

# Fancamp and ScoZinc Announce Business Combination to Advance the Scotia Zinc & Lead Mine to Commercial Production

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Montreal, Feb. 18, 2021 - [Fancamp Exploration Ltd.](#) (TSXV: FNC) ("Fancamp") and ScoZinc Mining Ltd. (TSXV: SZM) ("ScoZinc") are pleased to announce that they have entered into a definitive arrangement agreement (the "Arrangement Agreement") whereby Fancamp will indirectly acquire all of the issued and outstanding securities of ScoZinc by way of a plan of arrangement (the "Arrangement") under the Business Corporations Act (British Columbia) (the "Combination" or the "Transaction").

Pursuant to the terms of the Arrangement Agreement, shareholders of ScoZinc (the "ScoZinc Shareholders") will receive 6.0 common shares of Fancamp (each whole share a "Fancamp Share") for every ScoZinc Share held (the "Exchange Ratio"). Upon the closing of the Transaction, former shareholders of ScoZinc will hold 33.7% of the Fancamp's common shares outstanding. The Exchange Ratio represents a premium of 5.9% based on the 30-day volume weighted average price of ScoZinc and Fancamp's shares traded on the TSX Venture Exchange for the period ended February 12, 2021.

Rajesh Sharma, Interim CEO of Fancamp, said: "ScoZinc's Scotia Mine provides the opportunity for Fancamp to acquire a near-term cash-flow-generating asset while Fancamp continues to advance its exploration and titanium technology strategies. ScoZinc owns a high-quality asset, the zinc-lead Scotia Mine, and Fancamp is pleased to partner with ScoZinc to support and facilitate the securing of financing of this asset in a timely manner so that shareholders can take advantage of the combined strength of the two entities and the current market conditions."

Mark Haywood, President and CEO of ScoZinc, said: "Fancamp's strong balance sheet will enable expeditious financing of the Scotia Mine to bring it to production. With ScoZinc's offtake financing opportunities now advanced to Letters of Intent, the Transaction effectively positions the Scotia Mine to be fully financed for a re-start of commercial operations. With Fancamp acquiring all ScoZinc's assets, interests and securities at a slight premium to our 30-day VWAP, the Combination principally represents a much less dilutive method of financing the Scotia Mine, and therefore the Combination has received our Board of Directors' and our independent advisor's recommendations."

## Highlights and Benefits of the Arrangement

The proposed Combination offers several benefits to the shareholders of both Fancamp and ScoZinc:

- ScoZinc provides a near-term cash-flow-generating asset to Fancamp, which has the potential for a combined value creation of more than \$100 million;
- Solid balance sheet with consolidated cash and marketable securities of more than \$25 million to support the mining activities, exploration projects and titanium technology strategy;
- Increased corporate scale in a strengthening zinc price environment to broaden investor appeal;
- High potential for significant market appreciation of the combined entity post-Combination and subsequent restart of the Scotia Mine;
- Potential for re-rating of the combined entity based on increased liquidity and enhanced capital markets profile;
- Exchange ratio of 6.0x reflects a balanced and conservative contribution from both sets of shareholders;

- Combination strongly supported by cornerstone ScoZinc shareholders with voting support agreements received;
- Cash flows expected after the Scotia Mine re-start with a strong balance sheet for future funding of Fancamp's exploration properties and other activities; and
- Strong potential to further optimize the portfolio through exploration and active portfolio management.

A joint Fancamp - Scozinc Investor Call will be organized in the near future to provide more details about the Transaction and the go forward plan.

#### Transaction Approvals and Timeline

The Combination will require the approval of 66<sup>2/3</sup>% of votes cast by shareholders of ScoZinc. Full details of the Combination will be included in the ScoZinc management information circular, which is expected to be mailed to ScoZinc's shareholders in early March 2021. It is anticipated that the shareholders meeting and the closing of the Combination will take place in late March or early April 2021.

#### Directors and Management

After closing of the transaction, in Fancamp's upcoming Annual General Meeting, Mark Haywood (Director, President & Chief Executive Officer of ScoZinc) and Christopher Hopkins (Director of ScoZinc) shall be nominated to join the Fancamp board of directors. Concurrent with the closing of the Transaction, Mark Haywood and Simion Candrea, of ScoZinc will be invited to join the Fancamp management team.

#### Boards of Directors' Recommendations and Voting Support

ScoZinc appointed a special committee of independent directors to consider and make a recommendation with respect to the Combination. Based in part on the unanimous recommendation of the special committee of ScoZinc, the Arrangement Agreement has been approved by the Board of Directors of ScoZinc. The Arrangement Agreement has also been approved by the Board of Directors of Fancamp. Ashwath Mehra is a member of the Board of Directors of both Fancamp and ScoZinc, and has therefore abstained from voting for the Combination.

All the directors and officers and certain key ScoZinc Shareholders representing an aggregate of approximately 16.0% of the issued and outstanding ScoZinc Shares have signed support agreements to vote their respective ScoZinc Shares in favour of the Arrangement Agreement.

#### Advisors & Counsels

Ernst & Young LLP provided the fairness opinion to the Fancamp Board of Directors to confirm that the Transaction is fair to its shareholders. Lavery, de Billy, L.L.P. are acting as legal advisors to Fancamp.

Devon Capital Inc. has provided a fairness opinion to the ScoZinc Board of Directors to confirm that the Transaction is fair to ScoZinc shareholders. Stikeman Elliott LLP are acting as legal advisors to ScoZinc.

#### Additional Details

The Arrangement Agreement will be implemented through a business combination under the Business Corporations Act (British Columbia) in which ScoZinc will amalgamate with a wholly-owned subsidiary of Fancamp. ScoZinc shareholders will receive Fancamp Shares based on the Exchange Ratio. The Combination will be a non-arm's length transaction pursuant to the policies of the TSX Venture Exchange. The Combination will be an arm's length transaction pursuant to the applicable securities laws.

Upon closing of the Combination: (i) all outstanding stock options of ScoZinc will be exchanged for options to purchase Fancamp Shares based on the Exchange Ratio and will expire twelve months after the closing of the Arrangement and (ii) all unexercised ScoZinc Share purchase warrants will be exchanged for warrants to purchase Fancamp Shares based on the Exchange Ratio and will expire in accordance with the current expiry dates of the ScoZinc Share purchase warrants.

The Arrangement Agreement is dated February 12, 2021 and contains representations and warranties for the benefit of each of Fancamp and ScoZinc, conditions relating to shareholders, court, and regulatory approvals, material adverse changes, and compliance with the Arrangement Agreement as are in each case customary in comparable transactions of this nature. The Arrangement Agreement was signed on February 13, 2021.

Completion of the Transaction is subject to a number of conditions being satisfied or waived by one or both of Fancamp and ScoZinc at or prior to closing of the Transaction, including: approval of the holders of ScoZinc Shares, options, RSUs, and warrants, together with any requisite minority approvals; receipt of all necessary regulatory and court approvals; and the satisfaction of certain other closing conditions customary for a transaction of this nature.

The Combination includes a non-solicitation covenant on the part of ScoZinc (subject to customary fiduciary-out provisions). In the event of a superior proposal, Fancamp has the right to either match such superior proposal or receive a termination fee in the amount of \$300,000. The Combination also includes a \$300,000 termination fee payable to either Fancamp or ScoZinc under certain circumstances.

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 ScoZinc, which will be mailed to holders of ScoZinc Shares, options, RSUs, and warrants and will also be available on SEDAR at [www.sedar.com](http://www.sedar.com).

It is expected that a special meeting of holders of ScoZinc Shares, options, RSUs, and warrants (the "Meeting") to approve the proposed Arrangement will be held in March 2021 and, if approved at the Meeting, it is expected that the Combination would close approximately two weeks thereafter.

ScoZinc is subject to Multilateral Instrument 61-101 - Protection of Minority Security Holders 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.

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 Fancamp Exploration Ltd.

Fancamp is a public company using a value-added strategy based on the acquisition of mineral properties and advancing them through exploration and development work. Fancamp has numerous mineral resource properties in Québec, Ontario and New Brunswick. The commodities of interest include gold, rare earth elements, strategic metals, base metals, chromium, titanium, iron and silica. In addition, Fancamp has begun to build on the industrial possibilities inherent in dealing with some of these materials, notably being the development of its Titanium technology strategy. Fancamp is a reporting issuer in British Columbia, Alberta, Ontario and Québec and its common shares are listed and posted for trading on the TSX Venture Exchange under the symbol FNC.

#### About ScoZinc Mining Ltd.

ScoZinc is a Canadian exploration and mining company that has full ownership of the Scotia Mine and

related facilities near Halifax, Nova Scotia. ScoZinc also holds several prospective exploration licenses nearby its Scotia Mine and in surrounding regions of Nova Scotia. ScoZinc's common shares are listed and posted for traded on the TSX Venture Exchange under the symbol SZM.

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#### CAUTIONARY STATEMENTS

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This news release includes certain forward-looking statements which are not comprised of historical facts. Forward-looking statements include estimates and statements that describe both companies' future plans, objectives or goals, including words to the effect that both companies or their respective management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Although these statements are based on information currently available to both companies, both companies provide no assurance that actual results will meet their respective management's expectations. Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward looking information in this news release includes, but is not limited to, both companies' objectives, goals or future plans, statements, potential mineralization, exploration and development results, the estimation of mineral resources, exploration and mine development plans, timing of the commencement of operations and estimates of market conditions. There can be no assurance that forward-looking statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from both companies' expectations include, among others, political, economic, environmental and permitting risks, mining operational and development risks, litigation risks, regulatory restrictions, environmental and permitting restrictions and liabilities, the inability of both companies to satisfy the conditions precedent to complete the Transaction, the inability to obtain the necessary regulatory, shareholder and third-party approvals for the Transaction, the inability to start production at the zinc-lead Scotia Mine, the inability of Fancamp to realize the anticipated financial gains from the Transaction, including generating, in the near-term, cash-flows from the zinc-lead Scotia Mine, the inability of Fancamp to raise capital or secure necessary financing in the future, the inability of both companies to achieve the synergies expected from the Arrangement, as well as factors discussed in the section entitled "Risks and Uncertainties" in Fancamp's management's discussion and analysis of Fancamp's financial statements for the period ended October 31, 2020 and in the section entitled "Risk Factors" in ScoZinc's management's discussion and analysis of ScoZinc's financial statements for the period ended September 30, 2020. Although Fancamp and ScoZinc have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

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