

# Rio2 Limited and Atacama Pacific Gold Corporation Announce Business Combination

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TORONTO, May 14, 2018 - [Rio2 Limited](#) ("Rio2") (TSXV:RIO) and [Atacama Pacific Gold Corp.](#) ("Atacama Pacific") (TSXV:ATM) are pleased to announce that they have entered into a definitive arrangement agreement (the "Arrangement Agreement") to combine their respective businesses via a court approved plan of arrangement (the "Transaction"). The combined company will continue to operate under the name [Rio2 Ltd.](#) and will be managed by Rio2's existing executive team led by Alex Black as President and Chief Executive Officer.

Under the terms of the Arrangement Agreement, each Atacama Pacific shareholder will receive 0.6601 shares of the combined company for each Atacama Pacific common share held and each Rio2 shareholder will receive 0.6667 shares of the combined company for each Rio2 common share held. Upon completion of the Transaction and the Rio2 Financing (described below), the combined company will have approximately 102 million basic common shares outstanding. Approximately 42.5% of the fully-diluted in-the-money shares of the combined entity will be held by former Rio2 shareholders and 57.5% held by former Atacama Pacific shareholders.

The exchange ratio represents consideration to Atacama Pacific shareholders of C\$0.95 per Atacama Pacific common share based on the closing price of Rio2 common shares of C\$0.96 per share on the TSXV Exchange as at May 11, 2018. This value implies a 58% premium over the May 11, 2018 closing price of Atacama Pacific's common shares of C\$0.60 and a 45% premium calculated on the 20-day volume weighted average price ("VWAP") of each respective company as of May 11, 2018.

Each of the Rio2 and Atacama Pacific Board of Directors have unanimously approved the Arrangement Agreement and will recommend that their respective shareholders vote in favor of the Transaction.

Alex Black, President and Chief Executive Officer of Rio2, stated, "This transaction represents a logical combination for Rio2 and Atacama Pacific given the development status of the Cerro Maricunga Gold Project. We are looking forward to expanding upon the excellent technical work completed to date by the management team of Atacama Pacific and believe the development of Cerro Maricunga leverages our core strengths as an organization and is analogous in many respects to the La Arena gold mine and the Shahuindo gold mine, which were built by a company led by Rio2's team. This acquisition positions Rio2 on a solid footing with a significant starting resource base with the potential to support a long operating mine life. We have successfully demonstrated through our development and operational track record that our management team is capable of generating solid returns to shareholders and we see the opportunity to do that again with Cerro Maricunga. We already see several opportunities to unlock significant value for shareholders at Cerro Maricunga through capital and operational optimization, which will be the focus of our upcoming study work on the project."

"We are very pleased with the outstanding opportunity presented by the combination of Atacama Pacific and Rio2," stated Carl Hansen, President and CEO of Atacama Pacific. "Since its formation in 2011, Atacama Pacific has completed over 105,000 metres of drilling on the Cerro Maricunga Gold Project outlining one of the largest undeveloped oxide-associated gold deposits in the world. With a prefeasibility completed, which included extensive metallurgical and engineering studies, we were preparing to undertake feasibility level studies and transitioning our management team from exploration to development. With Rio2, Atacama Pacific's shareholders will benefit from the extensive experience of a proven management team with a record of developing and operating heap leach gold mines in South America and who will unlock the value inherent from Cerro Maricunga."

Albrecht Schneider, Atacama Pacific's Executive Chairman, wishes to take this opportunity to thank our dedicated exploration and engineering staff, many who will join the combined company, for their efforts over the past years which led to the greenfield discovery of the Cerro Maricunga deposit and its advancement to a Pre-Feasibility stage development project.

## TRANSACTION HIGHLIGHTS

Rio2 and Atacama Pacific believe the combination delivers significant benefits to the shareholders of both

companies, including:

- Attractive, all-share based premium transaction
  - Atacama Pacific shareholders will receive an approximate 57.5% ownership interest on a fully-diluted in-the-money basis in the combined company, providing continuing participation in the expected value creation and growth associated with the Cerro Maricunga Gold Project.
  - All-share based consideration preserves cash for funding the re-positioning of the Cerro Maricunga Gold Project in the market.
- Enhanced capital markets profile
  - With a pro forma market capitalization expected to be approximately C\$170 million based on the Rio2 Financing issue price (described below), the combined company is expected to benefit from increased institutional and retail investor interest.
- Attractive Americas focused gold portfolio
  - With the diversification benefit from multiple jurisdictions, Rio2 will have a strong platform to expand within Chile, Peru and Central America.
- Rio2's experienced team and financing strength will de-risk Atacama Gold's development plans
  - Rio2's management team has successfully acquired and developed mines with an organizational culture that focuses on prudent capital management and the development of high-margin, strong free-cash-flowing mining operations.
  - Rio2 has a strong operating team in place, with experience in mine building and optimizing operations.
- Low completion risk
  - With support received for the transaction from both company's directors and officers, and several top shareholders of Rio2, plus a concurrent C\$10 million dollar private placement being arranged by Rio2, the transaction has low completion risk.

## STRATEGIC PROPOSITION OF THE TRANSACTION

The value creation proposition is for the Rio2 team to surface value by undertaking the next phase of development of the Cerro Maricunga Gold Project in Chile.

- Cerro Maricunga Gold Project is one of the largest undeveloped gold oxide projects in the Americas at the Pre-Feasibility stage of development. The project hosts total measured and indicated resources of 5.3 million ounces of gold, including proven and probable mineral reserves of 3.7 million ounces of gold.
- Development of the Cerro Maricunga Gold Project leverages the Rio2 core strengths as a team and is analogous in many respects to the two open pit, gold heap leach projects that the team successfully built and operated with [Rio Alto Mining Ltd.](#), employing best practices on the safety, technical, social, and environmental fronts.

## TERMS OF THE ARRANGEMENT AGREEMENT

The Transaction will be effected by way of a plan of arrangement completed under the *Business Corporations Act* (Ontario) ("OBCA") through which both companies will amalgamate as a single entity. Prior to the effective time of the Transaction, Atacama Pacific will continue from the *Canada Business Corporations Act* ("CBCA") to the OBCA.

The Transaction will require the approval by at least 66⅔% of the votes cast on a special resolution by Rio2 shareholders and Atacama Pacific shareholders present in person or represented by proxy at their respective shareholder meetings, as well as a minority vote of Atacama Pacific common shareholders required under Multilateral-Instrument 61-101. The votes attached to shares held by the Atacama Pacific CEO will be excluded from the minority vote on the basis that he is entitled to a collateral benefit in the form of a change of control payment that exceeds 5% of the value of the shares he will exchange in the Transaction. The number of excluded shares is 1,517,133 representing approximately 1.8% of the votes attached to all outstanding Atacama Pacific common shares. In addition, Atacama Pacific will require the approval of its shareholders by special resolution to continue to the OBCA from the CBCA 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 court approvals, the approval of the TSX Venture Exchange, the completion of the financing concurrently announced today by Rio2, and that there are no material adverse changes to either company.

Directors and senior officers of Atacama Pacific, collectively holding approximately 22.7% of the outstanding Atacama Pacific shares, have entered into support agreements pursuant to which they have agreed to vote in favour of the Transaction. Directors, senior officers and certain shareholders of Rio2, collectively representing approximately 50.8% of the outstanding Rio2 shares, have entered into support agreements pursuant to which they have agreed to vote in favour of the Transaction.

The Arrangement Agreement includes customary deal protection provisions including, among other things, non-solicitation covenants on the part of Atacama Pacific, "fiduciary out" provisions that entitle Atacama Pacific to consider and accept a superior proposal and a right in favour of Rio2 to match any superior proposal. The Agreement provides for a C\$3.0 million termination fee payable by one party to the other in certain instances and a cost reimbursement fee of up to C\$750,000 payable by one party to the other in certain circumstances if the Transaction is not completed.

Full details of the Transaction will be included in the joint management information circular of Rio2 and Atacama Pacific to be mailed to their respective shareholders in June 2018. It is anticipated that both shareholders meetings and the completion of the Transaction will take place by mid to late July 2018.

A copy of the Arrangement Agreement and the meeting materials and related documents will be filed under the SEDAR profile of both Rio2 and Atacama Pacific at [www.sedar.com](http://www.sedar.com).

## **RIO2 FINANCING**

In connection with the Transaction, Rio2 will complete a concurrent private placement of subscription receipts for gross proceeds of C\$10 million at C\$1.00 per share on a "bought-deal" basis, the details of which will be announced in a subsequent news release. Subject to customary conditions the subscription receipts will convert to Rio2 common shares prior to the Transaction and will participate in the plan of arrangement.

## **CORPORATE STRATEGY**

Post Transaction, Rio2 will continue building itself as a multi-asset, multi-jurisdiction, precious metals company focused in the Americas. With Cerro Maricunga as its first development project and exploration platforms in Peru and Central America, Rio2 will continue pursuing additional strategic acquisitions to compile an attractive portfolio of precious metals assets where it can deploy its operational excellence and responsible mining practices to create value for its shareholders.

"This transaction provides a solid foundation to the corporate strategy of the combined company as we build a multi-asset, multi-jurisdiction precious metals company focused on the Americas. The leadership team continues to be focused, selective, and disciplined in the selection of projects that we consider can be developed into mines or existing mines where we can add value and improve efficiencies.", commented Jose Luis Martinez, Executive Vice President and Chief Strategy Officer.

## **BOARD OF DIRECTORS'S RECOMMENDATIONS**

The Board of Directors of each of Rio2 and Atacama Pacific has determined that the Transaction is in the best interests of their respective shareholders based on a number of factors, including verbal fairness opinions received from their respective financial advisors. The Board of Directors of each of Rio2 and Atacama Pacific has unanimously approved the terms of the Transaction and recommends that their respective shareholders vote in favor of the Transaction.

## **ADVISORS AND COUNSEL**

Rio2's financial advisor is Raymond James Ltd. ("Raymond James") and its legal advisors are DLA Piper (Canada) LLP in Canada and Guerrero Olivos in Chile. Raymond James provided a verbal fairness opinion, subject to the assumptions, limitations and qualifications stated therein and as of the date thereof to the Board of Directors of Rio2 Limited. Raymond James's written fairness opinion will be included in the joint management information circular in respect of the Transaction.

Atacama Pacific's financial advisor is BMO Capital Markets who also provided a verbal fairness opinion, and its legal advisors are Stikeman Elliott LLP in Canada and Baker & McKenzie SpA in Chile. BMO's written fairness opinion will be included in the joint management information circular in respect of the Transaction.

## ABOUT RIO2 LIMITED

Rio2 is building a multi-asset, multi-jurisdiction, precious metals company focused in the Americas. With exploration platforms in Peru and Central America, Rio2 Limited will continue pursuing additional strategic acquisitions to compile an attractive portfolio of precious metals assets where it can deploy its operational excellence and responsible mining practices to create value for its shareholders. Rio2 Limited has assembled a highly experienced executive team to generate significant shareholder value, with proven technical skills in the development and operations of mines and capital markets experience. Through its strategy of acquiring precious metals assets at exploration, development, and operating stages, the executive team will grow Rio2 Limited and create long-term shareholder value through the development of high-margin, strong free-cash-flowing mining operations.

For more information about [Rio2 Limited](#), please contact:  
Alexander Black, President and Chief Executive Officer  
alexblack@rio2mining.com  
Phone: 416.570.3155

## ABOUT ATACAMA PACIFIC GOLD CORPORATION

Atacama Pacific's business is the acquisition, exploration and development of precious metals resources properties in Chile. Atacama Pacific's principal mineral property is the Cerro Maricunga oxide-associated gold project, located in Chile's Region III, 140 kilometers by road northeast of the city of Copiapo. The pre-feasibility level Cerro Maricunga deposit hosts 294.4 million tonnes at a grade of 0.40 grams per tonne gold of proven and probable reserves for 3.7 million ounces of gold within a measured and indicated resource of 5.3 million ounces of gold (433.8 million tonnes grading 0.38 grams per tonne).

For more information about [Atacama Pacific Gold Corp.](#), please contact:  
Carl B. Hansen, President and Chief Executive Officer  
chansen@atacamapacific.com  
Phone: 416.861.8267

## NATIONAL INSTRUMENT 43-101 DISCLOSURE

As defined by National Instrument 43-101 ("NI 43-101") of the Canadian Securities Administrators, the Qualified Person for the Cerro Maricunga Gold Project is Sergio Diaz, a resident of Santiago, Chile. Mr. Diaz is a Public Registered Person for Reserves and Resources N° 51, in Chile, and is also registered in the Colegio de Geólogos de Chile under N° 315. Mr. Diaz has reviewed and verified the scientific technical contents of this news release. The scientific and technical content of this new release has been reviewed and approved by Ian Dreyer, Senior Vice President - Geology, [Rio2 Ltd.](#), a Qualified Person as defined by National Instrument 43-101.

For additional information regarding the Cerro Maricunga Gold Project, including key parameters, assumptions and risks associated with its mineral resource and reserve estimates, see [Atacama Pacific Gold Corp.](#)'s independent technical report entitled "NI 43-101 Technical Report on the Cerro Maricunga Project Pre-Feasibility Study Atacama Region, Chile" dated October 6, 2014 with an effective date of August 19, 2014, a copy of which document is available on SEDAR under Atacama Pacific Gold Corp.'s SEDAR profile at [www.sedar.com](http://www.sedar.com).

## Cautionary Statement on 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, the composition of the senior executive team of Rio2 following the completion of the Transaction, future performance and pro forma capitalization and ownership, and are based on Rio2's and Atacama Pacific'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.*

*In respect of the forward-looking statements and information concerning the anticipated completion of the*

*proposed Transaction and the anticipated timing for completion of the Transaction, Atacama Pacific and Rio2 have provided them in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare and mail shareholder meeting materials, including the required information circular; the ability of the parties to receive, in a timely manner, the necessary regulatory, court, shareholder and other third party approvals; and the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Transaction, including that no material adverse change to either company occurs and that the financing is completed as anticipated. These dates may change for a number of reasons, including unforeseen delays in preparing meeting materials, the inability to secure necessary shareholder, regulatory, court or other third party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Transaction. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release concerning these times.*

*Forward-looking statements also relate to the business of each of Atacama Pacific and Rio2, and of the combined company. Forward-looking 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 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 Transaction; geological, mining and processing technical problems; 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, 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. Rio2 and Atacama Pacific 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. Rio2 and Atacama Pacific 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.*

*Rio2 and Atacama Pacific have included the above summary of assumptions and risks related to forward looking information provided in this news release in order to provide shareholders with a more complete perspective on the proposed transaction and such information may not be appropriate for other purposes. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits may be derived there from.*

*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 Rio2 and Atacama Pacific should be considered highly speculative.*

*This announcement is for informational purposes only and does not constitute an offer to purchase, a solicitation of an offer to sell the share or a solicitation of a proxy.*

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

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