

Nexa Resources S.A. to Acquire Karmin Exploration Inc. in Friendly Offer

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[Karmin Exploration Inc.](#) (the "Karmin" or the "Company") (TSXV and Lima Stock Exchange: KAR) is pleased to announce that the Company has entered into a definitive arrangement agreement (the "Arrangement Agreement") with [Nexa Resources S.A.](#) (the "Nexa") (TSX and NYSE: NEXA) pursuant to which Nexa will acquire all of the issued and outstanding shares of Karmin by way of statutory plan of arrangement (the "Transaction").

Under the terms of the Transaction, Karmin shareholders will receive US\$69.3 million or approximately US\$0.77 (being C\$1.02 at the date hereof) in cash on a fully diluted basis for each Karmin share held. In addition, Nexa will provide to Karmin a US\$700,000 demand loan (the "Nexa Loan") to cover certain expenses of the Transaction the excess amount of which, if any, following the completion of the Transaction will be transferred to SpinCo (defined below). The cash consideration per Karmin share represents an approximately 28% premium to Karmin's closing price on the TSX Venture Exchange (the "TSXV") on August 26, 2019 and a 36% premium to the 20-day VWAP. The cash offer is not subject to a financing condition and will be funded through Nexa's existing cash reserves.

David Brace, President and Chief Executive Officer of Karmin, commented, "We are very pleased to announce this transaction, which represents the fair value of Karmin's share price. After conducting a thorough strategic review, we believe the Transaction maximizes value for our shareholders."

Benefits of the Transaction

Benefits of the Transaction for Karmin shareholders include:

- Crystallizes a significant premium of 28% to the closing price of Karmin shares on August 26, 2019, and approximately 36% based on the 20-day VWAP
- Cash offer is not subject to a financing condition
- In SpinCo Karmin shareholders retain the value of, and continued exposure to, VI Mining PLC's (the "VI Mining") (UK NEX Exchange: VIM) portfolio of Peruvian exploration assets, including the Cushuro gold project
- Eliminates risks related to the construction and ramp-up of Aripuanã Zinc project (the "Aripuanã"), including negotiation of an operating agreement with Nexa and financing required for Karmin's pro-rata share of the Aripuanã development capex
- Strong deal certainty with support agreements entered into with Karmin shareholders owning approximately 72% of Karmin shares on a fully diluted basis

Board Support and Voting Agreements

The board of directors of Karmin (the "Karmin Board") has unanimously determined, after receiving financial and legal advice, that the Transaction is in the best interest of Karmin shareholders and that the consideration to be received by Karmin shareholders is fair from a financial point of view. The Karmin Board unanimously recommends that the Karmin shareholders vote in favour of the Transaction.

The Karmin Board has obtained a fairness opinion from CIBC Capital Markets that, as of August 26, 2019, and subject to the assumptions, limitations, and qualifications on which such opinion is based, the consideration to be received by Karmin shareholders pursuant to the Arrangement Agreement is fair, from a financial point of view to the Karmin shareholders.

All of the directors and senior executive officers of Karmin, together with each of Karmin's significant shareholders have entered into customary support and voting agreements with Nexa pursuant to which they have agreed to vote their Karmin shares, representing in aggregate approximately 72% of the issued and outstanding Karmin shares, in favour of the Transaction.

Transaction Particulars

The Transaction will be effected by way of a court-approved plan of arrangement pursuant to the Business Corporations Act (Alberta) and will require approval by at least 66 2/3% of the votes cast by Karmin shareholders present in person or by proxy at a special meeting of Karmin shareholders. In addition to shareholder approvals, the Transaction is subject to the receipt of certain regulatory and court approvals, the obtaining of material consents / waivers, the completion of the Spinout (defined below), and the satisfaction of other conditions customary in transactions of this nature.

The Arrangement Agreement provides for, among other things, customary representations, warranties and covenants, including customary non-solicitation covenants from Karmin and a “fiduciary out” that allows the Karmin Board to accept a superior proposal in certain circumstances subject to a “right to match” in favour of Nexa and payment by Karmin of a US\$2.8 million termination fee to Nexa. The Nexa Loan is repayable to Nexa in the event the Transaction is not completed.

Concurrently with the completion the Transaction, Karmin shareholders will be issued, by way of dividend (the “Spinout”), a pro rata number of shares in a newly formed private company Kar Gold Inc. (“SpinCo”), a wholly-owned subsidiary of Karmin, that will hold 5,753,138 shares of VI Mining, which shares are currently held by Karmin. The shares of VI Mining held by SpinCo are coupled with a right by SpinCo to receive additional VI Mining shares under certain conditions which are tied to the performance of VI Mining’s shares in the future.

It is anticipated that the Transaction will be completed in the fourth quarter of 2019.

On August 26, 2019, the indicative exchange rate for Canadian dollars in terms of the United States dollar, as quoted by the Bank of Canada, was US\$1.00 = C\$1.3279.

Further information regarding the Transaction will be included in the information circular that Karmin will prepare, file, and mail in due course to its shareholders (together with a letter of transmittal) in connection with its special meeting to be held to consider the Transaction which is expected to be in October, 2019. The Arrangement Agreement will be filed on the SEDAR profiles of Karmin and Nexa and will be available at www.sedar.com.

Advisors

Karmin has retained CIBC Capital Markets as exclusive financial advisor, Gowling WLG (Canada) LLP as Canadian legal counsel and Fraga, Bekierman & Cristiano Advogados as Brazilian counsel.

Nexa has engaged Scotiabank as its financial advisor, Stikeman Elliott LLP as its legal advisor in connection with the Transaction and Lefosse Advogados as its Brazilian legal counsel.

About Karmin

The common shares of Karmin are listed on the TSX Venture Exchange and the Lima Stock Exchange and trade in both markets under the symbol “KAR”. The principal business of Karmin is to acquire, explore and develop resource properties. The Company’s key asset is its 30% interest in the construction-stage Aripuanã zinc project in Brazil.

About Nexa

Nexa is a large-scale, low-cost integrated zinc producer with over 60 years of experience developing and operating mining and smelting assets in Latin America. The Company currently owns and operates five long-life underground mines - three located in the Central Andes of Peru and two located in the state of Minas Gerais in Brazil - and is among the top five producers of mined zinc globally in 2018, according to Wood Mackenzie. Nexa is also one of the top five metallic zinc producers worldwide in 2018, according to Wood Mackenzie.

Cautionary Note Regarding Forward-Looking Statements

Certain information in this news release constitutes forward-looking statements under applicable securities laws. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking statements. Forward looking statements are often identified by terms such as “may”, “should”, “anticipate”, “expect”,

“potential”, “believe”, “intend” or the negative of these terms and similar expressions. Forward-looking statements in this news release include, but are not limited to, statements with respect to the anticipated timing of the Karmin special shareholder meeting and the completion of the Transaction, the satisfaction of conditions precedent to the Transaction, the amount and nature of the consideration received by Karmin shareholders in connection with the Transaction, the completion of the Spinout and any value attributable thereto, the satisfaction of closing conditions including, without limitation (i) required Karmin shareholder approval; (ii) necessary court approval in connection with the plan of arrangement, (iii) any applicable stock exchange approvals; and (iv) other closing conditions, including, without limitation, obtaining certain consents, the operation and performance of Karmin’s business in the ordinary course until closing of the Transaction and compliance by Karmin and Nexa with various covenants contained in the Arrangement Agreement. In particular, there can be no assurance that the Transaction will be completed. These forward-looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include, without limitation, the timing and receipt of certain approvals, and the satisfaction of the conditions precedent to the Transaction, among others. The actual results or performance by the Company could differ materially from those expressed in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances 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 impact they will have on the results of operations or financial condition of the Company.

Forward-looking statements contained in this news release are expressly qualified by this cautionary statement and reflect our expectations as of the date hereof, and thus are subject to change thereafter. Except as required by law, Karmin disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additionally, Karmin undertakes no obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed above.

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

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