



HORNBY BAY
MINERAL EXPLORATION

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HBE Hornby Bay to acquire Philibert property by RT

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Hornby Bay Mineral Exploration Ltd (TSX-V:HBE) Shares Issued 106,370,925 Last Close 11/27/2020 \$0.06 Thursday December 03 2020 - News Release

Mr. Fred Leigh reports

HORNBY BAY ENTERS INTO AGREEMENT TO ACQUIRE PHILIBERT PROPERTY, QUEBEC, AND ANNOUNCES LEADERSHIP CHANGES, INCLUDING THE APPOINTMENT OF VICTOR CANTORE AS EXECUTIVE CHAIRMAN

Hornby Bay Mineral Exploration Ltd. has entered into a definitive share purchase agreement dated Nov. 30, 2020, with 9396-1217 Quebec Inc. and Frank Guillemette, the principal shareholder of the vendor, and Jonathan Girard and Jean-Francois Girard, pursuant to which the company will purchase from the shareholders and the vendor all of the issued and outstanding common shares in the capital of 9396-1217 Quebec (Holdco), whose sole asset is 100 per cent of the common shares in the capital of 9220-5392 Quebec Inc. operating as Mines Royales Quebec. MRQ holds an option to acquire a 100% interest in the Philibert property (the "Philibert Property") located in Quebec's Chibougamau mining camp.

The Proposed Transaction is a Reverse Takeover and an Arm's-Length Transaction (as those terms are defined in the policies of the TSX Venture Exchange (the "TSXV")) as the Company is not a Related Party (as such term is defined in the policies of the TSXV) to any of the Vendor, the Shareholders, or MRQ.

The Philibert Property

The Philibert Property comprises 110 mining titles covering approximately 5,392.57 ha, approximately 9 km northeast of IAMGOLD's Nelligan Gold Project and 12 km southeast of IAMGOLD's Monster Lake property located in the Chibougamau Mining Camp, 50km southwest of the Chibougamau. The Philibert Property is accessible by road, within 10km of the power grid and a non-operating mill. The Philibert Property is owned by SOQUEM Inc. ("SOQUEM"), free of all encumbrance, restrictions, claims, environmental liabilities and royalties. Prior to 2015, approximately \$10,000,000 was spent in exploration and 60,000 metres of drilling were completed on the Philibert Property by SOQUEM and its partners. An economic potential study carried out by Roche Ltd., consulting group (now Norda Stelo) in 1991 for SOQUEM reported a historical resource estimate of approximately 1,4 million tonnes grading 5.3 grams of gold per tonne.

The known mineralization only covers a small section of the Philibert Property. The main structure has been explored over approximately 3 km but remains underexplored over another 2 km that shows a distinct magnetic signature that characterizes the mineralized corridor.

The foregoing resource estimate is being treated by the Company as a historical resource estimate as it was completed prior to the implementation of the National Instrument 43-101 ("NI 43-101") requirements and the construction of the CIM Estimation of Mineral Resource & Mineral Reserve Best Practices Guidelines, updated November 29, 2019, along with the most recent CIM Definition Standards on Mineral Resources & Mineral Reserves dated May 10, 2014. Investors are cautioned that a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves and as such, the Company is not treating the historical estimate as current mineral resources or mineral reserves. Accordingly, the historical estimate is presented only for the purposes of assisting in describing the extent of gold mineralization and to outline the exploration potential. These estimates should not be relied upon.

In addition to hosting Philibert mineralization, the Philibert Property is located in the western extension of the deformation corridor that crosses the former Joe Mann mine (past production of 1.173 million ounces of gold at a grade of 8.26 g/t Au(Source: Technical Report on the Joe Mann Mining Property dated January 11, 2016, prepared by Geologica Inc.). and is proximate to IAMGOLD's Nelligan Gold Project and Monster Lake Property. According to a technical report prepared in accordance with National Instrument 43-101 ("NI 43-101") and filed on SEDAR on December 4, 2019, the Nelligan Gold Project holds a resource of 96,990,000 tonnes averaging 1.02 grams per tonne for 3,193,900 oz of gold, which led to the Prospector of the Year award by the Quebec Mineral Exploration Association (AEMQ) in 2019. According to a technical report prepared in accordance with NI 43-101 and filed on SEDAR on May 10, 2018, the Monster Lake property comprises 1.1 million tonnes of inferred resources grading 12.14 grams of gold per tonne for 433,300 oz of gold. The Company cautions investors that mineralization hosted on nearby or adjacent properties is not necessarily indicative of mineralization hosted on the Philibert Property.

MRQ holds an option to acquire up to a 100% interest in the Philibert Property pursuant to an option agreement (the "SOQUEM Agreement") dated March 21, 2019, between MRQ and SOQUEM. In order to acquire an initial 50% interest in the Philibert Property, MRQ must incur an aggregate of \$3,500,000 in exploration expenditures over a five-year period. MRQ has the option to earn an additional 25% interest (for a total interest of 75%) by incurring an additional \$2,000,000 of exploration expenditures on or before the second anniversary of the exercise of the initial option. Finally, MRQ has the option to increase its interest an additional 25% (for a total interest of 100%), subject to a 2% net smelter return royalty in favour of Soquem (which could be reduced to 1% in consideration of 1M\$), by making a cash payment of \$3,500,000 within 30 days of exercising the second option.

MRQ is a corporation incorporated under the Business Corporations Act (Quebec) on March 22, 2010 and started its operations in June 2018. Holdco, which owns 100% of the issued and outstanding common shares in the capital of MRQ, was incorporated on April 8, 2019.

Below is a summary of financial information of MRQ based on a balance sheet as at March 31, 2020:

Terms of Proposed Transaction

Under the Definitive Agreement in order to acquire a 100% of the issued and outstanding shares of MRQ, the company has agreed to pay \$7,000,000 payable as follows:

- (a) \$1,000,000 less the amount of liabilities of MRQ as shown on a statement of adjustments, payable on the Closing Date (the "Closing Date") of the Proposed Transaction;
- (b) \$3,000,000 payable on the Closing Date through the issuance by the Company to the Vendor an aggregate of 60,000,000 common shares (the "Purchaser Shares") in the capital of the Company, to be issued at a deemed price of \$0.05 per Purchaser Share; and
- (c) \$3,000,000 payable as follows: (i) \$1,000,000 on the twelve-month anniversary of the Closing Date; (ii) \$1,000,000 on the eighteen-month anniversary of the Closing Date; and (iii) \$1,000,000 on the twenty four-month anniversary of the Closing Date, each such payment to be made through the issuance by the Purchaser to the Vendor and the Shareholders of that number of common shares in the capital of the Purchaser equal to the \$1,000,000 payment, divided by the volume weighted average trading price of the Purchaser's common shares for the 20 trading days prior to the date on which such payment is due (collectively with the Purchaser Shares under (b) above, the "Consideration Shares").

In addition, the Company has agreed, on the Closing Date, to grant the Vendor a 2% net smelter return royalty (the "NSR") from production on the Philibert Property, with the Company having the right at any time to purchase or cancel half of the NSR (such that the NSR would be reduced to 1%) in consideration of a cash payment to Vendor of \$2,000,000; and enter into a services agreement (the "Services Agreement") with Multi-Resources Boreal to be entered into on the Closing Date under which the Company agrees to consider any proposal or bid made by Multi-Resources Boreal for exploration services in relation to the Philibert Property and to pay Multi-Resources Boreal \$200,000 per year, for a total of five years following the Closing Date, unless it has paid such amounts to Multi-Resources Boreal for exploration services.

In connection with the Proposed Transaction, the Company has agreed to pay certain arm's-length third parties a finder's fee in the amount of \$339,000, payable through the issuance of 5,650,000 common shares of the Company (the "Broker Shares"), in accordance with Section 3.1 of TSXV Policy 5.1.

Satisfaction of Conditions to Closing

The completion of the Proposed Transaction is subject to the satisfaction of certain conditions precedent, including:

- (a) Receipt of all necessary consents, approvals and other authorizations of any regulatory authorities, shareholders or third parties has been obtained, including but not limited to the approval of the TSX Venture Exchange (the "TSXV");
- (b) The representations and warranties of the parties in the Definitive Agreement remaining accurate at and as of the Closing Date;
- (c) The grant by the Company of the NSR in favour of the Vendor;

- (d) The Company having entered into the Services Agreement with Multi-Resources Boreal;
- (e) The completion by the Company of an equity financing for gross proceeds of a minimum of \$2,500,000 (the "Offering") at an offering price of not less than \$0.05 per security; and
- (f) The issuance of the Broker Shares.

Offering

In connection with the Proposed Transaction, the Company proposes to complete a non-brokered private placement of up to 50,000,000 subscription receipts (a "Subscription Receipt") at a price of \$0.05 per Subscription Receipt (the "Issue Price") for aggregate gross proceeds of up to \$2,500,000 (the "Offering"). The gross proceeds of the Offering (the "Escrowed Proceeds") will be held in escrow on behalf of the subscribers of the Subscription Receipts by TSX Trust Company (the "Escrow Agent"), pursuant to the terms of a subscription receipt agreement (the "Subscription Receipt Agreement") to be entered into one or about the Closing Date of the Offering (the "Offering Closing Date") among the Company and the Escrow Agent. Each Subscription Receipt will be automatically converted, without payment of any additional consideration and without further action on the part of the holder thereof, for one unit (a "Unit") of the Company upon satisfaction or waiver of the escrow release conditions ("Escrow Release Conditions") set out below and in the Subscription Receipt Agreement and prior to a Termination Event (as defined below), subject to adjustment in certain events. The Units to be issued upon conversion of the Subscription Receipts will be comprised of one common share of the Company (a "Unit Share") and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable by the holder thereof for one common share of the Company (each, a "Warrant Share") for a period of thirty-six months after the Closing Date at an exercise price of \$0.06 per Warrant Share, subject to adjustments in certain events.

The Escrow Release Conditions are as follows:

- (a) The receipt of all required corporate, shareholder and regulatory approvals in connection with the Offering and the Proposed Transaction (as defined below), including, without limitation, the conditional approval of the TSXV for the listing of the Unit Shares and Warrant Shares and any relevant listing documents having been accepted for filing with the TSXV;
- (b) The completion or the satisfaction of all conditions precedent to the Proposed Transaction, substantially in accordance with the definitive agreements relating to the Proposed Transaction; and
- (c) The Company having delivered a notice to the Escrow Agent, confirming that the conditions set forth in (a) and (b) above have been met or waived.

In the event that: (i) the Escrow Agent does not receive the release notice contemplated by the Subscription Receipt Agreement prior to 5:00 p.m. (Toronto time) on that date which is 120 days after the Offering Closing Date (the "Escrow Release Deadline"); or (ii) prior to the Escrow Release Deadline, the Company announces to the public that it does not intend to proceed with the Proposed Transaction and/or satisfy the Escrow Release Conditions (each, a "Termination Event"), the Escrowed Proceeds (plus any interest accrued thereon) will be returned to the holders of the Subscription Receipts on a pro rata basis and the Subscription Receipts will be cancelled without any further action on the part of the holders.

To the extent that the Escrowed Funds are not sufficient to refund the aggregate Issue Price paid to the holders of the Subscription Receipts, the Company will be responsible and liable to contribute such amounts as are necessary to satisfy any shortfall.

The net proceeds of the Offering will be used to fund the cash portion of the consideration payable to MRQ pursuant to the Definitive Agreement and for general corporate purposes.

The securities issued in connection with the Offering (including the Subscription Receipts and any Unit Shares, Warrants, and Warrant Shares) will be subject to a statutory hold period of four months and one day from the Offering Closing Date, in accordance with applicable securities laws.

The securities that will be issued in connection with the Offering will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or any U.S. state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined under the U.S. Securities Act) absent registration or any applicable exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Reverse Takeover Transaction

The Proposed Transaction will be a Reverse Takeover pursuant to the policies of the TSXV and the Company intends to file a filing statement (the "Filing Statement") in connection with the Proposed Transaction.

The Proposed Transaction may require sponsorship under the policies of the TSXV unless an exemption from sponsorship is granted. The Company intends to apply for an exemption from sponsorship requirements of the TSXV in connection with the Proposed Transaction. There can be no assurance that such exemption will ultimately be granted.

The Company intends to seek shareholder approval from a majority of the shareholders of the Company by way of written consent in accordance with Section 4.3 of Policy 5.2 of the TSXV Corporate Finance Manual.

Management of the Resulting Issuer

Following the completion of the Offering, the parties anticipate that the current Board of Directors and management of the Company will resign, with the exception of Mr. Arvin Ramos, CPA, CGA, the Chief Financial Officer of the Company and Mr. Maurice Colson, Chairman of the Company, and it is proposed that the following persons will be appointed, in the capacities listed below. Brief biographies of the proposed nominees are as follows:

Victor Cantore, Executive Chairman

Mr. Cantore is a seasoned capital markets professional specializing in the resource and hi-tech sectors. He has more than 20 years of advisory and leadership experience having begun his career in 1992 as an investment advisor and then moving into management roles at both public and private companies. During his career he has organized and structured

numerous equity and debt financings, mergers and acquisitions, joint venture partnerships and strategic alliances. Mr. Cantore is President, CEO and Director of Amex Exploration Inc., a junior mining exploration company, primary objective of which is to acquire, explore, and develop viable gold projects in the mining-friendly jurisdiction of Quebec. Amex is focused on its 100% owned Perron gold project located 110 kilometers north of Rouyn Noranda, Quebec, consisting of 116 contiguous claims covering 4,518 hectares. A number of significant gold discoveries have been made at Perron, including the Eastern Gold Zone, the Gratien Gold Zone, the Grey Cat Zone, and the Central Polymetallic Zone. High-grade gold has been identified in each of the zones. A significant portion of the project remains underexplored. In addition to the Perron project, the company holds a portfolio of three other properties focused on gold and base metals in the Abitibi region of Quebec and elsewhere in the province. Mr. Cantore serves on the boards of various companies both private and public.

Simon Marcotte, Director, President and Chief Executive Officer

Mr. Marcotte is a Chartered Financial Analyst (CFA) with over 20 years of experience with a focus on commodities, including more than 10 years in executive positions for junior mining companies. Mr. Marcotte co-founded Mason Graphite Inc. in 2012 and held the position of Vice-President of Corporate Development until February 2018. Under his leadership, Mason Graphite Inc. was awarded the TSX Venture recognition as top 10 performing stock in 2013, the best 50 OTCQX in 2016 and 2017, and was nominated for best investors relations in both 2016 and 2017. At the end of 2017, the company reached a peak market capitalization of \$365 million, with approximately 35 institutional shareholders, uncommon for a junior mining company. Prior to 2012, Mr. Marcotte joined Verena Minerals Corp. in 2010, which was then renamed Belo Sun Mining Corp., as Vice-President Corporate Development, working alongside the President and Chief Executive Officer on all decision-making processes and helped develop and implement a turnaround strategy. Mr. Marcotte was also instrumental in raising approximately \$100-million in capital for the company, resulting in an increase in market capitalization from \$20-million to a peak of \$400-million and a share price appreciation of more than 500 per cent over the same period. Mr. Marcotte has been involved with several other mining companies, either as an officer or a director, including with Alderon Iron Ore Corp between 2010 and 2013. Prior to his corporate involvement, Mr. Marcotte was working in senior positions in capital markets with CIBC World Markets, from 1998 to 2006, and with Sprott Securities Inc. and Cormark Securities Inc., from 2006 to 2010, where he also was a member of the board of directors. Mr. Marcotte currently acts as an independent consultant and is actively involved in merchant banking activities in the junior mining industry. Mr. Marcotte is a director of Freeman Gold Corp., which is advancing the Lemhi gold project in Idaho, United States. He is a CFA Charterholder and is a graduate from the University of Sherbrooke.

Frank Guillemette, Director

Mr. Guillemette is an entrepreneur specializing in business finance and venture capital with over 20 years' experience. Mr. Guillemette launched his career as an employee of Fonds Regional de Solidarite Nord-du-Quebec where he was responsible for managing the company's regional mining portfolio and was accountable for the associated financial duties. In 2004, he founded 9148-5706 Quebec Inc., a private company operating as Multi-Ressources Boreal ("Multi-Resource Boreal") where he remains active in the management of exploration campaigns and mining land brokerage. Among other successfully executed gold property transactions are the Black Dog project (Formerly called Souart Project) that is

located 15 km SW of Osisko Mining's Windfall flagship project and 105 km West of Philibert was sold to Osisko Mining in February 2016 (\$1.6 million after the escrow period ended) and an option deal in 2008 on the Monster Lake Project located within 12 km of both Philibert and Nelligan project where TomaGold & IAMGOLD have since invested \$10 million in exploration. He was also responsible for managing multi-million dollars exploration fieldworks on gold, base metals, rare earth and other commodities including phosphorus, iron and titanium projects. Mr. Guillemette has also been working for more than 4 years as a "representative of an exempt market dealer" for a Montreal-based exempt market dealer, EMD Financial Inc.

Annual and Special Meeting

In connection with the Proposed Transaction, the Company has called an annual and special shareholder meeting to be held on January 7, 2020 (the "Meeting"), to approve, among other things, a proposed name change of the Company with such name to be determined by the directors of the Company, appointing new directors of the Company and the completion of a consolidation (the "Consolidation") of the Company's issued and outstanding common shares on the basis of up to one (1) new post-Consolidation common share for every seven (7) existing pre-Consolidation common shares. Further details of the Meeting will be described in a management information circular of the Company.

Principals

Upon the closing of the Offering and the Proposed Transaction, it is anticipated that Mr. Guillemette will become an "Insider" (as that term is defined in the policies of the TSXV) of the Company. Prior to the completion of the Offering and the Transaction, Mr. Guillemette did not beneficially own or control any securities of the Company. Upon the issuance of the Purchaser Shares to the Shareholders, Mr. Guillemette will beneficially own and control approximately 8,363,216 common shares of Company (assuming completion of the Consolidation) representing approximately 27.2% of the issued and outstanding common shares of the Company, on a non-diluted basis, assuming completion of the Offering and the Proposed Transaction.

Qualified Person

Mr. Benoit Moreau, P. Eng., a Qualified Person as defined by National Instrument 43-101, has reviewed and approved the scientific and technical contents of this news release.

We seek Safe Harbor.

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