draws ore from several pits at different grades and stages of stripping and the company manages its mine plans to achieve production and cost targets over the course of the year.

## **Financial Performance and Position**

The after tax profit for the quarter was US\$ 2.3 million compared to US\$ 4.4 million for the same quarter on the prior year. Higher costs were partially offset by higher sales and increased depreciation. Both production and cash costs for the quarter are in line with expectations.

The realized gold price was US\$ 1,598 per ounce for the quarter compared to US\$ 1,612 per ounce for the same quarter last year. The company generated cash flow from operations before working capital of US\$ 5.0 million for the quarter (same quarter last year – US\$ 5.8 million). The Company invested US\$ 4.7 million in capital and US\$ 2.7 million in exploration for the quarter compared to US\$ 8.9 million and US\$ 4.3 million respectively in the same quarter of last year.

Orosur's cash position at the end of the quarter was US\$ 7,192 with net working capital (current assets less current liabilities including cash) of US\$ 10,989, compared to cash balance of US\$ 20,286 in the first quarter of last year. The debt at the end of the quarter was US\$ 6,325 (HSBC and Santander loans and lease) and US\$ 626 outstanding debt to the Vendors of the Talca project, compared to US\$ 3,849 (HSBC and lease) and US\$ 2,202 respectively at the end of the first quarter of last year. At the end of the Quarter, the Company agreed with the Uruguayan branch of Scotia Bank (Nuevo Banco Comercial) a working capital line of credit up to a maximum of US\$ 4,000. At August 31, 2012, the Company has not withdrawn any amount from this line of credit.

## **Uruguayan Regulatory Environment**

The Uruguayan Government is discussing a draft for a new Law to regulate major Mining operations. This follows the recommendations produced from a Multiparty Commission created to set guiding principles. The Chamber of Mines in Uruguay has just received from the Government the draft under discussion. As per this initial draft, it is likely Orosur would be affected by this new legislation which intends to create a significant additional income tax where EBIT margins exceed approximately 35% and cancel some of the tax benefits on mining investments in Uruguay. The draft contemplates a transitional period in which, current operators will not be affected and extends for 2 years after the law is published. It is anticipated that the first year that this new tax would potentially be applicable would be the 2015/16 financial year. At this stage, Orosur is unable to calculate the impact, if any, that this will have on the Company.

## **Exploration and development**

### **Arenal Deeps**

Exploration during the quarter focused on Arenal Deeps where an infill drill program is being completed to allow improved definition of resources for detailed mine design. A total of 31 holes for 3,255.3 meters of underground diamond drilling and 5 holes for 1,816 meters of surface drilling (1,050.7 meters of pre-collar and 765.3 meters of diamond) were completed. Notable intercepts of more than 5 meters from this drill campaign are reported in the following table:

Hole id	From (m)	Intercept (m @ g/tAu)	Notes
ALDD139	297	7.00 @ 2.10	
ALDD139	306.5	6.00 @ 1.73	
ALDD140	279	5.00 @ 5.27	
ALDD140	292	6.00 @ 2.78	
DDHUG-057-02	50.65	8.90 @ 2.82	
DDHUG-N78-01	40.1	6.00 @ 2.29	
DDHUG-N78-02	39.8	13.60 @ 3.37	
DDHUG-N78-03	46.6	7.00 @ 3.91	
DDHUG-N78-04	49.95	22.65 @ 3.76	
DDHUG-N78-05	53	10.90 @ 4.03	
DDHUG-N95-01	21.4	8.30 @ 5.23	
DDHUG-N95-01	59.1	8.60 @ 1.52	
DDHUG-N95-02	37.4	35.90 @ 5.07	
DDHUG-N95-03	19.1	20.15 @ 2.95	
DDHUG-N95-03	55.1	3.55 @ 1.97	
DDHUG-N95-03	78.55	4.55 @ 3.92	
DDHUG-N95-04	24.1	16.30 @ 3.31	
DDHUG-N95-04	68.5	7.90 @ 3.02	
DDHUG-N95-04	91.8	9.80 @ 4.33	
DDHUG-N95-04	116	5.15 @ 4.19	
DDHUG-N95-05	22.7	12.20 @ 4.67	
DDHUGN107-001	35.05	13.85 @ 1.76	
DDHUGN107-001	60.55	15.25 @ 1.60	
DDHUGN120-001	8.3	11.75 @ 1.62	
DDHUGN120-002	13.15	8.05 @ 3.27	
DDHUGN120-002	122.6	5.80 @ 1.47	
DDHUGN120-003	9.25	7.85 @ 2.57	
DDHUGN120-003	74.4	6.00 @ 2.50	
DDHUGN132-001	67.8	9.30 @ 2.23	
DDHUGN132-001	79.1	9.90 @ 2.35	
DDHUGN132-002	29	8.00 @ 3.10	
DDHUGN132-003	27.2	10.40 @ 4.39	
DDHUGN132-004	42.55	12.35 @ 2.38	
DDHUGN132-005	46.3	7.45 @ 2.66	
DDHUGN132-005	61.6	16.9 @ 1.75	
DDHUGN132-005	82.5	13.4 @ 1.91	

Hole id	From (m)	Intercept (m @ g/tAu)	Notes
DDHUGN132-005	98	6.55 @ 3.49	
DDHUGN132-005	133.1	43.0 @ 4.48	incl. 27.8 m @ 5.35
DDHUGN132-005	187.5	6.7 @ 1.73	
DDHUGN132-006	9.1	5.5 @ 5.63	
DDHUGN132-006	19.6	7.05 @ 2.16	
DDHUGN132-007	35.65	16.45 @ 4.39	
DDHUGN132-007	111.2	8.6 @ 5.73	
DDHUGN132-008	32.1	16.7 @ 2.59	
DDHUGN132-008	50.9	5.1 @ 2.24	
DDHUGN132-008	107.9	36 @ 5.06	
DDHUGN132-008	148.2	23.2 @ 9.80	

\* intercepts consider a cut-off grade of 1.0 g/t and may include up-to 3 meters of low grade

\* true width to be determined

Drilling is confirming the resource model and in a number of areas is identifying more significant higher grade zones. Due to restrictions on access positions to drill these holes they do not generally represent true widths. To obtain an understanding of the significance of these intercepts relative to the existing resource sections, detailed information is available on the Company's website at the following link: [http://www.orosur.ca/mining/san\\_gregorio/geology/arenal/](http://www.orosur.ca/mining/san_gregorio/geology/arenal/). The average of all intercepts with a cut-off of 1.5 g/t is 4.40 g/t, compared to the resource grade of 3.96 g/t with the same cut-off grade.

### Other Uruguay

A 4,500 meter infill and extension drill program has commenced at Mahoma to provide information to calculate an initial resource estimate. Results of this program are expected to be published in the coming quarters.

### Pantaniillo Chile

The Pantaniillo Project is the most advanced project OMI currently has in Chile. It is located 125km east of Copiapo in the Maricunga District and has a NI43-101 compliant measured and indicated resource of 47,093,000 tonnes at an average grade of 0.69 g/t for 1,049,467 ounces.

During the quarter 1,314 meters of RC drilling were completed at Oro 52, which is located in the north east segment of the project area. The area is characterized by strong hydrothermal alteration, associated with structural lineaments that has affected volcanic flow and volcanoclastic sequences. Alteration is mainly of the high sulfidation, advanced argillic type, which gradates downwards to propylitic facies. Mineralization encountered is associated with quartz veinlets and partially to

oxidized. NW district scale structures and NE related subsidiary structures seem to play a role in the general mineralization control.

Notable results from this drill campaign are reported in the following tables:

Hole id	From (m)	Intercept (m @ g/t Au)	Notes
ORO52-12-008	140-143	3 @ 0.51	
ORO52-12-010	56-66	10 @ 0.26	
	74-78	4 @ 0.26	
	232-290	59 @ 0.48	Inc 4 meters at 1.42 g/t from 253 meters Inc 2 meters at 2.92 g/t from 273 meters
ORO52-12-012	202-206	4 @ 0.26	
	212-244	33 @ 0.66t	Inc 10 meters at 1.20 g/t from 273 meters

\* intercepts use a cut-off grade of 0.2 g/t and may include up-to 2 meters of waste

\* true widths to be determined

Follow-up drilling is planned to target mineralization closer to surface and to expand the mineralized zone. A plan map of drill hole locations and sections showing the drill intercepts are shown on the Company's website at the following link: [http://www.orosur.ca/exploration\\_chile/pantanillo/](http://www.orosur.ca/exploration_chile/pantanillo/). These encouraging results provide strong support for the potential to define new oxide mineralisation at Pantanillo to eventually significantly improve the economics of the Pantanillo PEA.

### **Other - Chile**

Anillo is strategically placed between Yamana's El Peñon mine and its recent Pampa Augusta Victoria discovery. Exploration work has commenced on Anillo to define new targets for drilling. This work will comprise geological mapping, sampling and trenching of new areas. The company is also planning to test the CSAMT geophysical technique to identify potential structures associated with sulfide mineralization. Targets generated from this work are planned to be drilling in the second half of fiscal 2012.

Evaluation of Talca is continuing with field review of existing and new targets during the quarter.

### **Conference Call and Webcast**

The Company is rescheduling the conference call and webcast previously announced for Thursday October 18, 2012 at 11:30 Eastern Time, 16:30 UK time.

The Company's CEO, David Fowler, will brief investors on operating results, development plans and strategy, and answer questions from call participants. Web cast participants may submit questions in advance by email at [info@orosur.ca](mailto:info@orosur.ca).

The conference call can be accessed by dialing **1-800-319-4610** (US/Canada toll free) or **0808-101-2791** (UK toll free) or **1-604-638-5340** (International toll). All participants will be required to register with the operator.

### **Annual General Meeting**

The Company will provide a full presentation including quarter one results and information on exploration and development activities at its annual general meeting to be held at the City Club, 19 Old Broad Street, London, England EC2N 1DS, on Wednesday, November 28, 2012 at the hour of 11:15 a.m. (UK time).

### **Qualified Person's Statement**

The information presented in this press release has been reviewed by William F. Lindqvist, Director of OMI and is considered to be in compliance with NI 43-101 reporting guidelines. Dr. Lindqvist holds a Ph.D. in Applied Geology from Imperial College, London, is a fellow of the AusIMM and has been a member of the AUSIMM for 46 years, and has had 40 years of experience in international minerals exploration and property evaluation.

### **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 Latin 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 Exchange: OMI) and London (AIM: OMI).

For further information, please contact:

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**Financial Statements Follow**

Orosur Mining Inc.

**Condensed Interim Consolidated Statements of Financial Position**  
Thousands of United States Dollars, except where indicated

		As at August 31, 2012(\$)	As at May 31, 2012(\$)
<b>Assets</b>	<b>Notes</b>		
Cash and cash equivalents		7,192	11,461
Accounts receivable and other assets	3	5,487	4,734
Inventories	4	16,814	17,110
<b>Total current assets</b>		<b>29,493</b>	<b>33,305</b>
Property, plant and equipment and development costs	5	60,578	58,737
Exploration and evaluation costs	6	29,359	26,872
Deferred income tax assets	11	4,287	3,642
Restricted cash		223	231
<b>Total non-current assets</b>		<b>94,447</b>	<b>89,482</b>
<b>Total Assets</b>		<b>123,940</b>	<b>122,787</b>
<b>Liabilities and Shareholders' Equity</b>			
Trade payables and other accrued liabilities	3	16,625	18,868
Financial debt	16	1,407	3,418
Derivative financial instruments	13	472	41
<b>Total current liabilities</b>		<b>18,504</b>	<b>22,327</b>
Financial debt	16	5,544	2,805
Environmental rehabilitation provisions	7	4,984	5,091
<b>Total non-current liabilities</b>		<b>10,528</b>	<b>7,896</b>
<b>Total liabilities</b>		<b>29,032</b>	<b>30,223</b>
Capital stock	8	55,099	55,074
Warrants		276	276
Contributed surplus		5,452	5,424
Retained earnings		34,081	31,790
<b>Total shareholders' equity</b>		<b>94,908</b>	<b>92,564</b>
<b>Total liabilities and shareholders' equity</b>		<b>123,940</b>	<b>122,787</b>

Approved on behalf of the Board:

Tony Shearer – Director

Julio Porteiro – Director

**Orosur Mining Inc.**  
**Condensed Interim Consolidated Statements of Income and Comprehensive**  
**Income**  
(Thousands of United States Dollars except for earnings per share amounts)

	<b>Note</b>	<b>Three months ended August 31, 2012 (\$)</b>	<b>August 31,2011 (\$)</b>
Sales		<b>26,334</b>	21, 026
Cost of sales	<b>18</b>	<b>(21,736)</b>	(14,962)
<b>Gross profit</b>		<b>4,598</b>	6,064
Corporate and administrative expense		<b>(1,296)</b>	(1,181)
Exploration expenses	<b>6</b>	<b>(329)</b>	(436)
Other income		<b>33</b>	56
Finance cost	<b>17</b>	<b>(81)</b>	(25)
Finance income	<b>17</b>	<b>3</b>	9
Derivative loss	<b>13</b>	<b>(431)</b>	0
Net foreign exchange gain		<b>5</b>	43
<b>Profit before income tax</b>		<b>2,502</b>	4,530
Provision for income taxes	<b>11</b>	<b>(211)</b>	(118)
<b>Total income and comprehensive income for the year</b>		<b>2,291</b>	4,412
 <b>Earnings per common share</b>			
<b>Basic</b>	<b>15</b>	<b>0.03</b>	0.06
<b>Diluted</b>	<b>15</b>	<b>0.03</b>	0.06

**Orosur Mining Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
Thousands of United States Dollars, except where indicated

For the periods ended	Note	Three months ended	
		August 31, 2012 (\$)	August 31, 2011 (\$)
<b>Net inflow (outflow) of cash related to the following activities</b>			
<b>Cash flow from Operating activities</b>			
Net income for the period		2,291	4,412
<i>Adjustments to reconcile net income to net cash provided from operating activities:</i>			
Depreciation	5	2,930	2,000
Fair value of derivatives	13	431	0
Accretion of asset retirement obligation	7	19	13
Deferred income tax assets	11	(645)	(974)
Stock based compensation	9	37	126
Gain on sale of property, plant and equipment		(33)	0
Others		8	(5)
<b>Subtotal</b>		<b>5,038</b>	<b>5,572</b>
<i>Changes in operating assets and liabilities</i>			
Accounts receivable and other assets		(753)	706
Inventories		296	222
Trade payables and other accrued liabilities		(2,243)	(2,374)
<b>Net cash generated from operating activities</b>		<b>2,338</b>	<b>4,126</b>
<b>Cash flow from financing activities</b>			
Proceeds from the exercise of share options		16	16
Proceeds from the issue of shares in a private placement		0	12,360
Loans received	16	739	3,845
Loans payments		(11)	(12)
<b>Net cash from financing activities</b>		<b>744</b>	<b>16,209</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and development costs	14	(4,712)	(8,911)
Loans granted		0	(1,000)
Proceeds from the sale of fixed assets		33	0
Exploration and evaluation expenditure assets	6	(2,672)	(4,316)
<b>Net cash used in investing activities</b>		<b>(7,351)</b>	<b>(14,227)</b>
Increase (decrease) in cash and cash equivalents		(4,269)	6,108
Cash and cash equivalents at the beginning of period		11,461	14,178
<b>Cash and cash equivalents at the end of period</b>		<b>7,192</b>	<b>20,286</b>

**Orosur Mining Inc.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
Thousands of United States Dollars, except where indicated

		<b>Three months ended</b>	
	<b>Note</b>	<b>August 31, 2012 (\$)</b>	<b>August 31, 2011 (\$)</b>
<b>Capital stock</b>			
Balance at beginning of year		55,074	42,692
Private placement net of share issuance costs	10	0	12,360
Exercise of stock options		16	16
Transfer from contributed surplus		9	0
Balance at end of year		55,099	55,068
<b>Broker warrants</b>			
Balance at beginning of year		276	0
Commission on private placement	10	0	0
Balance at end of year		276	0
<b>Contributed surplus</b>			
Balance at beginning of year		5,424	5,138
Employee stock based compensation recognized	11	37	126
Transfer to Capital stock		(9)	0
Balance at end of year		5,452	5,264
<b>Retained earnings</b>			
Balance at beginning of year		31,790	30,593
Net income for the year		2,291	4,412
Balance at end of year		34,081	35,005
<b>Shareholders' equity at end of year</b>		<b>94,908</b>	<b>95,337</b>