

# Orla Mining and Pershimco Resources Announce Merger

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## Orla Mining Announces Back-Stopped Equity Financing of up to C\$50 Million

Sept. 14, 2016) - [Orla Mining Ltd.](#) ("Orla") (TSX VENTURE:OLA) and [Pershimco Resources Inc.](#) ("Pershimco") (TSX VENTURE:PRO)(FRANKFURT:BIZ) today are pleased to announce that they have entered into a definitive arrangement agreement (the "Arrangement Agreement") to combine their respective businesses, creating a new, growth-oriented gold company in the Americas (the "Transaction"). The new company ("NewCo"), which will continue to operate under the name "[Orla Mining Ltd.](#)", will focus on continued exploration and development of Pershimco's Cerro Quema project located in Panama, and will seek further growth opportunities in the Americas. Marc Prefontaine will lead NewCo as President and Chief Executive Officer.

Under the terms of the Arrangement Agreement, each Orla shareholder will receive one common share in NewCo for each Orla common share ("Orla Share") held. Each Pershimco shareholder will receive 0.19 of a NewCo share for each Pershimco common share ("Pershimco Share") held. In addition, each Pershimco shareholder will receive 0.04 of a class A common share of NewCo for each Pershimco Share held. Each whole class A common share of NewCo will entitle its holder to receive, without payment of additional consideration, one NewCo share conditional upon the issuance of a ministerial resolution by the Ministry of Environment of Panama, accepting the Environmental and Social Impact Study ("ESIA") for Pershimco's Cerro Quema project on or prior to January 31, 2017. If a ministerial resolution accepting the ESIA for the Cerro Quema project is not received prior to January 31, 2017, the right to receive NewCo shares will terminate. All outstanding options and warrants of both Orla and Pershimco will be exchanged for equivalent securities of NewCo in accordance with the Arrangement Agreement, while the outstanding restricted share units of Pershimco will be paid out in either cash or NewCo shares under the Arrangement Agreement.

In connection with the Transaction, Orla intends to raise up to C\$50 million via a private placement of subscription receipts at a price of \$1.75 per subscription receipt (the "Private Placement"). Pierre Lassonde and certain insiders of Orla intend to participate in the financing in an amount of up to C\$30 million. Upon completion of the Transaction and assuming the approval of the ESIA, it is anticipated that NewCo will have approximately 126.7 million NewCo shares issued and outstanding. Existing Pershimco shareholders will hold approximately 44.7% of the NewCo shares on a fully diluted in-the-money basis. Existing Orla shareholders will hold approximately 36.2% of the NewCo shares on a fully diluted in-the-money basis with the remaining 19.1% to be held by investors participating in the Private Placement.

Insiders representing 47.9% of the Orla Shares and options eligible to vote have entered into lock-up and voting support agreements with Pershimco in connection with the Transaction. Certain insiders and major shareholders of Pershimco, including all directors, [Agnico Eagle Mines Ltd.](#) and The Sentient Group, representing 41.5% of the Pershimco Shares and options eligible to vote, have entered into lock-up and voting support agreements with Orla.

## Highlights of the Merger

- Establishes a well-capitalized, high-quality gold exploration and development company: Post Transaction, NewCo expects to have a strong balance sheet with no debt to explore and advance its cornerstone Cerro Quema project.
- Cerro Quema Pre-Feasibility Study ("PFS") supports development of a low cost heap leach gold operation in Panama: Low capex and strong operating margins with strong resource expansion potential to increase mine life. In 2014, Pershimco released a PFS on the Cerro Quema project indicating a robust after-tax NPV (5%) of US\$110 million and IRR of 33.7% using a gold price of US\$1,275/oz.
- Growth through the drill bit and M&A: Cerro Quema has significant exploration potential, including both oxide targets and large scale porphyry potential to increase shareholder value. The immediate goal is to materially increase the size of the oxide resource base to enhance the economics of the PFS. Further, the Cerro Quema concession consists of a large 14,833 ha land package which has seen limited drilling since 1993 other than the current resource areas. Management, Board of Directors and financial sponsors have an extensive and highly successful M&A track record.

- Proven management team and Board: Extensive experience in Latin America and in all facets of mining with a demonstrated ability to grow shareholder value.
- Superior capital markets exposure and access to capital: Industry sponsors and proven ability to raise capital create a strong gold company that can rapidly transact on value accretive gold opportunities.

## Management and Board of Directors

Following completion of the Transaction, the leadership team of NewCo is expected to include:

Management	Board of Directors
Marc Prefontaine, President & CEO	Troy Fierro, Chairman
Paul Robertson, CFO	Richard Hall
Hans Smit, COO	Alain Bureau
	Marc Prefontaine
	Jean Robitaille
	Kerry Sparkes
	Hans Smit
	Aaron Wolfe

Marc Prefontaine, President and Chief Executive Officer of Orla stated:

"Since selling Grayd to Agnico in 2011, we have been looking for an exceptional opportunity for our team. We believe the Cerro Quema project has outstanding exploration potential - first to expand the oxide resource which will support the establishment of a low cost heap leach mine and second to explore for large bulk tonnage porphyry targets. We congratulate Alain Bureau and his team for their success to date and we look forward to working together to advance Cerro Quema. Finally, I would like to welcome Alain Bureau and Jean Robitaille to Orla's Board of Directors and strategic investors, Agnico Eagle and The Sentient Group to our shareholder registry."

Alain Bureau, President and Chief Executive Officer of Pershimco stated: "Being myself a large shareholder of Pershimco, I am excited to participate in the foundations of an exceptional new gold company. We are proudly welcoming Marc and his team from whom we will all benefit from their previous successes. The Board, Management and major shareholders of Pershimco fully support the planned combination between our two companies. Additionally, we are pleased to have Mr. Pierre Lassonde, a well-known personality of the mining industry, as one of our main shareholders and supporters. Our merger is an optimized combination of experienced mining professionals who share common values of protecting the environment and actively supporting the communities we operate in."

Commenting on the transaction, Sean Boyd, Vice-Chairman and CEO of [Agnico Eagle Mines Ltd.](#) stated, "We have been investors in Pershimco since 2013 and believe in the long term geological potential of the region. Given our history with Orla management and their track record of creating value for shareholders, we intend to maintain our investment in the newly merged company."

Andrew Pullar, CEO of The Sentient Group, added "Sentient is delighted to support the proposed transaction. Orla brings with it an experienced team of mining professionals and we are confident in their ability to deliver the significant potential we all see at Cerro Quema."

## Pershimco Private Placement

Concurrently with entering into the Arrangement Agreement, Orla will subscribe for approximately 12,121,212 Pershimco Shares at a price of C\$0.33 per share in a private placement for total gross proceeds to Pershimco of C\$4 million, representing approximately 4% of the Pershimco Shares on a pro forma basis. The private placement financing is not conditional on the completion of the Arrangement Agreement but is subject to the approval of the TSXV. Pershimco will use the proceeds of the private placement to continue exploration activities at its Cerro Quema project and for working capital purposes. There are no finder's fees payable in connection with this private placement.

## Orla Private Placement Financing

In connection with the proposed Transaction, Orla has entered into an agreement with GMP Securities L.P.

on behalf of a syndicate of agents (the "Agents") to complete the Private Placement of subscription receipts (the "Subscription Receipts") for total gross proceeds of up to C\$50 million (the "Private Placement") at a price of C\$1.75 per Subscription Receipt (the "Subscription Price"). Pierre Lassonde, who currently owns 19.4% of Orla on a partially-diluted basis and certain insiders of Orla intend to participate in the financing in an amount of up to C\$30 million of the Private Placement.

The gross proceeds from the Private Placement will be deposited and held in escrow and shall be released immediately prior to the completion of the Transaction upon the satisfaction of certain conditions (the "Release Conditions"). Each Subscription Receipt will entitle the holder thereof to receive one NewCo share as part of the Arrangement Agreement. If the Release Conditions are not satisfied on or before January 31, 2017, or prior to such date, Orla advises the Agents or announces to the public that it does not intend to satisfy the Release Conditions, the escrow agent will return to holders of the Subscription Receipts, an amount equal to the aggregate Subscription Price for the Subscription Receipts held by them, together with a pro rata portion of interest earned on the escrowed proceeds and the Subscription Receipts will be cancelled and of no further force or effect.

The net proceeds of the Private Placement will be used to repay any amounts owed to RK Mine Finance, for exploration growth at Cerro Quema and for general corporate purposes.

### **Board of Directors' Recommendations**

The Board of Directors of each company has determined that the Transaction is in the best interests of their respective shareholders based on a number of factors, including fairness opinions received from their respective financial advisors and the unanimous recommendation of the special committee in the case of Pershimco. Each company's Board of Directors unanimously approved the terms of the Transaction and recommends that their respective shareholders vote in favor of the Transaction.

Primary Capital Inc. provided a fairness opinion in connection with the Transaction to the Special Committee of Pershimco. GMP Securities L.P. provided a fairness opinion to the Board of Directors of Orla.

### **Details of the Arrangement**

The Transaction will be effected by way of a court-approved plan of arrangement pursuant to Section 192 of the *Canada Business Corporations Act*. Prior to the effective time of the Transaction, Orla will continue out from the *Business Corporations Act* (Ontario) to the *Canada Business Corporations Act*.

The Transaction will require the approval by at least 66 2/3% of the votes cast on a special resolution by Pershimco shareholders and optionholders and Orla shareholders and optionholders present in person or represented by proxy at their respective shareholder meetings. The Transaction will also require the approval by at least 50% of the minority shareholders of Pershimco and Orla, respectively. In addition, Orla will require the approval of its shareholders to continue to the *Canada Business Corporations Act* from the *Business Corporations Act* (Ontario) in order to complete the Transaction. In addition to shareholder and court approvals, the Transaction is subject to applicable regulatory approvals and the satisfaction of other closing conditions customary of this nature, including the approval of the TSX Venture Exchange.

The Arrangement Agreement includes customary deal protection provisions, including fiduciary-outs in specified circumstances, a mutual right to match and mutual non-solicitation provisions. A reciprocal termination fee in the amount of C\$3 million will be paid, should the Arrangement Agreement not be completed in certain circumstances.

### **Timing**

Full details of the Transaction will be included in the management information circulars of Orla and Pershimco to be mailed to their respective shareholders in early October 2016. It is anticipated that both shareholder meetings and closing of the Transaction will take place in mid-November 2016.

### **Advisors and Counsel**

Orla has retained GMP Securities L.P. as financial advisor and Cassels Brock & Blackwell LLP as legal advisor.

Pershimco has retained Minvisory Corp. as financial advisor and Seguin Racine, Avocats Ltée as legal

advisor. The Special Committee of Pershimco has retained Primary Capital Inc. as financial advisor and Dentons Canada LLP as legal advisor.

In connection with the Transaction, Orla will pay finder's fees to two insiders of 3 million non-transferable common share purchase warrants upon closing of the Transaction. Each warrant will be exercisable into one common share of NewCo at a price of \$2.00 per common share for a period of 24 months from the date of issuance. Payment of this fee is subject to the acceptance of the TSX Venture Exchange.

### **About Orla Mining**

Orla Mining is a closely held mineral exploration company led by a group of seasoned mining executives. The Company's focus is to acquire mineral exploration opportunities where the Company's exploration and development expertise and corporate share structure could substantially enhance shareholder value.

### **About Pershimco Resources**

Pershimco Resources is a mineral exploration and development company with a near-term gold oxide production scenario and a copper-gold porphyry target at its 100%-owned Cerro Quema Project in Panama. Cerro Quema's sizable concession boasts paved road access, no indigenous communities and the most favorable climate for mining in the country. Pershimco is currently in the last stage of the permitting process for its proposed gold oxide heap leach operation.

Additionally, the Cerro Quema Project has proven to have significant exploration upside with resource expansion potential in over multiple oxide targets identified along a 17 km trend, gold and copper in the sulphide system below the oxide caps, as well as porphyry indicators along a 12 km strike length that highlights the potential for a nearby copper-gold porphyry system. Please refer to the Cerro Quema Project - Pre-Feasibility Study on the La Pava and Quemita Oxide Gold Deposits, available on the Company's website, and filed on SEDAR on August 22, 2014 as well as to the press release of July 8, 2014.

### **Qualified Person**

Mr. John Kapetas, B.Sc. Hons, MAusIMM, MAIG, is a "qualified person" as such term is defined in National Instrument 43-101 and has reviewed and approved the technical information included in this news release.

### **Cautionary Note Regarding Forward Looking Information**

*Certain information set forth in this news release contains "forward-looking statements", and "forward-looking information under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements, which include expectations about the completion of the Transaction and Private Placement, and the intended participation of management and directors of Orla in the Private Placement, use of proceeds, the composition of the Board of Directors of NewCo and its senior executive team, future performance, pre-feasibility estimates and optimization, increases to project value, exploration upside, permitting, pro forma capitalization and ownership, receipt of the ESIA, expected cash costs and mineral resource estimates, and are based on Orla's and Pershimco's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by the use of conditional or future tenses or by the use of such words such as "will", "expects", "may", "should", "estimates", "anticipates", "believes", "projects", "plans", and similar expressions, including variations thereof and negative forms. These statements are not guarantees of future performance and undue reliance should not be placed on them.*

*Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Orla, Pershimco or NewCo's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to: risks and uncertainties relating to the completion of the transactions as described herein, the ability to successfully integrate operations and realize the anticipated benefits of the Pershimco acquisition liabilities inherent in mine development and production; geological, mining and processing technical problems; NewCo's inability to obtain required mine licences, mine permits and regulatory approvals required in connection with mining and mineral processing operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; changes in commodity prices and exchange rates; currency and interest rate fluctuations; various events that could disrupt operations and/or the transportation of mineral products, including labour stoppages and severe weather conditions; the*

*demand for and availability of rail, port and other transportation services; the ability to secure adequate financing, the risk that management and directors of Orla may not ultimately participate in the private placement to the extent anticipated, and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Orla and Pershimco undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements. Orla and Pershimco disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by securities legislation.*

*Investors are cautioned that, except as disclosed in the management information circulars to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Orla and Pershimco should be considered highly speculative.*

*The TSX Venture Exchange has in no way passed upon the merits of the proposed Transaction and has neither approved nor disapproved the contents of this press release.*

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