

NQ Exploration Inc. Announces Reverse Take-Over, "Spin-Out" of Quebec Mining Assets in New Company and Proposed Carheil JV

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MONTREAL, July 11, 2017 - [NQ Exploration Inc.](#) ("NQ" or the "Corporation") (TSX VENTURE:NQE) is pleased to announce that it has entered into three letters of intent dated July 7, 2017, respectively with: (i) AM Resources SAS ("AM"), an arm's-length Colombian-based private coal mining exploration company, for a reverse take-over ("RTO") of NQ (the "AM Agreement"), (ii) Peak Mining Corporation ("PMC"), an arm's-length private mining exploration company, for the acquisition of the Crater Lake property (the "PMC Property") by a new public company ("New NQ"), created to "spin-out" (the "Spin-Out") NQ's Quebec based resource properties (the "Peak Agreement"), and (iii) an arm's length strategic partner (the "Optionor") granting the Optionor the option to acquire an undivided 50% interest in NQ's Carheil project (the "Carheil Option").

The letters of intent provide that NQ will acquire AM and become a Colombian coals focused natural resources company. At the same time, NQ will transfer all of its Québec resource properties, including the Carheil Option, to New NQ, and distribute the shares of New NQ to NQ's shareholders. As a result, at the closing of the proposed transactions, NQ's shareholders will become shareholders of a new Colombian based coal focused natural resources company and shareholders of New NQ which will carry on NQ's current natural resource business with the Carheil project under option by the Optionor and the addition of the PMC Property to its portfolio.

AM RTO

The AM Agreement provides that upon completion of the RTO, NQ's business will be that of a junior coal mining exploration company in Colombia. In order to effect the RTO, NQ and AM will enter into a definitive share exchange agreement (the "AM SEA"). The AM SEA will provide that at the closing of the RTO, (i) NQ will acquire all of the AM shares in exchange for 29,411,765 NQ PostShares (as defined hereinafter) at a deemed price of \$0.17 per share, as a result of which AM will be a wholly-owned subsidiary of NQ.

The SEA will also provide that prior to the closing of the RTO, NQ will: (i) consolidate (the "Consolidation") its issued and outstanding common shares, on the basis of fifty (50) old NQ common shares (each an "NQ Share") for one (1) NQ common share post Consolidation (a "NQ PostShare"), (ii) enter into shares for debt agreements with its current debenture holders, pursuant to which the current debenture holders will convert the aggregate \$1,700,000 principal amount outstanding, and forego any accrued unpaid interest, in NQ PostShare (the "SFD"), (iii) arrange for the transfer to AM of the \$1,200,000 loan to A&M USA Resources 2015 LLC ("Loan Transfer"), and (iv) complete the Spin-Out. All outstanding options and warrants of NQ shall be appropriately adjusted to reflect the Consolidation.

Concurrent with the closing of the RTO, NQ and/or AM will effect a private placement of a minimum of 8,823,529 and a maximum of 14,705,882 NQ PostShares at a price of \$0.17 per share, for gross proceeds to NQ of a minimum of \$1,000,000 and a maximum of \$2,500,000 (the "RTO Private Placement").

Assuming completion of the RTO, there will be a minimum of 49,161,849 and a maximum of 57,985,378 NQ PostShare issued and outstanding after the closing of the RTO, of which: (i) the current shareholders and debenture holders of NQ will hold 11,906,947 shares (24.2% or 20.5% assuming the maximum offering), (ii) AM shareholders will hold 29,411,765 NQ Post Shares (59.8% or 50.7% assuming the maximum offering), (iii) RTO Bridge Financing (as hereinafter defined) investors will hold 1,960,784 NQ Post Shares (4.0% or 3.4% assuming the maximum offering), and (iv) RTO Private Placement investors will hold 5,882,353 (12.0%) and maximum of 14,705,882 (25.4%) NQ Post.

On that basis, NQ will have estimated cash of a minimum of \$1,000,000 and a maximum of \$2,350,000. NQ will use the net proceeds from the RTO Private Placement for working capital and to carry out its business plan of developing its Colombian coal project. If the RTO is successfully completed, it is expected that the Board of Directors will include Jon Snelson, Adriana Rios Garcia, and David Grondin, and that the officers of NQ will include Jon Snelson (President and Chief Executive Officer), and Martin Nicoletti (Chief Financial Officer and Corporate Secretary).

In connection with the RTO, and subject to the completion of the RTO Bridge Financing, NQ shall advance \$25,000 immediately to AM and up to an additional \$75,000 upon TSX Venture Exchange ("TSXV") approval in exchange for a secured promissory note (the "Promissory Note"). The Promissory Note will bear no interest and shall be repaid in full six months from the issuance date.

AM is a Colombian private junior mining company, incorporated pursuant to the Laws of Colombia, owning a 65% interest in mining concession DJU-071, a coal project encompassing a total of 100 Hectares located in Patia, Cuaca region, which is about 70 km from the city of Cali, Colombia. Based on AM's December 31, 2016 annual audited financial statements and March 31, 2016 unaudited interim financial statements, AM has respectively \$319,092 and \$237,085 in working capital, \$1,021,079 and \$1,024,839 in total assets, \$141,295 and \$159,420 in total liabilities, as well as \$51,091 and \$200,181 in revenues, and \$103,471 and \$296,550 in expenses for net losses of \$60,248 and \$96,370 for those periods.

Spin-Out

Under the proposed Spin-Out, pursuant to an asset transfer agreement to be entered into between NQ and New NQ, NQ will transfer all of its Quebec mining assets, including the Carheil Option. In consideration for such transfer, New NQ will issue to NQ 18,750,000 New NQ common shares (each an "NNQ Share") at a deemed price of \$0.16 and 9,375,000 NNQ Share purchase warrant (each whole being a "SO Warrant"), representing an aggregate consideration of \$3,000,000. Each whole SO Warrant will entitle the holder to purchase one (1) additional NNQ Share at an exercise price of \$0.25 per share between the 24th and the 60th month from the closing. In the event that the common shares of the Company trade at a price exceeding \$0.50 per common share for thirty (30) consecutive trading days (the "Acceleration Event"), the SO Warrants will expire on the earlier of the date of expiry of the SO Warrants and the date which is thirty (30) calendar days after New NQ provides notice to the holders of the SO Warrants that the Acceleration Event has occurred, provided that such notice cannot be provided during the initial 24 months from the closing of the Spin-Out.

NQ will distribute 100% of the foregoing NNQ Shares and SO Warrants to NQ shareholders pursuant to an arrangement agreement. Based on the number of NQ Shares currently issued and outstanding (95,347,340), NQ Shareholders would receive approximately one (1) NNQ Share and one-half of one SO Warrant for each 5.09 NQ Shares held on the record date for such distribution.

Concurrent with the closing of the Spin-Out, New NQ will: (i) acquire a 100% undivided interest in the PMC Property in consideration for the issuance of 10,312,500 NNQ Shares to PMC, and, (ii) effect a private placement of a minimum of \$500,000 at an intended price of \$0.16 per unit (each a "Unit"), which is equal to the deemed issuance price of the Consideration Shares, for a minimum of 3,125,000 Units, and a minimum of \$1,500,000 at an intended price of \$0.22 per NNQ Shares on a flow-through basis (each a "NNQ FT Share"), for a minimum of 6,818,182 NNQ FT Shares (the "Spin -Out Private Placement"). It is intended that each Unit will consist of one (1) NNQ Share and one-half of one (1/2) common share purchase warrant (each a "Placement Warrant") of the New NQ. Each whole Placement Warrant will entitle the holder to purchase one (1) additional NNQ Share at an intended exercise price of \$0.25 per share for two years from the closing.

Assuming the completion of the Spin-Out, there will be 39,839,015 NNQ Shares issued and outstanding after the closing, of which: (i) NQ shareholders will hold 18,750,000 NNQ Shares (47.1%), (ii) PMC will hold 10,312,500 NNQ Shares (25.9%), (iii) investors in the Spin-Out Bridge Financing (as hereinafter defined) will hold 833,333 NNQ Shares (2.09%), and (iv) investors in the Spin-Out Private Placement will hold 9,943,182 NNQ Shares (24.96%).

On that basis, New NQ will have estimated cash of \$1,900,000. New NQ will use the net proceeds from the Spin-Out Private Placement for exploration on its properties, including the PMC Property, and for working capital purposes.

If the Spin-Out is successfully completed, it is expected that the Board of Directors will include Peter Cashin, Philippe Cloutier, Steven Brunelle and Martin Nicoletti, and that the officers of New NQ will include Peter Cashin (President and Chief Executive Officer), and Martin Nicoletti (Chief Financial Officer and Corporate Secretary), and Pierre Guay (VP Exploration).

Carheil Option

The Carheil Option provides that, subject to due diligence on legal, technical and commercial aspects and the Optionor board of director approval, both parties have agreed to negotiate the terms of an option and joint venture agreement before August 23, 2017. This final agreement will establish the terms of the option to

be granted to the Optionor and the joint venture to be created thereafter for the exploration and, where applicable, the development and operation of the Carheil Project. Pursuant of the terms of the Carheil Agreement, the Optionor would acquire a 50% undivided interest in the Carheil project by (i) making cash payments in the amount of \$250,000 to NQ upon execution of the definitive agreement, and (ii) carrying out exploration work totaling \$3,750,000 over an option period of four (4) years, \$ 750,000 closed in the first year, and \$1,000,000 each subsequent year. The Optionor would act as project manager during the option.

Condition

Pursuant to the policies of the TSX Venture Exchange, the RTO and the Spin-Out will be subject to NQ shareholders' approval. Upon completion of the RTO and the Spin-Out, both NQ and New NQ intend to be listed on the TSX Venture Exchange as a Tier-2 Mining Issuer and will carry on business as junior mining exploration companies. Completion of the RTO and Spin-Out is subject to a number of conditions, including but not limited to, the entering into by the parties of definitive agreements with respect to the RTO and Spin-Out (such agreements to include representations, warranties, conditions and covenants typical for transactions of this nature), regulatory approval, including that of the TSX Venture Exchange, shareholder approval and financing. The RTO and Spin-Out cannot be completed unless the required shareholder approval is obtained. There can be no assurance that the RTO and Spin-Out will be completed as proposed or at all.

Principal Shareholders of the Resulting Issuer

As of the closing of the proposed transactions, the following shareholders will beneficially own or exercise control or direction over NQ Shares or NNQ Shares of the carrying more than 10% of the votes attached to such shares.

Adriana Rios Garcia will own indirectly, through A&M USA Resources 2015 LLC will own 29,411,765 NQ PostShares representing 59.8% of NQ PostShares and PMC will own 10,312,500 NNQ Shares representing 26.22% of NNQ Shares.

A&M USA Resources 2015 LLC is a company owned and controlled by Adriana Rios Garcia, proposed director of NQ, and PMC is a company owned and controlled by Peter Cashin, proposed President and CEO of New NQ.

Proposed Bridge Financings

In the near term, it is contemplated that NQ will complete bridge financings, by way of a private placement to raise: (i) \$250,000 by the issuance of unsecured convertible debentures bearing no interest and maturing 6 months from their date of issuance (the "NQ Convertible Debentures") that will be automatically converted into NQ PostShares immediately after the closing of the RTO at an intended conversion price of \$0.1275 per share (the "RTO Bridge Financing"), and (ii) \$100,000 by the issuance of NQ Convertible Debentures that will be automatically converted into NNQ Shares immediately after the closing of the Spin-Out at an intended conversion price of \$0.12 per share (the "Spin-Out Bridge Financing"), to provide for the completion of the transactions.

Transaction timing

The transactions are expected to close in October 2017. Additional details of the transactions will be available in the related meeting materials to be mailed to shareholders in connection with the various meetings required to approve the transactions and a listing statement disclosure document completed in accordance with the TSXV policies. The meeting materials and listing statement will also be available on SEDAR upon mailing.

Trading Halt

NQ's common shares are currently halted and NQ anticipates they will remain halted until the documentation required by the TSXV for the proposed transactions can be provided to the TSXV.

Completion of the proposed transactions are subject to numerous conditions, including negotiation and execution of definitive agreements, shareholder approval, completion of financing, and regulatory approval, including that of the TSXV. No assurances can be given that the proposed transaction will be completed as

proposed or at all. NQ will issue a detailed press release regarding the proposed transaction when its terms and conditions are finalized. NQ understands that its stock will be halted on the TSXV pending such press release.

Investors are cautioned that, except as disclosed in the management information circular or filing statement 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 the Company should be considered highly speculative. The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this news release.

ABOUT NQ EXPLORATION INC.

NQ Exploration Inc. is a mining exploration company with a solid portfolio of mining properties in the James Bay and Abitibi regions of Quebec as well as an interest in a coal project in Colombia. NQ Exploration Inc. is betting on Quebec's excellent mineral potential and favourable investment climate to produce new world-class gold and base metal deposits but is also pursuing its Colombian venture.

Neither 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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