

Santa Barbara Resources Ltd. Signs Definitive Agreement with Rio Alto Mining for Sancos Property in Peru

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[Santa Barbara Resources Limited](#), (TSX-V: SBL - "Santa Barbara" or the "Company") is pleased to announce that it has executed a definitive agreement (the "Agreement") to supersede a non-binding letter of intent with [Rio Alto Mining Limited](#) ("Rio Alto") announced on February 7, 2013. Santa Barbara has granted Rio Alto an option to earn and acquire up to a 66% interest in the Company's 8,200 hectare Sancos gold property in Peru (the "Sancos Project").

Santa Barbara is the operator of the Sancos Project in the first year of the Agreement, and is pleased to report that it has already reached community agreements with the two local communities affected by exploration activities on the Sancos Project. Santa Barbara has received a drill permit for the Sancos Project from the Peruvian Ministry of Energy and Mines, authorizing the construction of up to 300 individual drill platforms and related access roads over a period of 48 months. Access roads and a total of 22 drill platforms were previously constructed by Santa Barbara so that there is now full access and permitting to conduct its planned exploration programs on the Sancos Project, including drilling.

The technical staffs of Santa Barbara and Rio Alto are finalizing the design and preparations for an exploration program to be conducted over the first year of the Agreement.

Under the terms of the Agreement, Rio Alto will have the option to acquire up to an initial 51% interest in the Sancos Project within a three year period by incurring an aggregate of US\$4.5 million expenditures on the Sancos Project at the minimum rate of US\$1.5 million a year (the "51% Program"). Completion of the first year of the 51% Program, including a minimum 5,000 metre drilling program, is a firm commitment. The purpose of the 51% Program is to carry out exploration on the Sancos Project with a view to identifying and defining mineral resources of sufficient magnitude to justify on a commercially reasonable basis the undertaking of a preliminary economic assessment (scoping study) of the Sancos Project in compliance with NI 43-101. Rio Alto will also pay US\$500,000 to Santa Barbara upon its acquisition of the 51% interest.

Rio Alto may earn an additional 15% interest in the Sancos Project within the subsequent two year period by undertaking all necessary actions required to prepare the Sancos Project for a production decision, including obtaining permits required from the applicable Peruvian government authorities and preparing a feasibility study in respect of the Sancos Project in compliance with the requirements of NI 43-101. Rio Alto will pay a further US\$500,000 to Santa Barbara upon its acquisition of the 15% interest.

Within 90 days of the 15% option exercise date, Santa Barbara may elect to participate proportionally in the costs of the development and construction of a mine on the Sancos Project and maintain its interest in the Sancos Joint Venture at 34%, or allow Rio Alto to arrange for project financing for the mine construction, including Santa Barbara's proportional share, in which case Rio Alto will have acquired an additional 9% interest in the Sancos Project, leaving Santa Barbara with a 25% interest in the Sancos Project. Rio Alto would then have the right to recover Santa Barbara's proportional share of the project financing from up to 80% of Santa Barbara's share of cash distributions under the Sancos Joint Venture.

Christoph Lassi commented: "We are delighted with the fact that we have completed a legally binding formal agreement with Rio Alto and also have long term community agreements in place allowing us to explore the Sancos Project. We will work now with Rio Alto on the further development of our flagship Sancos high-sulphidation epithermal gold-silver mineralized system. Rio Alto has a proven track record of resource definition and mine development in Peru making them an ideal partner for Santa Barbara. The Company looks forward to commencing the exploration program and reporting milestone results as the work unfolds and results are received."

Sancos Project:

The Sancos Project is located in the mining-friendly Ayacucho Region of Peru. The property hosts a large high-sulphidation epithermal gold-silver mineralized system. The Sancos Project encompasses 8,200 hectares with 2,000 hectares held directly by Santa Barbara. Santa Barbara has the option, subject to certain

back-in rights, to acquire a 100% interest in the remaining 6,200 hectares of the Sancos project from Barrick Gold's Peruvian subsidiary (the "Barrick Option"). The terms of the Barrick Option, including Barrick's back-in right in certain circumstances, are described in the notes to the annual financial statements of Santa Barbara. During the term of the Agreement, Rio Alto will fund Santa Barbara to make cash payments due to Barrick pursuant to the Barrick Option. If Barrick exercises its back-in right after Rio Alto has earned an interest, Santa Barbara and Rio Alto will be diluted pro rata and the back-in purchase price, of three times each parties' expenditures on the Sancos Project, will be paid proportionally to their participation in the Project at the time of the Barrick back-in.

About the Company

[Santa Barbara](#) is a South American mineral explorer focusing on Peru and Chile. The Company has 25.3 million shares outstanding.

ON BEHALF OF THE BOARD

"Christoph Lassl"
Christoph Lassl, President and Chief Executive Officer

Please visit the Company's web site: www.sbr-ltd.com. For further information, please contact Christoph Lassl, President and Chief Executive Officer. Telephone: 56-9-81490442 or email: christoph@sbr-ltd.com.

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