

## **Avalon Announces Agreement to Acquire Elmtree Gold Project in Northeast N.B., \$150,000 Bridge Financing, and Minimum \$2.5 Million Concurrent Financing**

Toronto, Ontario--(November 26, 2020) – Avalon Works Corp. ("**Avalon**" or the "**Company**") is pleased to announce that it has entered into an agreement (the "**Letter Agreement**") dated November 17, 2020 among Avalon, and Kevin Vienneau, Roy Bonnell, Nick Stajduhar and John Williamson, who are businessmen resident in Canada (collectively, the "**Vendors**") for the acquisition (the "**Acquisition**") of two mineral exploration properties respectively comprised of 24 and 25 contiguous mineral claims totalling 1,063,326 hectares in northeast New Brunswick known as the "**Elmtree Gold Project**" (the "**Property**").

The Acquisition is anticipated to be completed by an amalgamation (the "**Amalgamation**") of a wholly-owned subsidiary of Avalon ("**Sub1**"), which will acquire the Property, with another wholly-owned subsidiary of Avalon ("**Sub2**"), which will issue securities pursuant to Bridge Financing and Concurrent Financing (as defined below). In consideration for the Amalgamation, the security holders (other than Avalon) of Sub1 and Sub2 will exchange their securities for like securities of Avalon on a 1-for-1 basis, post-Consolidation (as defined below), upon closing (the "**Closing**") of the Acquisition.

Pursuant to the Acquisition and the application for listing on the TSX Venture Exchange (the "**TSXV**") as contemplated therein, the following steps will be necessary, subject to the policies of the TSXV:

(1) consolidation of all of the issued and outstanding securities of the Company on the basis of 4.9362-to-1 (the "**Consolidation**");

(2) completion of a non-brokered equity bridge financing (the "**Bridge Financing**") of up to **\$150,000**, to be used in connection with the Acquisition subject to applicable policies of the TSXV, by way of a private placement offering of special warrants (the "**Special Warrants**") of Sub2, a wholly-owned subsidiary of Avalon, which are exercisable for no additional consideration:

- (i) at any time, into units (the "**Bridge Units**") of the Company at a price of \$0.375 per Bridge Unit, with each Bridge Unit comprised, on a post-Consolidation Basis, of one common share (each a "**Bridge Share**") and one-half common share purchase warrant (each whole warrant a "**Bridge Warrant**") of the Company; and each Bridge Warrant will entitle the holder to acquire a common share (on a post-Consolidation basis) of the Company at an exercise price of \$0.75/common share for a period of 12 months from the date of issuance; or
- (ii) automatically upon Closing prior to February 28, 2021, into Bridge Units of Sub2 at a price of \$0.375 per Bridge Unit, which Bridge Units shall be exchanged on Closing pursuant to the Amalgamation on a 1-for-1 basis for like securities of the Company, on a post-Consolidation basis;

(3) completion of a concurrent equity financing (the "**Concurrent Financing**") of a minimum of **\$2,500,000** to a maximum of **\$6,000,000** by way of a private placement offering of units (the "**Units**") of Sub2 at a price of \$0.50 per Unit, with each Unit comprised, on a post-Consolidation basis, of one common share (each a "**Share**") and one common share purchase warrant (each a "**Warrant**") of Sub2; and each such Warrant will entitle the holder to acquire a Share of Sub2 at an exercise price of \$0.75/common share for a period of 24 months from the date of issuance; and the Units shall be

exchanged on Closing pursuant to the Amalgamation on a 1-for-1 basis for like securities of the Company, on a post-Consolidation basis;

(4) the common shares of the Company acquired upon Closing by subscribers under the Bridge Financing and Concurrent Financing shall not be subject to a four month hold or resale restrictions under applicable securities laws, subject to the policies of the TSXV; and

(5) completion of the purchase and Acquisition (the "**Property Acquisition**") by the Company of the Project in consideration for payment of a purchase price of \$7,350,000 through (i) payment of \$350,000 cash to Kevin Vienneau; (ii) the issuance of 14,000,000 common shares (the "**Purchase Shares**") of a wholly-owned subsidiary of the Company, Sub1; which shall be exchanged on a 1-for-1 basis upon Closing for 14,000,00 common shares of the Company on a post-consolidation basis after giving effect to a consolidation of all the issued and outstanding securities of the Company on the basis of at least 4.9362-to-1 at a deemed price of \$0.50 per share; to Kevin Vienneau (2,400,000 Purchase Shares) and the other three (3) Vendors (each 3,866,666 Purchase Shares); and (iii) grant of a 2% net smelter returns royalty (the "**2% NSR**") on the Elmtree Gold Project to Kevin Vienneau, all pursuant to the Letter Agreement, and shall pay a finder's fee (the "**Finder's Fees**") to an arm's length third party finder (the "**Finder**") in the amount of \$100,000 by issuance of 200,000 common shares of Sub2 at a deemed price of \$0.50 per common share, which shall be exchanged upon Closing on a 1-to 1 basis for 200,000 common shares (the "**Finder's Shares**") of the Company (on a post-Consolidation basis).

The Property Acquisition, Bridge Financing, Finder's Fees, and Concurrent Financing (the "**Transactions**") will be subject to approval of the TSXV in connection with the Company's application for listing on the TSXV. The securities of the Company issued at Closing in connection with the Bridge Financing, Finder's Fees, and Concurrent Financing will not be subject to resale restrictions, in accordance with applicable securities laws, subject to the policies of the TSXV. Upon completion of the Property Acquisition, it is intended that the post-Consolidation common shares of the Company will be listed and posted for trading on the TSXV as a Tier 2 listed mining exploration issuer. The Transactions are expected to result in a "reverse takeover" of Avalon under the policies of the TSXV.

The Consolidation was previously approved by the shareholders of the Company at a shareholders meeting held on December 23, 2019, which is subject to approval of the board of directors of the Company and TSXV approval. To address requirements of TSXV policies, the Company intends to obtain approval for creation of a new control person by way of written approval of shareholders holding over 50% of the issued and outstanding common shares in the capital of the Company.

In regards to the Transactions, the Company specifically confirms that it will not be seeking shareholder approval under the policies of the TSXV for the Transactions as a reverse takeover because such approval is not required under the policies of the TSXV where: (i) the Transaction does not consist of "Related Party Transactions"; (ii) the Company is without active operations as it is not listed on any stock exchange; (iii) the Company is not and will not be subject to a cease trade order and will not otherwise be suspended from trading upon completion of the Transaction; and (iv) shareholder approval of the Transaction is not required under applicable corporate or securities laws.

The net proceeds of the Bridge Financing will be used to pay Transaction-related expenses of the Company. The net proceeds of the Concurrent Financing will be used to fund exploration of the Elmtree Gold Project, and for working capital and general corporate purposes, as will be more specifically described in the Transaction disclosure document of the Company that will be used to describe the Transactions and the Elmtree Gold Project in greater detail, which will be publicly filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The Transactions are subject to a number of conditions, which among other conditions include:

(a) completion of an initial geological technical report (the "**Initial Technical Report**") in respect of the Elmtree Gold Project completed in the name of the Company in accordance with National Instrument 43-101—*Standards of Disclosure for Mineral Projects* ("**NI 43-101**") and filed under the Company's profile on SEDAR;

(b) completion and delivery to the Company of written confirmation as to title to the Property (the "**Title Confirmation**") confirming 100% ownership of the Elmtree Gold Project by the Vendors free and clear of encumbrances in a form satisfactory to legal counsel for the Company, acting reasonably;

(c) completion of satisfactory due diligence of the Company by the Vendors, and by the Company on the Elmtree Gold Project, prior to signing a definitive agreement by January 31, 2021 and in any event by no later than February 28, 2021, prior to closing the Transactions, which shall include all the customary terms and conditions for the size and nature of such a transaction reflecting the terms and conditions of the Letter Agreement;

(d) no material adverse change shall have occurred in the business or financial condition or affairs of the Company;

(e) the Company having no liabilities as at the date of Closing, other than reasonable costs and expenses incurred in the ordinary course of business in connection with the transactions contemplated herein, to any other party, including shareholders, directors and officers of the Company;

(f) the representations and warranties of the parties to the Letter Agreement being true and correct in all material respects as at the date of Closing;

(g) there being no material breach of the representations, warranties and covenants of the parties under the Letter Agreement;

(h) there being no prohibition under law against the completion of the Transactions; and

(i) receipt of all required regulatory, corporate and third party approvals, including approval of the TSXV.

Upon Closing, the directors of the Company will resign and up to five (5) nominees of the Vendors shall be appointed as directors, which will include Kevin Vienneau, Nick Stajduhar, Roy Bonnell, and John Williamson, who shall also be appointed on Closing as the new President and Chief Executive Officer of the Company.

The Company intends to apply to the TSXV for an exemption from the sponsorship requirements under the policies of the TSXV as a domestic issuer with suitable management, the Initial Technical Report, size of the Concurrent Financing, and a comprehensive disclosure document in respect of the Transactions, and will file the required filings in respect thereof.

Under the Letter Agreement, the parties have agreed to issue the Purchase Shares to the Vendors in consideration for the Elmtree Gold Project and geological technical information in connection therewith pursuant to the provisions of Section 85 of the *Income Tax Act* (Canada) and the Company will complete and necessary documentation and file any forms or elections in connection therewith.

The parties also agreed under the Letter Agreement that during the term of the agreement neither the Vendors nor the Company will solicit, facilitate or encourage a shareholder proposal or takeover bid in conflict with the Property Acquisition and the Vendors shall forthwith commence preparation of the Initial Technical Report and the Title Confirmation and pay all expenses required to maintain the Elmtree Gold Project in good standing. The Company agreed during the term to conduct its business in the ordinary course of business and not to issue debt or equity other than under the transactions contemplated herein, not to declare or pay dividends or distribute any of the Company's properties or assets, not to amend the Company's Articles or Bylaws in any way to adversely affect the Property Acquisition, not to enter into any transaction or material contract not in the ordinary course of business. Each party will be responsible for their respective costs and expenses of the Transactions, and the Company will be responsible for all legal fees and disbursements related to preparation of the documents and filing fees, while the Vendors will be responsible for the costs and expenses of preparation of the Initial Technical Report and the Title Confirmation. The parties will hold all information received from each other in the strictest confidence, except such information available to the public or as required to be disclosed by law or as contemplated for the consummation of the Property Acquisition.

The Letter Agreement will terminate, other than with respect to confidentiality and costs and expenses of the Transactions, upon the earliest day on which one of the following events occurs: (i) written agreement of the parties; (ii) the Closing not having occurred by the outside date of Closing of 5:00 p.m. (Vancouver time) on February 28, 2021 or such later date as the parties may agree upon in writing; or (iii) if any applicable regulatory authority has notified the Company in writing that it will not permit the Property Acquisition to proceed.

The parties have agreed to issue a comprehensive disclosure document and related news releases more fully detailing the Transactions and other pertinent information as required pursuant to the policies of the TSXV as soon as practicably possible, which shall likewise be publicly disseminated and filed under the Company's profile on SEDAR.

As a separate matter from the Transaction, the Company has also entered into an agreement (the "**Termination Agreement**") with Leede Jones Gable Inc. ("**Leede**") dated November 12, 2020 for the termination of an agency agreement in consideration for issuance to Leede of 100,000 common share purchase warrants (the "**Termination Warrants**"), each of which will be exercisable at a price of \$0.50 per common share for a period of 24 months from the date of the Termination Agreement. The Termination Warrants and common shares issuable upon exercise thereof will be subject to a 4 month period resale restriction in accordance with the policies of the TSXV and applicable securities laws.

*Completion of the Transactions is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transactions cannot close until the required shareholder approval is obtained. There can be no assurance that the Transactions will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transactions, any information released or received with respect to the Transactions may not be accurate or complete and should not be relied upon. Trading in the securities of the Company should be considered highly speculative.*

*The TSX Venture Exchange Inc. has in no way passed on the merits of the proposed Transactions and has neither approved nor disapproved the contents of this news release.*

Neither the 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 press release.

**Cautionary Statement Regarding Forward-Looking Information**

*This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, without limitation, statements regarding the use of proceeds from the Bridge Financing and Concurrent Financing, the expected timing for completion of the Transactions and components thereof, and the future plans or prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are necessarily based upon a number of assumptions that, while considered reasonable by management, are inherently subject to business, market and economic risks, uncertainties and contingencies that may cause actual results, performance or achievements to be materially different from those expressed or implied by forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information 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 information. Other factors which could materially affect such forward-looking information are described in the risk factors in the Company's most recent annual management's discussion and analysis which is available on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

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