

High Desert Gold Corporation Enters into Agreement to be Acquired by Well-Financed South American Silver Corp.

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[High Desert Gold Corporation](#) (TSX VENTURE:HDG) (OTCQX:HDGCF) (FRANKFURT:7HD) ("HDGC") is pleased to announce that it has entered into an arrangement agreement (the "Agreement") pursuant to which

[South American Silver Corp.](#) ("SASC") will acquire all of the issued and outstanding shares of HDGC that it does not already own in an all-share transaction by way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia) (the "BCBCA"). Each HDGC share will be exchanged for 0.275 of a SASC Class A Share. SASC currently owns 16,077,000 common shares of HDGC (18.5% on an undiluted basis). Upon completion of the Arrangement, SASC shareholders and HDGC shareholders will own approximately 85.6% and 14.4%, respectively, of Class A Shares of the post Arrangement entity (the combined company).

As part of the Arrangement, immediately prior to the acquisition of HDGC, SASC will spin out to its shareholders, Class B Shares which entitle the holders collectively to 85% of the net cash proceeds received from any award or settlement in connection with the ongoing dispute with Bolivia related to its expropriation of the Malku Khota Project. The remaining 15% of the net cash proceeds received from any award or settlement will be retained by the combined company.

Completion of the Arrangement is subject to a number of conditions, including the receipt of the requisite approval of the shareholders of HDGC and the shareholders of SASC, the approval of the Supreme Court of British Columbia and stock exchange approval. See "Details of the Arrangement" below.

In announcing the proposed merger, Phillip Brodie-Hall, President and CEO of South American Silver Corp., commented, "This is an excellent development for both companies. It puts South American Silver back into precious metals through the acquisition of the Gold Springs gold-silver project. Gold Springs straddles the border of Utah and Nevada, both of which are pro-development, safe, mining-friendly states. Gold Springs is an outcropping, near-surface gold-silver deposit which early metallurgical test-work suggests will produce material that is amenable to heap leaching. This all means that, should the Gold Springs deposit prove economic after further exploration and engineering studies, it could be brought into production relatively quickly with minimal technical risk and at reasonable capital costs. I am very excited about this opportunity."

Ralph Fitch, President and CEO of High Desert Gold, went on to say, "I, too, am very excited about this opportunity and agree that this is an excellent development for both companies. It provides HDGC shareholders with the financial resources to have a continuing interest in this important, developing exploration property as well as exposure to the other major assets of SASC. Gold Springs' exploration and development will be the immediate focus of the merged company and will be achievable through the availability of funding and the existing exploration team. This year's drilling at Gold Springs has been very successful in expanding the footprint of mineralization in the Grey Eagle target to beyond the limits of the reported resource. Now with the additional funding we will be able to continue this expansion and move towards developing a PEA and an updated, expanded resource in the near term."

The Arrangement will benefit HDGC shareholders by ensuring near-term funding from the financially sound SASC that had an estimated cash balance of US\$13 million as of Sept. 30, 2013. This will allow for the continuing exploration and development of the Gold Springs project. It also provides further upside to share-value through the potential of SASC's developing Escalones copper-gold porphyry project in Chile and the retention of 15% of the net cash proceeds (after costs, including applicable taxes, and the third party funder's portion of any award or settlement) that is received from any arbitration award or settlement in favour of South American Silver Ltd. in connection with the Bolivian government's expropriation of the Malku Khota silver-indium project. The present resource at Escalones includes 1.6 billion lbs of copper in the indicated resource category together with 4 billion lbs in the inferred category, together with 498,000 and 609,000 oz of gold in the same respective categories. Malku Khota in the most recent PEA published by SASC (see SASC PR11-03 dated 31 March, 2011) had an NPV at a 5% discount rate of \$704 million using an \$18 oz silver price.

Management of the combined company will be led by Ralph Fitch, as President and CEO, with a

management team comprised of Matias Herrero (Chief Financial Officer), Randy Moore (EVP of Exploration - North America), and Felipe Malbran (EVP of Exploration - South America).

Details of the Arrangement

The proposed transactions will be carried out by way of a plan of arrangement under the Business Corporations Act (British Columbia) (the "BCBCA"). Prior to implementing the Arrangement each of HDGC and SASC will become subject to the BCBCA via a continuance under corporate law, exporting from the Canada Business Corporations Act which currently governs each of HDGC and SASC.

Under the Arrangement, immediately prior to the exchange of the outstanding securities of HDGC for securities of SASC, each SASC shareholder will exchange each of its SASC common shares for one SASC Class A Share and one SASC Class B Share. The Class A Shares will carry voting, dividend and liquidation rights similar to SASC's current common shares, while the Class B Shares will be non-voting and non-participating in regards to dividend and liquidation rights.

HDGC shareholders (other than SASC) will be issued a total of 19.46 million SASC Class A shares representing approximately 14.4% of the Class A Shares outstanding after the Arrangement. All outstanding HDGC options and warrants will be replaced or assumed by SASC and be exercisable to acquire SASC Class A Shares, with the number of SASC shares and exercise price proportionately adjusted to reflect the consideration to be received by the HDGC shareholders pursuant to the Arrangement.

Implementation of the Arrangement is subject to a number of conditions, including approval by at least 66 2/3% of the votes cast, together with minority approval, by shareholders of HDG and approval by at least 66 2/3% of the votes cast by shareholders of SASC, in each case at separate special meetings of such shareholders that are expected to be held in December 2013, approval of the Supreme Court of British Columbia, approval of the Toronto Stock Exchange and the TSX Venture Exchange, completion of definitive closing documentation and such other conditions as are customary for a transaction of this nature. There can be no assurance that such conditions will be met and if they are not met or waived the Arrangement will not be implemented.

The Agreement also provides for, among other things, customary board support and non-solicitation covenants from HDGC (subject to "fiduciary out" provisions that entitle HDGC to consider and accept a superior proposal and a right in favour of SASC to match any superior proposal). The Agreement also provides for the payment of a termination fee to SASC of \$250,000 should HDGC accept an unsolicited superior proposal and terminate the Agreement.

The special committee of the Board of Directors of HDGC has received an opinion from Haywood Securities Inc., its financial advisor, that as of the date of the Agreement, the consideration offered pursuant to the Arrangement is fair, from a financial point of view, to HDGC's shareholders. The Board of Directors of HDGC, based on, among other things, the recommendations of its special committee, is unanimously recommending that HDGC shareholders vote in favour of the Arrangement.

Advisors

Haywood Securities Inc. is acting as financial advisor to HDGC. Dentons Canada LLP is acting as legal advisor to the special committee of the Board of Directors of HDGC.

Resource Information

The Gold Springs Resource dated March 28, 2013 (PR13-07):

Cut-off Grade		Gold		Silver		Gold Equivalent AuEq*	
(AuEq*g/t)	Tonnes	Grade(g/t)	Troy Ounces	Grade(g/t)	TroyOunces	Grade(g/t)	Troy Oun
0.3 g/t	19,373,085	0.48	301,756	10.4	6,476,149	0.67	415,254

* (AuEq*) calculations reflect gross metal content using a metal price ratio of 57.14 Au/Ag and have not been adjusted for metallurgical recoveries.

The South American Silver Escalones Resource dated February 27, 2012 (SASC NR12-01):

Copper-gold resource:

Classification	CuEq**%	Cutoff	Tonnes 1,000	Cu %	Cu lbs 1,000	Au g/t	Au Oz
Total Indicated	0.25		232,561	0.308	1,578,329	0.067	498,012
Total Inferred	0.25		527,667	0.343	3,992,410	0.036	609,437

Additional silver and molybdenum resource:

Classification	CuEq% Cutoff	Tonnes 1,000	Ag g/t	Ag oz	Mo %	Mo lbs	CuEq% 1	CuEq lbs 1,000
Total Indicated	0.25	232,561	0.661	4,938,667	0.006	31,908,650	0.380	1,947,231
Total Inferred	0.25	527,667	0.849	14,397,830	0.007	79,488,676	0.401	4,664,900

**** Copper Equivalent (CuEq%) calculations reflect gross metal content using approximate 3 year average metals prices as of June 25th, 2013 of \$3.71/lb copper (Cu), \$1549/oz gold (Au), \$30.29/oz silver (Ag), and \$14.02/lb molybdenum (Mo) and have not been adjusted for metallurgical recoveries. An economic cut-off grade of 0.25% copper equivalent represents a metal price of approximately \$2.50/lb copper.**

The SASC Malku Khota project was expropriated by the Bolivian Government in August 2012 and is now subject to international arbitration proceedings in which SASC's subsidiary is seeking compensation under the bilateral investment treaty between the United Kingdom and Bolivia.

A PEA for Malku Khota published in 2011 (see SASC NR11-03 dated 31 March, 2011) reported pre-tax NPV at a 5% discount rate of \$704 million and IRR of 37.7% at "base case" metal prices of \$18.00/oz silver, and \$500/kg indium, increasing to a NPV5% of \$1.536 billion and IRR to 64.3% at "middle price case" of \$25.00/oz silver.

About High Desert Gold Corporation

[High Desert Gold Corporation](#) is a mineral exploration company that acquires and explores mineral properties, primarily gold, copper and silver, in North America. The major properties held by HDG are the 100% owned Gold Springs gold project situated along the border between Utah and Nevada and the San Antonio project in Sonora, Mexico. The Company also has a 26.8% equity interest in Highvista Gold Inc that owns the Canasta Dorada property in Sonora, Mexico. There has been insufficient exploration to define a property-wide mineral resource at Gold Springs and it is uncertain if further exploration will result in the targets at Gold Springs being delineated as a mineral resource. Additional information related to High Desert Gold Corporation is available at www.hdgold.com and on SEDAR at www.sedar.com

Forward-looking Statements

Certain statements contained herein constitute "forward-looking statements". Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "will", "proposed", "could", "continuing", "developing", "expansion", "near term", and similar expressions. Information concerning mineral resource estimates may also be considered forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present if and when a mining project is actually developed.

These forward-looking statements are based on current expectations and entail various risks and uncertainties. Actual results may materially differ from expectations, if known and unknown risks or uncertainties affect our business, or if our estimates or assumptions prove inaccurate. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, failure to obtain the requisite approvals for the continuance of HDGC and SASC under the BCBCA; failure to obtain the requisite shareholder, court and stock exchange approvals for the Arrangement or other conditions of the Arrangement not being met or waived; the receipt of a competing or superior proposal for an alternative transaction; the business of HDGC not being integrated successfully into SASC; possible variations in mineral resources, grade, metal prices; availability of further financing to fund planned or further required work in a timely manner and on acceptable terms; changes in project parameters as plans continue to be refined; failure of equipment or processes to operate as anticipated; uncertainties associated with the arbitration proceeding against Bolivia, including the quantum of damages to be obtained and the realization or collection of the value of any award or settlement; regulatory, environmental and other risks of the mining industry more fully described in HDGC's Management Discussion & Analysis of Financial Position and Results of Operations and SASC's Annual Information Form, which are available on SEDAR at www.sedar.com.

The assumptions made in developing the forward-looking statements include: receipt of approval by the shareholders of each of HDGC and SASC to continue under the BCBCA; receipt of all other necessary approvals (including shareholder, court and stock exchange approvals) for the Arrangement and satisfaction or waiver of all conditions required by the Arrangement; the accuracy of current resource estimates and the interpretation of drill, metallurgical testing and other exploration results; Nevada and Utah continuing to be pro-mining states; the availability of equipment and qualified personnel to advance the Gold Springs and Escalones projects; execution of existing plans and further exploration and development programs for Gold Springs and Escalones, which may change due to changes in the views of management or if new information arises which makes it prudent to change such plans or programs.

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this news release. Except as required by law, HDGC assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason. Unless otherwise indicated, forward-looking statements in this news release describe HDGC's expectations as of October 21, 2013.

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Contact

[High Desert Gold Corporation](#)

Ralph Fitch, President and CEO
303.584.0608

High Desert Gold Corporation
Richard Doran, Investor Relations
303.584.0608
www.hdggold.com

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