

# Fancamp and KWG Resources Announce Binding Agreement for the Sale of Fancamp's Beneficial Interests in Koper Lake-McFaulds Mining Claims to KWG

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Vancouver, July 21, 2022 - [Fancamp Exploration Ltd.](#) (TSXV: FNC) ("Fancamp") and [KWG Resources Inc.](#) (CSE: KWG) (CSE: KWG.A) (FSE: KW61) ("KWG") are pleased to announce that they have entered into a binding agreement dated July 20, 2022 with respect to a proposed transaction (the "Proposed Transaction") involving the sale by Fancamp to KWG of all of the right, title and interests beneficially owned by Fancamp in and to the "Koper Lake-McFaulds" mineral properties, comprised of four (4) mining claims (the "Mining Claims") located within the "Ring of Fire" in the Province of Ontario.

The consideration payable by KWG to Fancamp for the purchase of the Mining Claims and the Fancamp Closing Payment (as defined below) will consist of: (a) the issuance by KWG to Fancamp (or otherwise as Fancamp may direct to be held in trust for Fancamp) of a secured convertible promissory note (the "Secured Convertible Promissory Note") in the principal amount of C\$34.5 million (the "Principal Amount"), having the principal terms set out below; (b) the issuance by KWG to Fancamp of such number of warrants (the "Consideration Warrants") to purchase multiple voting shares of KWG ("MVS") equal to one-half (1/2) of the Principal Amount divided by the ten (10) day volume-weighted average trading price of the MVS and the subordinate voting shares of KWG ending on the trading day immediately prior to the date of the binding agreement (such volume-weighted average trading price, the "Base Conversion Price"); and (c) the grant by KWG to Fancamp of a 2.0% net smelter return royalty (one-quarter of which may be purchased by KWG at any time for C\$5 million and the next one-quarter of which will be subject to a right of first refusal in favour of KWG) on any direct or indirect interest in the Mining Claims held by KWG on and after the closing date (the "Royalty").

The Proposed Transaction is subject to a thirty (30) day right of first refusal (the "ROFR") in favour of [Bold Ventures Inc.](#) ("Bold") in connection with a joint venture agreement dated effective as of October 18, 2018 between Bold and Fancamp (the "JVA").

Subject to any regulatory approvals or filings and subject to the ROFR, the Proposed Transaction is expected to close during the third quarter of 2022, or on such other date and time as is mutually agreed to between KWG and Fancamp, acting reasonably.

Rajesh Sharma, President and Chief Executive Officer of Fancamp, said, "The Proposed Transaction simplifies some of the existing joint venture arrangements and will enable KWG to be the clear leader in the advancement and development of the Mining Claims and, in due course, to help finance this initiative. The proposed consideration package allows Fancamp to monetize its investment into KWG with marketable securities while providing KWG with an immediate cash injection that will permit KWG to advance various initiatives relating to the Mining Claims and to assist with their working capital needs."

Frank Smeenk, Chief Executive Officer of KWG, said: "We are very gratified to have Fancamp join us in investing in the ferrochrome and stainless-steel vision of the Ring of Fire's enormous potential. Rajesh Sharma is a most accomplished mining executive with deep and long experience in the base metal mining and steel industry. We look forward to working with him and Fancamp should the Bold Ventures right of first refusal not be exercised. This transaction will facilitate fast tracking the development of this historic chromite discovery."

Details of the Proposed Transaction

- On the closing date, Fancamp will make a one-time payment to KWG of C\$1,500,000 (the "Fancamp Closing Payment"), the proceeds of which will be used by KWG for the advancement and development of the Mining Claims and for other general working capital purposes.
- The Secured Convertible Promissory Note will bear interest at a rate of six percent (6%) per annum and will mature on the date which is the four (4) year anniversary of the closing date, subject to extension in accordance with the terms of the Secured Convertible Promissory Note (the "Maturity Date"). The interest payments under the Secured Convertible Promissory Note will be payable in cash or, at the option of KWG, in MVS at an issue price equal to the five (5) day volume-weighted average trading price ending on the trading day immediately prior to: (a) the day the accrued interest becomes payable; (b) the Maturity Date; or (c) such other applicable date referenced in the binding agreement relating to the Proposed Transaction.
- The Secured Convertible Promissory Note shall be convertible, in whole or in part, at the option of Fancamp, at any time following the closing date, up to and including the maturity date, into fully-paid MVS at a conversion price equal to a premium to the Base Conversion Price if converted anytime on or before the two year anniversary of the closing date, and at the Base Conversion Price if converted anytime thereafter (up to, and including, the Maturity Date), in each case, subject to adjustment in accordance with the terms of the Secured Convertible Promissory Note.
- The Secured Convertible Promissory Note will be secured by a security interest over all of the assets of KWG and its subsidiaries (including all of its tangible and intangible personal property and all present and after-acquired personal property of KWG), subject to certain encumbrances (the "KWG Encumbrances"), and excluding KWG's existing beneficial interests in the Mining Claims and certain other assets (the "KWG Assets Collateral").
- On or after the closing date, upon the delivery by KWG to Fancamp of certain documentation as set out in the Secured Convertible Promissory Note, the KWG Assets Collateral may be substituted for a security interest comprising all of the existing and hereinafter acquired interests of KWG in the Mining Claims (including the interests in the Mining Claims to be acquired by KWG pursuant to the Proposed Transaction). Upon the delivery by KWG of security over all of its interests in the Mining Claims in favour of Fancamp in a form acceptable to Fancamp, Fancamp will release its security interest over the KWG Assets Collateral.
- The security for the indebtedness represented by the Secured Convertible Promissory Note will be senior and first ranking to all other indebtedness of KWG and its subsidiaries, but subject to the KWG Encumbrances.
- The Secured Convertible Promissory Note will be subject to certain other customary terms and conditions, including negative covenants which will provide, among other things, that KWG will be precluded from selling, transferring or taking any other actions vis-à-vis the Mining Claims or the KWG Assets Collateral unless the cash proceeds from any such transaction are irrevocably directed to and in favour of Fancamp in satisfaction of all of the outstanding indebtedness under the Secured Convertible Promissory Note (with any remaining cash proceeds thereon, if any, to be for the benefit of KWG).
- The Consideration Warrants (which will be evidenced by a warrants certificate (the "Warrants Certificate") issued by KWG on the closing date in favour of Fancamp) will entitle Fancamp to receive one (1) MVS of Fancamp for each warrant exercised.
- The expiry date of the Consideration Warrants will be the fifth (5<sup>th</sup>) year anniversary of the closing date (the "Expiry Date").
- The Consideration Warrants will have an exercise price equal to a premium to the Base Conversion Price if converted anytime on or before the two (2)-year anniversary of the closing date, and at the Base Conversion Price if converted anytime thereafter (up to, and including, the Expiry Date), in each case, subject to adjustment in accordance with the terms of the Warrants Certificate;
- On any announcement of a business combination, take-over bid or other change of control involving KWG as the target, Fancamp will have the right to convert the Secured Convertible Promissory Note at the Base Conversion Price and/or to exercise the Consideration Warrants at the Base Conversion Price, in each case, in whole or in part, at the option of Fancamp, prior to completion of the change of control event.
- A royalty agreement will be entered into on the closing date in favour of Fancamp with respect to the Royalty.
- At any time while there is any amount outstanding under the Secured Convertible Promissory Note or while Fancamp holds at least five percent (5%) of the outstanding MVS (calculated on a non-diluted basis), Fancamp will have the right to nominate one member to the board of directors of KWG, and KWG shall use all commercially reasonable efforts to facilitate such director nominee's election to the board of directors of KWG.

Additional information with respect to the Koper Lake-McFaulds mineral properties can be found under Fancamp's and KWG's respective SEDAR profiles at [www.sedar.com](http://www.sedar.com).

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About Fancamp Exploration Ltd.

Fancamp is a growing Canadian mineral exploration corporation dedicated to its value-added strategy of advancing its priority mineral properties through exploration and innovative development. Fancamp owns numerous mineral resource properties in Quebec, Ontario and New Brunswick, including chromium, strategic rare-earth metals, gold, zinc, titanium and more. Fancamp's chromium properties in the highly sought-after Ring of Fire in Northern Ontario are strategically located. Its rare earth element properties in Quebec are a special focus. Fancamp has investments in an existing iron ore operation in the Quebec-Labrador Trough, in addition to an investment in a zinc mine planned to be restarted in Nova Scotia. Fancamp is developing energy reduction technology with its advanced Titanium extraction strategy. Fancamp is managed by a focused leadership team with decades of mining, exploration and complementary technology experience.

About KWG Resources Inc.

KWG is the Operator of the Black Horse chromite project (part of the "Koper Lake-McFaulds" properties) after acquiring a vested 50% interest through [Bold Ventures Inc.](#) which is carried for 10% (20% of KWG's current equity in the JV) by KWG funding all exploration expenditures. KWG holds a 15% vested interest in the McFaulds copper/zinc project and a vested 30% interest in the Big Daddy chromite project. KWG also owns 100% of CCC which staked mining claims between Aroland, Ontario (near Nakina) and the Ring of Fire. CCC has conducted a surveying and soil testing program to assess the prospects for the engineering and construction of a railroad along that route between the Ring of Fire and Aroland, Ontario. CCC engaged Cormorant Utilities and Rail-Veyor Technologies for Engineering Proposals for the construction of a transportation and utility corridor within the route and has received those proposals. KWG has also acquired intellectual property interests, including a method for the direct reduction of chromite to metalized iron and chrome using natural gas. KWG subsidiary Muketi Metallurgical LP has acquired two chromite-refining patents in Canada and one in each of the USA, South Africa and Kazakhstan, and is prosecuting an application in Turkey.

Forward-Looking Statements

This news release contains certain "forward-looking statements" or "forward-looking information" (collectively

referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of Fancamp or KWG. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. Examples of forward-looking statements include, among others, the closing of the Proposed Transaction and future expectations with respect to the advancement and development of the Mining Claims by KWG.

Although Fancamp and KWG believe that the material factors, expectations and assumptions informing such forward-looking statements are reasonable based on information available to them on the date such statements were made, no assurances can be given as to future results of such statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual events to differ materially from those anticipated in such forward-looking statements. These risks include, among others: (a) the risk that the closing conditions for completion of the Proposed Transaction are not satisfied or waived; (b) risks relating to general economic, market and business conditions; and (c) unforeseen delays in the timelines for any of the transactions or events described in this press release.

Readers are cautioned that the foregoing list of factors is not exhaustive. Statements including forward-looking statements are made as of the date they are given and, except as required by applicable securities laws, Fancamp and KWG disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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