



## **RIO SILVER AND MAGELLAN GOLD SIGN LOI FOR NIÑOBAMBA PROPERTY IN PERU**

July 4, 2016, Toronto, Ontario, Canada – Rio Silver Inc. ("Rio Silver" or the "Company") (TSX.V: RYO) is pleased to announce that it has entered into a non-binding letter of intent (the "LOI") with Magellan Gold Corporation ("Magellan") (OTCQB: MAGE), an arm's length party, pursuant to which, subject to regulatory approval, Rio Silver has granted to Magellan an option (the "Option") to earn an undivided 50% interest in the Company's Niñobamba Silver Property ("Niñobamba"). The parties intend to replace the LOI with a definitive agreement (the "Definitive Agreement") containing industry standard terms and conditions following a 45-day due diligence period.

The 900-hectare Niñobamba silver project is located approximately 330 kilometres southeast of Lima in the Department of Ayacucho, Peru. The Niñobamba claim block is adjacent to claims owned by Southern Peru Copper and Newmont, in a historic silver district with positive infrastructure in a mining-friendly jurisdiction. Mineralization demonstrates the potential for a large, bulk-tonnage, disseminated-silver project. The property was originally explored by AngloGold Peru SAC ("Anglo") in 2001. Anglo focused on an area of intense hydrothermal surface alteration and drilled five widely spaced core holes totaling 861 metres. Anglo's drilling highlights included DDH-2 which reported assay results of 87.0 g/t silver over a drilled interval of 130 metres starting from a depth of nine metres, and DDH-4 reporting 54.0 g/t silver over a drilled interval of 96 metres starting from 23 metres. The true widths of mineralization from this drilling are not yet known. In 2003, Bear Creek Mining signed an option agreement to earn a 60-per-cent joint venture interest and an additional eight holes were drilled totaling 1,001 metres. Results of this limited exploration program outlined two distinct parallel zones of silver mineralization 400 meters apart.

The last exploration program by the Company was completed in 2012. A total of 17 trenches were excavated using the local workforce from the nearby community. Trenches were channel sampled with a rock saw and all sample intervals were later surveyed. The sample results from the program are summarized in the Company's news release dated January 14, 2013. Highlights include 56 metres of 1.03 g/t Au and 98.9 g/t silver in trench TR-01; 42 metres of 131 g/t Ag in trench TR-02; and 108 metres of 62.4 g/t Ag in trench TR-05. During this program, the Company discovered a new zone of Au-Ag mineralization previously unrecognized by the previous operators. Trench TR-04, located some 400 meters west of trench TR-01, revealed a new gold-silver zone. Mineralization in this zone is associated with very distinct vuggy-silica type alteration indicative of high sulphidation systems. The last 21.77 metres of trench TR-04 returned 1.32 g/t Au and 102.46 g/t Ag ending in mineralization. This new zone shows that the Niñobamba property has a strong gold component and further exploration is required to determine the precious metal zonation, alteration patterns, and widths. The trenches are perpendicular to the mineralized structure and the true width of mineralization cannot be determined at this time.

Under the terms of the LOI, Magellan has the Option to acquire an undivided 50% interest in Niñobamba by spending an aggregate of US\$2,000,000 within a three (3) year period in direct and indirect exploration and development expenditures related to the Niñobamba property, including 4,000 metres of drilling, of which 700 metres must be completed by the end of November, 2017. Upon completion of the exploration programs, it is intended that Magellan shall deliver a Preliminary Resource Estimate for the Niñobamba property.

In connection with the transaction, the Company intends to complete two private placement financings, each for aggregate proceeds of Cdn\$75,000. It is intended that Magellan will be the sole subscriber for each of the private placements. The first private placement will consist of units of the Company for an aggregate subscription price of Cdn\$75,000 with each unit consisting of one common share of Rio Silver and one share purchase warrant, with each warrant expiring eighteen (18) months following the date of issue. Subject to regulatory approval, the first private placement is expected to be concluded upon execution of the Definitive Agreement. The second private placement will be a unit financing for an aggregate subscription price of Cdn\$75,000 with each unit consisting of one common share of Rio Silver and one share purchase warrant, with each warrant expiring thirty (30) months following the date of issue. Subject to regulatory approval, the second private placement is expected to be concluded within ninety (90) days after execution of the Definitive Agreement. Pursuant to the LOI, in order to maintain their Niñobamba Option earn-in rights Magellan must exercise all warrants before they expire. The final terms of the private placement including the price of each unit are yet to be finalized. All securities issued in connection with the private placement will be subject to a four-month statutory hold period.

The closing of the transaction is subject to a number of conditions including the entering into of the Definitive Agreement, the satisfactory completion of due diligence review by the parties, the completion of the first private placement, receipt of all required approvals and consents, including TSX Venture Exchange approval and satisfaction of other customary closing conditions. The transaction cannot close until the required approvals are obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Jeffrey Reeder, P.Geo., and a qualified person as defined in National Instrument 43-101, has prepared, supervised the preparation, or approved the scientific and technical disclosure contained in this news release.

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

*Steve Brunelle*  
Chairman

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

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