

ORLETTO CAPITAL II INC.

PRESS RELEASE
For immediate release

ORLETTO CAPITAL II INC. AND CHARBONE CORPORATION ANNOUNCE \$6,000,000 CONCURRENT FINANCING TO PROPOSED QUALIFYING TRANSACTION

Québec, Québec, October 22, 2021 - Orletto Capital II Inc. (TSXV: OLT.P) (“**Orletto**”), a capital pool company listed on the TSX Venture Exchange (the “**Exchange**”) and CHARBONE Corporation (“**Charbone**”) are pleased to announce that further to the press release dated August 3, 2021, announcing the proposed reverse take over of Orletto by Charbone, Charbone entered into an engagement letter (the “**Engagement Letter**”) with Desjardins Capital Markets (the “**Agent**”) to act as sole agent and sole bookrunner on a “best efforts” basis of a concurrent private placement of 15,000,000 subscription receipts (the “**Subscription Receipts**”) at a price of \$0.40 per Subscription Receipt for total proceeds of approximately \$6,000,000 (the “**Concurrent Financing**”).

The Concurrent Financing will be completed in anticipation of the proposed three-cornered amalgamation between Orletto, Orletto’s wholly owned subsidiary and Charbone (the “**Resulting Issuer**”), which once completed, will constitute Orletto’s qualifying transaction (the “**Qualifying Transaction**”). The Qualifying Transaction is subject to parties entering into definitive agreements with respect to the Qualifying Transaction on or before December 31, 2021, or such other date to which Charbone and Orletto may mutually agree. Completion of the Qualifying Transaction remains subject to a number of terms and conditions, including, but not limited to, the completion of the Concurrent Financing, reciprocal due diligence and the receipt of all necessary consents, orders and approval from the Exchange and the *Autorité des marchés financiers*. Each Subscription Receipt shall entitle the holder to receive, without payment of additional consideration or further action on the part of the holders of the Subscription Receipts, one Resulting Issuer unit (each, a “**Resulting Issuer Unit**”), each Resulting Issuer Unit consisting of one common share of the Resulting Issuer (each, a “**Resulting Issuer Share**”) and one-half Resulting Issuer share purchase warrant (each, a “**Resulting Issuer Warrant**”). Each Resulting Issuer Warrant shall entitle the holder to purchase one Resulting Issuer Share at a price of \$0.60 per Resulting Issuer Share, exercisable for a period of eighteen (18) months from the date of issuance.

Immediately prior to the completion of the Qualifying Transaction, all the convertible debentures and the Subscription Receipts will have been converted in units of Charbone. The holders of the convertible debentures will receive units of Charbone comprised of one Class A share and one purchase warrant. Each holder of the Subscription Receipts will receive units of Charbone comprised of one Class A share and one half of a purchase warrant. Upon the amalgamation of Orletto, Orletto’s wholly owned subsidiary and Charbone, each Class A share of Charbone will be cancelled and replaced by 0.8342 common shares of the Resulting Issuer. Each common share of Orletto will be cancelled and replaced by 0.9265 common shares of the Resulting Issuer. Each warrant of Charbone and each option of Orletto will be exchanged for replacement warrant and option of the Resulting Issuer with adjustment terms according to the same ratio for the issuance of common shares of the Resulting Issuer to the shareholders of Charbone and Orletto.

Upon completion of the Qualifying Transaction and after giving effect to the Concurrent Financing but before the payment to the Agent of its fees, the shareholders of Orletto will hold approximately 6,300,000 Resulting Issuer Shares for a consideration of \$2,520,000 and 630,000 options, the shareholders of Charbone (without considering the holders of the convertible debentures and the subscribers in the Concurrent Financing) will hold approximately 20,835,350 Resulting Issuer Shares for a consideration of \$8,334,140, the holders of the convertible debentures will hold 7,864,650 Resulting Issuer Shares for a consideration of \$3,145,860 and 7,864,650 share purchase warrants (each share purchase warrant will give the right to its holder to subscribe one common share of the Resulting Issuer at a price of 0,40\$ for a period of 36 months after closing of the Qualifying Transaction) and the holders of the Subscription Receipts will hold 15,000,000 Resulting Issuer Shares for a consideration of \$15,000,000 and 7,500,000 Resulting Issuer Warrants for a total of 50,000,000 Resulting Issuer Shares, 15,364,650 share purchase warrants issued and outstanding and 630,000 options. All the Resulting Issuer Shares will be issued at a deemed price of \$0.40 per Resulting Issuer Share.

Proceeds of the Concurrent Financing will be held in escrow ("**Escrowed Funds**") pending the escrow release conditions contained in the subscription receipt agreement to be entered into between the holder, Charbone and Orletto (the "**Escrow Release Conditions**"), including, but not limited to, the closing of the Qualifying Transaction. Upon satisfaction of the Escrow Release Conditions, the Escrowed funds, less any amounts owing to the Agent, will be released to the Resulting Issuer, and each Subscription Receipt, at the closing of the Qualifying Transaction, shall automatically convert into one Resulting Issuer Unit. Each Resulting Issuer Unit issued pursuant to the conversion of the Subscription Receipts will be exchanged pursuant to the terms of the Qualifying Transaction for one Resulting Issuer Share and one-half Resulting Issuer Warrant. The Escrow Release Conditions must be satisfied on or before the later of: (a) 5:00 p.m. (Montreal time) 120 days after the closing of the Concurrent Financing, and (b) such later date as Orletto, Charbone and the Agent may agree in writing (in each case, the "**Outside Date**"). In the event that the Escrow Release Conditions are not satisfied by the Outside Date, the Escrowed Funds together with accrued interest earned thereon will be returned to the holders of the Subscription Receipts.

Pursuant to the Engagement Letter, the Agent will be paid a cash commission equal to 8% of the gross proceeds of the Concurrent Financing (the "**Agent's Cash Commission**"). On the closing of the Concurrent Financing, Charbone has also agreed to pay to the Agent a corporate finance fee of \$100,000, payable in cash or by the issuance of Resulting Issuer Units at the entire discretion of Charbone. The Agent will also receive broker warrants (the "**Broker Warrants**") exercisable into that number of Resulting Issuer Shares as is equal to 8% of the total number of Subscription Receipts issued pursuant to the Concurrent Financing. Each Broker Warrant will be exercisable at \$0.40 per Resulting Issuer Share for up to 24 months following the Escrow Release Date. Charbone has also agreed to pay for the Agent's reasonable expenses incurred in connection with the Concurrent Financing.

The net proceeds of the Concurrent Financing are expected to be deployed towards the contemplated construction of Resulting Issuer's hydrogen plant in Sorel-Tracy, the purchase of hydrogen equipment, and for working capital and general corporate purposes.

Closing of the Concurrent Financing is expected to take place in the fourth quarter of 2021.

Other Matters

Orletto and Charbone are continuing to negotiate the terms of the definitive agreements with respect to the Qualifying Transaction.

A draft filing statement respecting the Resulting Issuer and the Qualifying Transaction has been prepared and filed for review in accordance with the policies of the Exchange and the applicable securities laws.

Trading in Orletto's common shares has been halted in compliance with the policies of the Exchange, and will remain halted pending the review of the Qualifying Transaction by the Exchange and the Autorité des marchés financiers and satisfaction of the conditions of the Exchange for resumption of trading. It is likely that trading in Orletto's common shares will not resume prior to the closing of the Qualifying Transaction.

Charbone has supplied all information contained in this news release with respect to Charbone and Orletto and its directors and officers have relied on Charbone for any such information.

The securities described in this press release, and the securities into which they may be converted or exchanged, have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, 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 in Regulation S under the U.S. Securities Act of 1933, as amended) absent registration or an exemption from registration. This press release shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction where such offer, solicitation, or sale would be unlawful.

About Charbone

Charbone is a corporation incorporated under the *Canada Business Corporations Act* on April 17, 2019. Charbone is a clean and sustainable hydroelectric manager of power plants with limited operations and activities. Charbone intends to become a producer of green hydrogen in order to provide an environmentally friendly solution for industrial and commercial use.

Charbone, through its wholly owned subsidiary, CHARBONE Corporation USA, made its first acquisition since incorporation on June 29, 2021, Stuwe and Davenport Partnership, LLC (“**Stuwe and Davenport LLC**”), a 0.2 MW hydropower plant located in Vermont for \$470,000 paid in cash. The Vermont hydropower plant has a 20-year operating agreement with Cabot Hosiery Mills Inc. Stuwe and Davenport LLC is located in the municipality of Northfield where it owns a dam built in 1983 on the Dog River. The powerplant was operated by Gravity Renewables, Inc., a Colorado-based company, from 2015 to 2021.

On July 27, 2021, Charbone announced the execution of a 25-year lease, with a 10-year renewal option, on a 390,686.89 sq. ft land in Sorel-Tracy, for an annual rent of \$78,000. Charbone intends to build its first 0.5 MW hydrogen plant by Q4 2021. Furthermore, plans are progressing in order to start production of green hydrogen in Sorel-Tracy by June 2022.

Following the purchase of the Vermont hydropower plant, Charbone plans to pursue the acquisition of 0.2 MW to 25 MW hydropower plants in the USA. Through the acquisition and consolidation of small hydropower plants, Charbone expects to generate recurring revenues during its plan to deploy green hydrogen plants throughout North America.

As the hydrogen market evolves, Charbone plans to use its hydropower plants to supply clean energy to its green hydrogen production plants in order to reduce carbon emissions and control production costs. Energy costs are currently a significant component of the hydrogen prices and the ability to control and lower these costs will, in its opinion, allow Charbone to have a more competitive offering when compared to other methods of production of hydrogen.

About Orletto

Orletto is a capital pool company pursuant to Policy 2.4. Except as specifically contemplated in such policy, until the completion of its Qualifying Transaction, Orletto will not carry on business, other than identification and evaluation of companies, businesses or assets with a view to completing a Qualifying Transaction. Investors are cautioned that trading in the securities of a capital pool company is considered highly speculative.

Cautionary Note

Completion of the Qualifying Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange requirements, majority of the minority shareholder approval. Where applicable, the Qualifying Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Qualifying Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the filing statement to be prepared in connection with the Qualifying Transaction, any information released or received with respect to the Qualifying Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the Qualifying Transaction and has neither approved nor disapproved the contents of this press release.

All information contained in this news release with respect to Orletto and Charbone was supplied by the parties, respectively, for inclusion herein, and Orletto and its respective directors and officers have relied on Charbone for any information concerning Charbone.

Forward-Looking Statements

This news release contains statements that are "forward-looking information" as defined under Canadian securities laws ("**forward-looking statements**"). These forward-looking statements are often identified by words such as "intends", "anticipates", "expects", "believes", "plans", "likely", or similar words. Specifically, this news release includes forward-looking statements regarding the potential Qualifying Transaction, the completion of, and the terms and conditions of, the Private Placement, the negotiation of definitive agreements for the Qualifying Transaction, the closing of the Qualifying Transaction, the acquisition and integration of small hydropower plants, the construction of its first green hydrogen plant and the timing for those events. The forward-looking statements reflect the Orletto and Charbone's respective management's expectations, estimates, or projections concerning future results or events, based on the opinions, assumptions and estimates considered reasonable by management at the date the statements are made. Although Orletto and Charbone believe that the expectations reflected in the forward-looking statements are reasonable, forward-looking statements involve risks and uncertainties, and undue reliance should not be placed on forward-looking statements, as unknown or unpredictable factors could cause actual results to be materially different from those reflected in the forward-looking statements. Among the key factors that could cause actual results to differ materially: whether the parties are successful in negotiating and entering a definitive agreement for the Qualifying Transaction, whether they are able to obtain all necessary regulatory approvals for the Qualifying Transaction and whether they are able to satisfy the listing conditions for the listing of the common shares of the Resulting Issuer on the Exchange; whether they are able to complete any necessary financing; and whether they are able to obtain all shareholder and third party consents necessary to complete the Qualifying Transaction. The forward-looking statements may be affected by risks and uncertainties in the business of Orletto and Charbone.

Except as required under applicable securities legislation, Orletto and Charbone undertake no obligation to publicly update or revise forward-looking information.

Contacts

For further information, please contact:

Benoit Chotard

President, Chief Executive Officer and
Director

Orletto Capital II Inc.

Telephone: 778-996-4676

Email: benoitshotard@shaw.ca

Dave B. Gagnon

Chief Executive Officer and
Chairperson of the Board

Charbone Corporation

Telephone: 450-524-0067

Email: dg@charbone.com

Stéphane Dallaire

Chief Financial Officer and Head
of Corporate Finance

Charbone Corporation

Telephone: 514-234-2544

Email: sd@charbone.com