



DEFIANCE SILVER AND VALORO RESOURCES ANNOUNCE MERGER TO CREATE A LEADING DIVERSIFIED MEXICAN EXPLORER

FOR RELEASE: September 17, 2018

**TSXV: DEF & VRO
OTC: DNCVF & GIXEF**

Defiance Silver Corp. (“Defiance”) (TSX-V: DEF) and ValOro Resources Inc. (“ValOro”) (TSX-V: VRO) are pleased to announce that they entered into a Letter of Intent on September 5, 2018 (“LOI”) to complete a friendly merger that will create a significant Mexico focused explorer with an advanced portfolio of silver and gold projects (the “Transaction”). The combined company will continue under the name of Defiance Silver Corp. and will be led by a highly experienced management team from both companies, including Mr. Peter J. Hawley (Americas Silver Corp), Mr. Randy Smallwood (Wheaton Precious Metals Corp.), Mr. George Brack (Capstone Mining Corp.), Mr. Darrell Rader (Minaurum Gold Inc.), Mr. Paul Smith (Ocean Partners Holdings Ltd.), Mr. Dunham Craig (ValOro Resources Inc.) and Mr. Ron Sowerby.

Highlights of the Transaction

- **Robust resource base with significant exploration potential:** High grade San Acacio Silver project containing an initial deposit with an inferred mineral resource estimate of 16.9 M oz in 2.9 MT grading 181.94 grams per tonne silver¹ and the Tepal Gold Copper Project having a 2017 Preliminary Economic Assessment (“PEA”) estimating a pre-tax NPV5% of \$299 million and a 36% IRR with a 1.6-year payback period² and a post-tax NPV5% of \$169 million and a 24% IRR with a 2.4-year payback period. The PEA is based on an estimated Measured and Indicated Resource containing 4 M oz. gold equivalent³. For further details please refer to the footnotes at the end of this news release.
- **Proven management team:** Extensive experience in all critical mining and exploration disciplines with demonstrated capabilities in financing, acquiring, developing and operating mines and a proven track record of exploration successes.
- **Enhanced market presence:** The larger merged company is expected to appeal to a broader institutional shareholder base and improve share trading liquidity.
- **Compelling value proposition:** Significant leverage among junior Mexico explorer’s equities and attractive relative valuation based on net asset value.

Peter J. Hawley, President and CEO of Defiance, stated “We are extremely pleased with this transformational transaction that represents excellent value for our shareholders. Post-merger, Defiance will boast both the significant exploration potential and initial deposit at the high-grade and wide-vein San Acacio silver project as well as the foundational 4 M oz. gold-equivalent resource³ Tepal gold-copper project. With a best-in-class Board of Directors, we look forward to aggressively exploring San Acacio as well as seeking other accretive acquisition opportunities.”

Dunham Craig, President and CEO of ValOro, said “Combining ValOro with Defiance presents an opportunity to build a premier exploration company focused on Mexico, driven by an experienced management team and the opportunity to significantly enhance the long term growth potential of the Tepal gold-copper project. With a 2017 Preliminary Economic Assessment that produced positive economic results coupled with our 2017 and 2018 exploration work in preparation for a drill program to potentially expand the resource and test new targets, this transaction provides further value accretion by coupling our asset with the exploration potential at the San Acacio Silver deposit, further providing value accretion for ValOro and our shareholders.”

Terms

Under the terms of the Transaction, which will be effected by a plan of arrangement, shareholders of ValOro will receive 0.71 common shares of Defiance for each share of ValOro held. This represents a 54.3% premium to the closing price of ValOro’s shares based on the closing price of Defiance’s shares on the TSX Venture Exchange on the date the LOI was signed and a 98.2% premium to the 60 day VWAP of ValOro’s shares based on the 60 day VWAP of Defiance’s shares on the Exchange preceding the date the LOI was signed. Shareholders of Defiance will not have to exchange their shares of Defiance in the Transaction. Upon completion of the Transaction, the combined company will have approximately 119 million common shares outstanding, of which former shareholders of Defiance will own approximately 87% and the former shareholders of ValOro will own approximately 13%.

Management Team and Board of Directors

Upon completion of the Transaction, the combined management team will be led by Peter J Hawley, who will assume the title of President and Chief Executive Officer. The new Board will be comprised of Mr. Hawley together with three directors from each Defiance and ValOro. Biographies of all proposed directors are included later in this press release.

Lock Up Agreements

Each of the officers and directors of Defiance and ValOro have stated they will enter into an agreement supporting the Transaction and will vote any common shares of the companies held by them in favour of the Transaction. In addition, Defiance and ValOro will endeavour to have additional lock-up agreements signed by significant shareholders who agree to vote in favour of the Transaction.

Details of the Transaction

The Transaction will be carried out by the way of court-approved plan of arrangement under the *Business Corporations Act* (British Columbia) which requires the approval of at least two-thirds of the votes cast by the shareholders of ValOro at a special meeting of its shareholders. In addition, the Transaction will be subject to the approval of the TSX Venture Stock Exchange and the Supreme Court of British Columbia.

The Transaction will include customary provisions, including fiduciary-out provisions, covenants not to solicit other acquisition proposals and the right to match any superior proposal. In addition, ValOro may be required to pay a termination fee of \$217,204 if the Transaction is terminated as a result of ValOro accepting a superior proposal or completing an alternative proposal within 12 months of termination of the Transaction.

There are no common directors, officers or significant shareholders between Defiance and ValOro and the Transaction is an Arm's Length Transaction under the Exchange's policy.

Loan Financings

In support of this transaction, Defiance's principal lender has agreed to increase its loan facility from \$700,000 to approximately \$1.13 million, on similar terms.

Timing

The Transaction is subject to Defiance and ValOro executing a definitive agreement.

Once the definitive agreement is signed, ValOro will mail its shareholder information circular in respect of its shareholder special meeting.

Defiance and ValOro want to complete the Transaction by December 31, 2018.

Proposed Board of Directories and Management Biographies

Peter J. Hawley, BSc, BEng, PGeo.

President & CEO

Mr. Hawley adds significant depth to the board with his 36 years of geological and mining experience spanning grassroots exploration through to development and production. Having worked extensively with a large number of intermediate and senior mining companies including Teck, Noranda, Placer Dome and Barrick Gold, Mr. Hawley was also the founder, and Chairman of Scorpio Mining Corporation from 1998 to December 2014 when Scorpio combined with U.S. Gold and Silver Inc to form Americas Silver Corporation, of which he still remains a Director. Mr. Hawley has a track record of raising significant funds for private and public companies along with structuring mergers and acquisitions.

Randy V. J. Smallwood, P. Eng.

Director

Mr. Smallwood holds a geological engineering degree from the University of British Columbia and a mine engineering diploma from British Columbia Institute of Technology. He was involved in the founding of Wheaton Precious Metals where, in 2010, he was appointed President and, in April 2011, he was appointed Wheaton's Chief Executive Officer. Mr. Smallwood originally started as an exploration geologist with Wheaton River Minerals Ltd., and in 2001 was promoted to Director of Project Development, his role through its 2005 merger with Goldcorp. Before joining the original Wheaton River group in 1993, Mr. Smallwood also worked with Homestake Mining Company, Teck Corp. and Westmin Resources Limited. Mr. Smallwood was an instrumental part of the team that built Wheaton River / Goldcorp into one of the largest, and most profitable gold companies in the world. He is now focused on continuing to add to the impressive growth profile of Wheaton Precious Metals. Mr. Smallwood has served on the board of ValOro since 2005. In 2015, Mr. Smallwood received the British Columbia Institute of Technology Distinguished Alumni Award.

George Brack, B.A.Sc, MBA, CFA.

Director

Mr. Brack's 30-year career in the mining industry has focused on investment banking and corporate development, specifically identifying, evaluating, and executing strategic mergers and acquisitions, and the provision of equity financing. Most recently, he acted as the Managing Director and Industry Head, Mining Group, of Scotia Capital. Prior to joining Scotia Capital in 2006, Mr. Brack spent seven years as President of Macquarie North America Ltd., an investment banking firm specializing in merger and acquisition advice. Previous to that, he was Vice-President, Corporate Development at Placer Dome Inc., Vice-President of the investment banking group at CIBC Wood Gundy, and worked in Rio Algom's Corporate Development department. Mr. Brack currently serves as Chairman of Capstone Mining Corp and a Director of Alio Gold Inc. and Wheaton Precious Metals. Mr. Brack holds a B.A.Sc. in Geological Engineering from the University of Toronto, an MBA from York University, and the CFA designation.

Darrell Rader, BBA

Director

Mr. Rader is the founder of Defiance Silver. Having directly raised over \$100 million for mineral exploration and development, Mr. Rader has significant contacts with institutional investors. He is currently the President and CEO of Mexican-focused Minaurum Gold Inc. and previously oversaw Corporate Development for Energold Drilling Corp and IMPACT Silver Corp. Over his eight year tenure, Energold grew from three drill rigs to over eighty in its fleet and IMPACT was transformed from a grass roots silver explorer into a profitable silver miner. Mr. Rader holds a BBA (Finance) from Simon Fraser University.

Dunham L. Craig, P. Geo.

Director

Mr. Craig graduated from the University of British Columbia with a Degree in Geology in 1988. Upon graduation, he served as a project geologist for Cominco Exploration Ltd. and later consulted for Cominco and Kennecott Canada Inc. Subsequently, as the vice president of exploration and corporate development for Wheaton River Minerals in 1993, he was responsible for the discovery of three mineral deposits at Wheaton River's highly profitable Golden Bear

mine and for participating in the project through bankable feasibility and bank financing. He later directed the acquisition of the Bellavista Gold Project in Costa Rica and oversaw its design through bankable feasibility. From 2002 to 2005, he was a member of the management team of Glencairn Gold Inc. that acquired and developed two operating mines in Central America. Mr. Craig joined ValOro in 2005 as its President and was later appointed CEO and President by the Board in 2006.

Paul Smith

Director

Mr. Smith, MA in Metallurgy and the Science of Materials graduated from Oxford University. He spent most of his 36 year career in the non-ferrous mining and smelting industry working with Rio Tinto Zinc, Pasminco, Mount Isa Mines and Pechiney World Trade in the UK and internationally. Most recently he was a founding shareholder and Finance Director of Ocean Partners Holdings Limited, a global trader of copper, zinc and lead concentrates. He left Ocean Partners in May 2012 to pursue investment opportunities and charitable activities.

Ron Sowerby

Director

Mr. Sowerby CA is a member of the Chartered Professional Accountants of British Columbia and holds a Bachelor of Commerce degree from the University of British Columbia. Mr. Sowerby was Comptroller and Chief Financial Officer of TCG International Inc. (formerly Trans Canada Glass Ltd.) of Burnaby, B.C. from January 1970 until June, 2007. Mr. Sowerby was a director of Glentel Inc. (since August, 1989) which subsequently was purchased by Bell Inc. for \$594 million in May 2015.

About Defiance Silver Corp.

Defiance Silver Corp. (DEF | TSX Venture Exchange; DNCVF | OTC; D4E | Frankfurt) is a silver explorer and developer advancing the San Acacio Deposit, located in the historic Zacatecas Silver District of central Mexico. Defiance is managed by a team of proven mine developers with a track record of exploring and developing 7 operating mines to date. Defiance's corporate mandate is to expand San Acacio to become one of Mexico's premier high grade wide vein silver deposits. A [Panoramic Video on the San Acacio Deposit](#) is available on our website.

About ValOro Resources Inc.

ValOro Resources Inc. (VRO | TSX Venture Exchange) is a mineral exploration and development company focused on acquiring, exploring, and developing mineral resource opportunities with the potential to host profitable mining operations. The Company's primary focus is the 100% owned Tepal Gold/Copper Project in Michoacán state, Mexico.

Qualified Persons

Mr. Peter J. Hawley, P.Geo., Interim President & CEO, Chairman of the Board of Defiance Silver Corp, is a Qualified Person within the meaning of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators, and has approved the disclosure of, and verified the data comprising, the technical information concerning Defiance's material mineral properties contained in this press release.

Mr. Dunham L. Craig Interim CEO, President of ValOro is a Qualified Person within the meaning of National Instrument 43-101, and has approved the disclosure of, and verified the data comprising, the technical information concerning ValOro’s material mineral properties contained in this press release.

On behalf of Defiance Silver Corp.

On behalf of ValOro Resources Inc.

“Peter J. Hawley”

“Dunham L. Craig”

Interim President & CEO
Chairman of the Board, Director

President, CEO & Director

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¹ Please see Defiance news release dated January 15, 2015 and the following table:

San Acacio Inferred Resource

Vein	AgEq Cut-off (g/t)	Tonnes > Cut-off (tonnes)	Grade>Cut-off			Contained Metal		
			Ag(g/t)	Au (g/t)	AgEq (g/t)	Ag (ozs)	Au (ozs)	AgEq (ozs)
VETA G	100.0	2,150,000	192.43	0.19	204.66	13,302,000	10,000	14,147,000
VETA C	100.0	739,000	153.28	0.08	158.66	3,642,000	1,900	3,770,000
VETA B	100.0	13,000	76.53	0.45	105.98	32,000	190	44,000
TOTAL	100.0	2,902,000	181.94	0.16	192.50	16,976,000	12,090	17,961,000

² Please see ValOro news release dated January 19, 2017

Assumptions used to estimate the 2017 PEA economics:

98% of the mine plan material is Measured and Indicated, 2% of the mine plan material is Inferred.
The base case used metals prices of \$1,250/oz. for gold, \$2.50/lb for copper, \$18.00/oz. for silver.
Recoveries are based on the following tables 1-2:

Table 1: Flotation Concentrate & Tails Cyanidation Recovery Estimates

Tepal Recovery		Flotation	Tails Cyanidation	Combined Recovery
Copper	%	88.2		88.2
Gold	%	62.4	16.5	78.9
Silver	%	27.4	15.5	40.2
Tizate Recovery				
Copper	%	85.9		85.9
Gold	%	58.0	16.0	74.0
Silver	%	59.6	18.5	78.1

Table 2: Oxide Leach Recovery Estimates

Tepal		
Gold	%	83.2
Silver	%	63.3
Tizate		
Gold	%	75.2
Silver	%	55.9

Operating Costs used are displayed in Table 3:

Table 3: Operating Cost Estimates

Parameter	Unit	Sulphide Flotation	Sulphide Cyanidation	Oxide Cyanidation
Mining Cost - waste	US\$/t mined	1.80		
Mining Cost – mineralized material	US\$/t mined			
Processing Cost	US\$/t milled	5.79	1.06	8.70
G&A	US\$/t milled	0.90	-	0.90
Tailings Cost	US\$/t milled	0.05	-	0.05

³ Please see ValOro news release dated March 27, 2012 and the following tables:

Updated Total Tepal Project Resource Estimate¹ - March 2012

Category	Tonnes (t)	Au (g/t)	Cu (%)	Ag (g/t)	Mo (%)	Au (oz.)	Cu (lbs)	AuEq ² (oz.)
Measured	34,100,000	0.48	0.25	0.95	0.002	528,000	185,000,000	1,037,000
Indicated	153,700,000	0.26	0.19	1.67	0.004	1,276,000	628,000,000	3,003,000
Meas & Ind	187,800,000	0.30	0.20	1.54	0.004	1,804,000	813,000,000	4,040,000
Inferred	35,700,000	0.16	0.15	1.68	0.006	182,000	120,000,000	512,000

Assumptions used to calculate 2012 Resource soft pit constraint:

Metallurgical Recoveries	
North and South Zones	Oxide: 78.4% Au, Cu 14.3% - Sulphide 60.7% Au, 87.4% Cu
Tizate	Oxide: 68.8% Au, Cu 6.8% - Sulphide 66.2% Au, 85.3% Cu
Metals Used and Metal Prices (\$USD)	
Gold, Copper	\$1300 Au, \$3.30 Cu

Operational Constraints	
Pit Slope Angle	45 degrees
Operating Cost (Oxide and Sulphide)	Mining: \$1.35/t, Processing: \$4.30/t, G&A: \$0.68/t