Orosur Mining Inc. – Full Year 2018 Results

Medellin, Colombia, August 29, 2018. Orosur Mining Inc. ("Orosur" or "the Company") (TSX: OMI) (AIM: OMI) announces the results for the fiscal year ended May 31, 2018 ("FY18"). All dollar figures are stated in US$ unless otherwise noted.

FY18 Highlights

Operational

- FY18 production of 27,586 oz of gold, in line with the updated guidance (27,000 - 30,000 oz), (FY17: 35,371 oz). The grade mined and processed at San Gregorio was lower than anticipated, leading to higher costs and reduced gold production.
- 875,440 tonnes of ore were processed at a grade of 1.01 g/t with recovery averaging 94.97% (FY17: 978,529 tonnes at a grade of 1.21 g/t with recovery averaging 93.41%).
- The average gold price realized for the year was $1,280/oz (FY17: $1,258/oz), an increase of 2%.
- Cash operating costs for the year were $970/oz (FY17: $829/oz), an increase of 17%, due primarily to lower production and lower ore grades. These results are in line with the updated guidance of US$900 – US$1,000oz for the year.
- All-in-sustaining costs ("AISC") were $1,453/oz (FY17: $1,228/oz). The increase was due to the higher unit operating costs from the lower ore grades processed during the period and additional brownfield exploration.

Financial

- Restructuring costs of $2.8mm (FY17: nil) were recognized as a provision for layoffs representing a significant reduction in staff which left the Company with 70 employees at the end of July, as part of the initiatives to preserve cash.
- The Company invested $9.8mm in capital and $5.2mm in exploration (FY17: $10.6mm and $2.6mm, respectively). The Company significantly increased its investment in exploration as a result of the drilling campaign in Colombia.
- Operating loss of $1.1mm including higher depreciation of $8.9mm. Loss after tax and after impairment and discontinued operations was $36.9mm (FY17: profit of $2.7mm) including the recognition of the provision for layoffs ($2.8mm), write off of exploration projects ($6.0mm), loss for discontinued operation ($6.5mm), impairment ($11.0mm) and obsolescence provision of spare parts and consumables inventories ($4.7mm) .
- Cash flow generated by operations before working capital investment was $3.4mm (FY17: $9.7mm). Cash balance at the end of FY18 $1.4mm (FY17: $3.4mm) with net working capital deficiency (current assets less current liabilities including cash) of $10.6mm (FY17: Positive net working capital of $3.1mm). Excluding Loryser assets and liabilities, the Company had total cash and cash equivalents of US$0.1mm at the end of FY18. Total debt of $1.9mm (FY17 $0.4mm). The increase is due mainly to Loryser, the Company's primary operating subsidiary drawing the $1.5mm line of credit. At present, the Company has a cash balance of $0.45mm and total debt of $1.9mm.

Exploration

- In Colombia, the Company reported high grade results of its 2018 step-out drilling campaign at APTA including 5.00g/t Au over 23m, 4.89 g/t over 13.9m, 4.86 g/t Au over 25.0m, 9.42g/t Au over 7m, 9,62g/t over 6m and 5.28 g/t over 12m.
- Drilling extended the mineralized zone at APTA down dip, up dip and along strike. Mineralized zones remain open along strike and at depth at APTA.
- To date, Orosur has reported 18 holes (MAP_54 to MAP_71) totaling 6,314 metres at APTA and as at June 7, 2018 announced the completion of a further 3,045m of diamond drilling at its Charrascala target successfully encountering gold in the system, including intersects of 3.43 g/t Au and 30.60 g/t Ag over 1.5m and 2.62 g/t Au and 14.30 g/t Ag over 0.90m.

Corporate

- On June 14, 2018 the Company applied for the Loryser Reorganization Proceedings and creditor protection, in the interest of Loryser, the Company and their stakeholders.
- Loryser continued production at SG UG until the end of July after which, during August, it is placing the mine in care and maintenance. Loryser will remain able to enter into transactions with its suite of Uruguayan assets. Orosur is currently conducting conversations with the Government and third parties to analyze different options to continue its operations in Uruguay.
- In Chile, the Company is discontinuing its operational unit. On July 2018, the Company sold its remaining 25% interest in Talca for consideration of $120k. With this sale, the Company is left with no interest or obligation in Talca. In respect of the Anillo project, Asset Chile forfeited the 16% interest it had earned and Fortune Valley returned the project to Codelco.
- The Company continues to advance discussions to finance the next stage of exploration at the Anzá project in Colombia. In connection with these discussions, and as announced on July 10, 2018, a sophisticated international mining company has advanced $250k to subscribe for 3,603,077 common shares of Orosur at a price of CAD$0.091 per share. The subscription price represents a 102% premium to the closing price of the Company's common shares on the Toronto Stock Exchange on July 9, 2018.

Ignacio Salazar, CEO of Orosur, commented:

"FY18 has been a challenging year for Orosur. The weaker mineralization encountered at our SGW UG mine in Uruguay placed the Company in a precarious situation, leading to weak operating and financial performance for the year and also a number of financial impairments. The Company reacted quickly and decisively; drastically reducing costs and restructuring its various business units. In mid-June, the Company applied to place its key operating subsidiary in Uruguay, Loryser, into voluntary creditor protection. This process is underway and the Company is making every effort to arrive at a fair and balanced plan in the interest of all our stakeholders. In Chile, we have returned the Anillo project to Codelco and sold the remaining 25% interest in Talca.

In Colombia, the drilling campaign in Anzá resulted in a number of high grade gold intercepts, providing support for our geological model as well as materially extending the known extent of mineralisation. The drilling started in October 2017 and was completed in early June 2018 and the Company has been planning the next stages of exploration as well as hosting advanced negotiations with a sophisticated senior mining company interested in progressing the Anzá project with the Company. This is an exciting development for Orosur and we look forward to updating the market shortly."

Operational & Financial Summary[1]		**Fiscal Year (FY) ended May 31**		
		2018	**2017**	**Change**
Operating Results				
Gold produced	Ounces	27,586	35,371	7,785
Operating Cash cost[3]	US$/oz	970	829	141
Total Cash cost	US$/oz	989	882	107

AISC	US$/oz	1,453	1,228	225
Average price received	US$/oz	1,280	1,258	22
Financial Results				
Revenue	US$ '000	37,100	44,226	(7,126)
Net income (loss) before tax	US$ '000	(27,180)	2,337	(29,517)
Cash flow from operations[2]	US$ '000	3,361	9,664	(6,303)

Cash & Debt at the end of the period		**2018**	**2017**	**Diff**
Cash balance	US$ '000	1,390	3,357	(1,967)
Total Debt	US$ '000	1,941	403	1,538
Cash net of debt	US$ ´000	(551)	2,954	(3,505)

[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.*

FY19 Outlook

As a consequence of the weaker mineralization encountered at our SGW UG mine in Uruguay and the consequently difficult financial situation of the Company, the Board adopted an aggressive strategic plan which has been implemented during FY18, with the main objective to restructure its businesses, recapitalize and transform the Company by reducing corporate structure and costs in Uruguay, advancing Colombia and reducing its activities in Chile. In this process, Orosur has been actively considering options and potential partnerships to create shareholder value and is currently in advanced discussions on several alternatives to bolster capital resources to develop its assets.

During FY19, the Company expects to produce between 2,500 - 3,500 ounces of gold, with operating costs of US$1,000 - US$1,100 per ounce from the San Gregorio mine in Uruguay in Q119, after which point all production is expected to be ceased and is not expected to resume in FY19, with operations placed on care and maintenance. All future production shall depend on material developments in the funding and environmental permitting of the Veta A Underground project in Uruguay and the ongoing discussions with the government of Uruguay and other third parties.

Orosur is focusing on financing the next stages of exploration of the high grade Anzá project in Colombia and is in the process of advancing a strategic alliance with a sophisticated international mining Company.

The Company anticipates that reaching a fair and balanced solution in Uruguay in the interest of all our stakeholders while partnering and advancing the next stages of exploration at the Anzá project will be the primary focus of the Company during FY19.

END

Qualified Person

The technical information related to the current assets of Orosur in this announcement has been reviewed and approved by independent Mining engineer Miguel Fuentealba, a qualified person as defined by National Instrument 43-101.

About Orosur Mining Inc.

Orosur Mining Inc. (TSX: OMI; AIM: OMI) is a fully integrated gold producer, developer and explorer focused on identifying and advancing gold projects in South America. The Company operates in Colombia and Uruguay.

Forward Looking Statements

All statements, other than statements of historical fact, contained in this news release constitute "forward-looking statements" within the meaning of applicable securities laws, including but not limited to the "safe harbour" provisions of 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. Forward-looking statements include, without limitation the expected completion of a US$250,000 subscription for common shares, the negotiation and execution of definitive agreements with respect to the Anzá project, the ability to advance the Anzá property, the approval of the TSX and other approvals, the ability to continue operations in Uruguay, and the ability to find a fair and balanced reorganisation plan in the interests of all stakeholders. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward looking statements. Such statements are subject to significant risks and uncertainties including the outcome of current discussions and negotiations with respect to the Company's assets in Uruguay and Colombia, the results of future exploration in Colombia, the ability to successfully permit and develop the Veta A underground project and other risks and uncertainties which are described in Section 8 of the Q4 2018 Management Discussion and Analysis. The Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operations. These material uncertainties may cast significant doubt upon the Company's ability to realize its assets and discharge its liabilities in the normal course of business and accordingly the appropriateness of the use of accounting principles applicable to a going concern. Although the Company has been successful in the past in obtaining financing there is no assurance that it will be able to obtain adequate financing in future or that such financing will be on terms advantageous to the Company. 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.

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain. If you have any queries on this, then please contact Ryan Cohen, VP Corporate Development of the Company (responsible for arranging release of this announcement on behalf of the Company) on: +1 (778) 373-0100.

– Financial Statements Follow –

Orosur Mining Inc.
Consolidated Statements of Financial Position
(Thousands of United States Dollars, except where indicated)

	As at May 31 2018($)	As at May 31 2017($)
Assets		
Cash	**1,390**	3,357
Accounts receivable and other assets	**1,550**	1,519
Inventories	**6,100**	13,157
Asset held for sale	**120**	-
Total current assets	**9,160**	18,033
Accounts receivable and other assets	**73**	550
Property plant and equipment and development costs	**6,578**	16,160
Exploration and evaluation costs	**9,755**	17,677
Deferred income tax assets	**-**	3,115
Restricted cash	**201**	229
Total non-current assets	**16,607**	37,731
Total Assets	**25,767**	55,764
Liabilities and Shareholders' Equity		
Trade payables and other accrued liabilities	**17,845**	14,518
Current portion of long-term debt	**1,730**	202
Warrants	**68**	-
Environmental rehabilitation provision	**139**	243
Total current liabilities	**19,782**	14,963
Long-term debt	**211**	201
Environmental rehabilitation provision	**5,283**	5,405
Total non-current liabilities	**5,494**	5,606
Total liabilities	**25,276**	20,569
Capital stock	**63,290**	61,162
Contributed surplus	**5,893**	5,836
Deficit	**(67,780)**	(30,913)
Currency translation reserve	**(912)**	(890)
Total shareholders' equity	**491**	35,195
Total liabilities and shareholders' equity	**25,767**	55,764

Orosur Mining Inc.
Consolidated Statements of Profit/(Loss) and Comprehensive Profit/(Loss)
(Thousands of United States Dollars except for earnings per share amounts)

For the years ended May 31	**Note**	**2018 ($)**	2017 ($)
Sales		**37,100**	44,226
Cost of sales		**(38,170)**	(40,271)
Gross profit/(loss)		**(1,070)**	3,955
Corporate and administrative expenses		**(2,231)**	(2,037)
Restructuring costs		**(2,840)**	143
Exploration expenses		**(207)**	-
Exploration and evaluation costs written off		**(5,999)**	(131)
Impairment of assets		**(11,083)**	-
Inventory write-downs		**(1,161)**	-
Obsolescence provision		**(4,678)**	(113)
Other income		**995**	1,525
Finance cost net		**(177)**	(164)
Gain/(loss) on fair value of financial instruments, net		**680**	(458)
Foreign exchange gain/(loss)		**591**	(383)
		(26,110)	(1,618)
Profit/(loss) before income tax		**(27,180)**	2,337
Recovery (expense) for income taxes		**(3,121)**	557
Total profit/(loss) for continuing operations		**(30,301)**	2,894
Other comprehensive profit/(loss)			
Cumulative translation adjustment		**(22)**	93
Total comprehensive profit/(loss) from continuing operations		**(30,323)**	2,988
Loss from discontinued operations		**(6,544)**	(310)
Total comprehensive loss from discontinued operations		**(6,544)**	2,678
Total comprehensive (loss)/ profit for the year		**(36,867)**	2,678
Basic and diluted net profit/(loss) per share			
Continuing operations		**(0.26)**	0.03
Discontinued operations		**(0.06)**	(0.00)

Orosur Mining Inc.
Consolidated Statements of Cash Flows
(Thousands of United States Dollars, except where indicated)

For the years ended May 31	Note	2018 ($)	2017 ($)
Net inflow (outflow) of cash related to the following activities			
Cash flow from operating activities			
Net profit/(loss) for the year		**(36,845)**	2,585
Adjustments to reconcile net income to net cash provided from operating activities:			
Depreciation		**8,901**	7,143
Impairment of assets		**11,083**	-
Inventory write-downs		**1,161**	-
Exploration and evaluation costs written off		**5,999**	131
Loss from discontinued operations		**6,544**	310
Obsolescence provision		**4,678**	113
Fair value of derivatives		**(399)**	458
Accretion of asset retirement obligation		**(10)**	18
Deferred income tax assets		**3,115**	(581)
Stock based compensation		**57**	93
Loss/(gain) on sale of property, plant and equipment		**(828)**	(241)
Other		**(95)**	(55)
Subtotal		**3,361**	9,664
Changes in working capital			
Accounts receivable and other assets		**112**	(211)
Inventories		**1,217**	(1,200)
Trade payables and other accrued liabilities		**3,146**	3,932
Net cash generated from operating activities		**7,836**	12,185
Cash flow from investing activities			
Purchase of property, plant and equipment and development costs		**(9,712)**	(10,621)
Payments for environmental rehabilitation		**(122)**	(213)
Proceeds from the sale of fixed assets		**782**	240
Exploration and evaluation expenditure assets		**(5,183)**	(2,604)
Net cash used in investing activities		**(14,235)**	(13,198)
Cash flow from financing activities			
Proceeds from private placement, net of issuance costs		**2,894**	-
Loan proceeds		**1,740**	320
Loan payments		**(202)**	(270)
Net cash generated from financing activities		**4,432**	50
Decrease in cash		**(1,967)**	(963)
Cash at the beginning of year		**3,357**	4,320
Cash at the end of year		**1,390**	3,357