

# Rio Silver Signs US \$25 Million Letter of Intent for Expenditures at its Ninobamba Project in Peru and Announces Private Placement

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Toronto, Ontario CANADA, April 05, 2013 /FSC/ - [Rio Silver Inc.](#) (RYO - TSX Venture), ("Rio Silver" or the "Company") is pleased to announce that it has entered into a non-binding letter of intent (the "LOI") with a public mining company (the "Optionee") whereby, subject to regulatory approval, the Optionee may initially earn a 51% interest in Rio Silver's Peruvian Subsidiary Minera Rio Plata S.A.C. ("Minera") which holds title to the Ninobamba Silver and Gold property ("Ninobamba" or the "Property") by completing exploration expenditures and financial commitments totalling US \$25 million over a five year period. The LOI is further subject to due diligence by the parties and upon completion of due diligence review, the parties intend to enter into a definitive agreement (the "Definitive Agreement") containing standard industry terms.

The Ninobamba property covers 2100 hectares and is 100% owned with no underlying royalties. It is located approximately 330 kilometres southeast of Lima, in the Department of Ayacucho, Peru. The Company views the project as a bulk mineable disseminated silver-gold target. In total seventeen trenches were excavated by the local community during the 2012 exploration campaign and the results were summarized in a news release issued January 14, 2013.

Under the terms of the LOI, the Optionee has the option to acquire a 51% interest in Minera by completing an exploration program with eligible expenditures amounting to US\$25,000,000 including certain payments listed below. Eligible exploration expenditures include, but are not limited to community relations, environmental studies, geological mapping and trenching, successive drilling and metallurgical programs with the purpose of defining a mineral resource to justify an economic assessment. The terms of the LOI also include the requirement to complete a minimum of 4,000 metres of diamond drilling within one year of receiving the initial drilling permit and an additional 6,000 metres of diamond drilling by the end of the second year subject to receipt of the necessary permits.

In addition, the terms of the LOI obligate the Optionee to make the following payments to Rio Silver, in order to maintain the Optionee's option:

- (i) US \$100,000 upon the signing of the Letter of Intent
- (ii) US \$250,000 upon the signing the Definitive Agreement
- (iii) subscribe for units of the Company in the amount of CDN \$500,000 under the Company's offering (the "Offering")
- (iv) CDN \$500,000 payment or exercise of Series A warrants to be issued under the Offering
- (v) CDN \$500,000 minimum payment or exercise of Series B warrants to be issued under the Offering

Total payments to the Company during the first 24 month option period are approximately CDN \$1,850,000 (including the proceeds from the Offering). In addition to these payments, a final payment to Rio Silver of US \$500,000 is required to complete the 51% option.

The LOI contemplates that the Optionee will invest in the Offering within 10 business days following regulatory approval of the Definitive Agreement. The Offering will consist of 5,000,000 units at \$0.10 per unit for gross proceeds of \$500,000. Each unit will consist of one common share and one half Series A share purchase warrant and one half Series B warrant. Each full Series A warrant will entitle the holder to acquire one common share of the Company at a price of \$0.20 per share for a period of one year from closing. Each full Series B warrant will entitle the holder to acquire one common share of the Company at a price of \$0.25 for a period of two years from closing.

As the Optionee may be precluded from exercising the Series A or Series B warrants due to restrictions imposed pursuant to applicable securities laws, the Optionee will have an option to pay Rio Silver \$500,000 in lieu of exercising each series of warrants for an additional cash consideration of \$1,000,000 over two years from closing as a condition of the LOI. All of the securities issued herein will be subject to a four month statutory hold period. The closing of the offering is subject to the approval of the TSX Venture Exchange.

Provided that the Optionee earns not less than 51%, the Optionee may earn an additional 14% interest in

Minera within the subsequent three (3) year period by completing a best efforts undertaking to complete all required actions to prepare the Property for a production decision, including obtaining all required permits from the applicable Peruvian government ministry or agency and preparing a study which will form the basis upon which Rio Silver and the Optionee will be obliged to contribute their pro-rata share of capital expenditures to achieve commercial production. A final payment to Rio Silver of \$500,000 is required to complete the additional earn in.

The net proceeds of the private placement will be used for exploration expenses and general corporate purposes. The LOI includes a 45 day exclusive due diligence period to be completed by May 19, 2013. The Company will pay certain finder's fees in connection with this proposed LOI and Offering subject to the policies of the TSX Venture Exchange.

ON BEHALF OF THE BOARD OF DIRECTORS OF RIO SILVER INC.

T John Magee  
CEO and President

*Neither the TSX Venture Exchange nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.*

*This news release includes forward-looking statements that are subject to risks and uncertainties. All statements within, other than statements of historical fact, are to be considered forward looking. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. There can be no assurances that such statements will prove accurate and, therefore, readers are advised to rely on their own evaluation of such uncertainties. We do not assume any obligation to update any forward-looking statements.*

**For more information contact:**

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