

Sun Metals and Lorraine Copper enter into arrangement agreement

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VANCOUVER, Feb. 4, 2019 - [Sun Metals Corp.](#) ("Sun Metals") (TSXV: SUNM) and [Lorraine Copper Corp.](#) ("Lorraine") (TSXV: LLC; OTCQB: LRCPF) are pleased to announce that they have entered into an arrangement agreement providing for the indirect merger of the companies (the "Agreement"). Sun Metals is currently earning a 100% interest in Lorraine's wholly-owned Stardust project in northcentral British Columbia (the "Stardust Project").

Summary of the Arrangement

Pursuant to the Agreement, Sun Metals has agreed to acquire, through a wholly-owned subsidiary, all of the issued and outstanding common shares of Lorraine (collectively, the "Lorraine Shares") by way of a statutory plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Pursuant to the terms of the Arrangement, shareholders of Lorraine (the "Lorraine Shareholders") will receive 0.54 (the "Exchange Ratio") of a common share of Sun Metals (each whole share, a "Sun Metals Share"), for every Lorraine Share held.

The consideration values Lorraine at approximately \$0.24 per Lorraine Share, representing a premium of approximately 40% to the price of Lorraine shares compared to the closing price on February 1, 2019, and a premium of approximately 38% based on the trailing 20-day volume-weighted average price of each company as of the close of trading on February 1, 2019. Lorraine Shareholders will retain a meaningful stake in the combined entity and exposure to the continued success of the combined company.

Benefits of the Arrangement

The proposed Arrangement offers a number of benefits to the shareholders of both Sun Metals and Lorraine, including the following:

- a simplified ownership structure and a larger public float which should facilitate a broader base of institutional investors and greater liquidity in the Sun Metals Shares;
- for Lorraine Shareholders:
 - the elimination of the significant discount in the trading price of the Lorraine Shares relative to the market value of Sun Metals' interest in Stardust;
 - access to greater liquidity as a result of Sun Metals' significantly higher average daily trading volumes and broadened shareholder base;
 - direct ownership in Sun Metals thereby providing Lorraine Shareholders with continued direct ownership in the Stardust Project; and
 - the proposed Arrangement is not expected to trigger a taxable event for Lorraine as would have been the case had Sun Metals vested the original earn-in on the Stardust Project.
- for shareholders of Sun Metals (the "Sun Metals Shareholders"):
 - the elimination of the overhang that could be created in the Sun Metals Shares by Lorraine's significant ownership block had the terms of the Stardust Project earn-in been completed;
 - greater liquidity for all Sun Metals Shareholders from the addition of the Lorraine Shareholders to its investor base;
 - the avoidance of Sun Metals Share selling that would likely occur if a taxable event were to be triggered for Lorraine Shareholders; and
 - the avoidance of creation of royalties on the Stardust Project.

Management and Directors

Upon completion of the Arrangement, there will be no change to the management or the Board of Directors of Sun Metals. Steve Robertson will continue to serve as the President and Chief Executive Officer of Sun Metals and Donald McInnes will continue in the role of Chairman. The other Sun Metals Board of Director members will continue to be Dr. Mark O'Dea, Sean Tetzlaff and Glen Garratt, who is also the Vice President, Exploration of Lorraine. Bill Morton, President and Chief Executive Officer of Lorraine will continue to hold a position on the Sun Metals' Technical Advisory Committee.

Advisors

PI Financial Corp. is acting as financial advisor to the special committee of the Board of Directors of Sun Metals in connection with the proposed Arrangement. Haywood Securities Inc. has provided a fairness opinion to the Board of Directors of Lorraine that the Arrangement is fair, from a financial point of view.

Boards of Directors' Recommendations

The special committee of the Board of Directors of Sun Metals, and the special committee of the Board of Directors of Lorraine have unanimously approved the proposed Arrangement.

Directors, management and certain key Lorraine Shareholders representing over 22% of the issued and outstanding Lorraine Shares have signed lockup agreements to vote their respective Lorraine Shares in favour of the Arrangement.

Further Details

The Arrangement will be implemented through a triangular amalgamation under the Business Corporations Act (British Columbia) in which Tsayta Resources Corporation, a wholly-owned subsidiary of Sun Metals, will amalgamate with Lorraine to become a wholly-owned subsidiary of Sun Metals and Lorraine Shareholders will receive Sun Metals Shares based on the Exchange Ratio.

Upon closing of the Arrangement: (i) all outstanding stock options of Lorraine will be exchanged for options to purchase Sun Metals Shares on the basis of the Exchange Ratio; and (ii) all unexercised Lorraine Share purchase warrants will be exchanged for warrants to purchase Sun Metals Shares on the basis of the Exchange Ratio and will expire in accordance with their current expiry dates.

The Agreement contains representations and warranties for the benefit of each of Sun Metals and Lorraine, conditions relating to shareholder, court and regulatory approvals, material adverse changes and compliance with the Agreement as are in each case customary in comparable transactions of this nature. The Agreement further includes a covenant by Lorraine that states that if the Lorraine special meeting materials have been mailed to securityholders of Lorraine (the "Lorraine Securityholders"), but the Arrangement has not closed, by March 31, 2019, then Lorraine will agree to extend the timeframe of the second amendment to the option agreement between Tsayta Resources Corporation, a wholly-owned subsidiary of Sun Metals, and Lorraine dated December 14, 2018 (the "Option Agreement") for a period of not less than 60 days. For additional information on the Option Agreement, see Sun Metals' news releases dated June 14, 2018 and December 18, 2018.

Completion of the Arrangement is subject to a number of conditions being satisfied or waived by one or both of Sun Metals and Lorraine at or prior to closing of the Arrangement, including: approval of the Lorraine Securityholders, together with any requisite minority approvals; and receipt of all necessary regulatory and court approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature.

The Agreement includes a non-solicitation covenant on the part of Lorraine (subject to customary fiduciary out provisions). In the event of a superior proposal, Sun Metals has the right to either match such superior proposal or receive a termination fee in the amount of \$250,000.

Details of the Arrangement, including a summary of the terms and conditions of the Arrangement Agreement, will be disclosed in a management information circular of Lorraine, which will be mailed to Lorraine Securityholders and will also be available on SEDAR at www.sedar.com.

It is expected that the special meeting of Lorraine Securityholders (the "Meeting") to approve the proposed Arrangement will be held in late March 2019 and, if approved at the Meeting, it is expected that the Arrangement would close approximately a week thereafter.

Lorraine is subject to Multilateral Instrument 61-101 Protection of Minority Security

Holder in Special Transactions ("MI 61-101"). MI 61-101 provides that, in certain circumstances, where a "related party" (as defined in MI 61-101) of an issuer is entitled to receive a "collateral benefit" (as defined in MI 61-101) in connection with an arrangement transaction such as the Arrangement, such transaction may be considered a "business combination" for the purposes of MI 61-101 and subject to minority shareholder approval requirements.

Lorraine has determined that certain directors or executive officers of the Company are receiving a "collateral

benefit" in connection with the Arrangement as each beneficially owns or exercises control or direction over more than 1% of Lorraine Shares (calculated in accordance with MI 61-101). Consequently, the Lorraine Shares beneficially owned, directly or indirectly, these certain directors or executive officers will be excluded for the purposes of determining if minority approval of the Arrangement is obtained.

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

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.

About Sun Metals

Sun Metals is advancing its flagship Stardust project located in northcentral British Columbia, Canada. Stardust is a polymetallic Carbonate Replacement Deposit with a rich history. Pursuant to the Option Agreement with Lorraine, Sun Metals has an option to earn a 100% interest in the Stardust project. Sun Metals believes British Columbia is a reliable jurisdiction with excellent exposure to capital markets, a deep pool of exploration professionals, a wealth of supporting services, and exceptional infrastructure with direct access to Pacific markets.

For further information please visit Sun Metal's website at www.SunMetals.ca.

About Lorraine

Lorraine is a Canadian mineral exploration company that is acquiring and advancing copper, gold and molybdenum projects at intermediate to advanced stages that hold significant resources. Lorraine currently owns three properties all of which have defined resources: Lorraine copper-gold (joint- ventured with Teck Limited), OK copper-molybdenum and Stardust (under option to Sun Metals).

For further information please visit Lorraine's website at www.lorrainecopper.com.

Cautionary Note Regarding Forward-Looking Statements: Certain disclosures in this release constitute forward-looking statements, including: obtaining Lorraine securityholder and final court approval of the Arrangement; composition of the board of directors and management of Sun Metals upon completion of the Arrangement; and timing and completion of the Arrangement. In making the forward-looking statements in this release, the parties have applied certain factors and assumptions that are based on the parties' current beliefs as well as assumptions made by and information currently available to the parties. Although the parties consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect, and the forward-looking statements in this release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. The parties do not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by law.

SOURCE Sun Metals

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