



## NEWS RELEASE

### **MELIOR TAKES KEY STEP TOWARDS RESTART OF PRODUCTION AND SIGNS \$12.25 MILLION IN DEBT FACILITIES AND 600,000 TONNE ILMENITE OFFTAKE**

Toronto, Ontario, Apr 10, 2018 - Melior Resources Inc. (TSXV: “MLR”) (“Melior” or the “Company”) announced today that it has completed and executed the previously announced US\$5 million loan agreement and 600,000 tonne, six-year ilmenite off-take agreement (together the “O&L Agreements”) with Hainan Wensheng High Tech Materials Co. Ltd (“Hainan Wensheng”), a leading Chinese producer of zircon, ilmenite and rutile products. In conjunction with this, the Company has also executed the previously announced US\$7.25 million restart debt facility (the “Pala Restart Facility”) with Pala Investments Limited (“Pala”).

The O&L Agreements and the Pala Restart Facility, when closed, will enable Melior to restart operations at its Goondicum mine in Queensland, Australia and capitalize on the current strong market fundamentals. Melior will begin reconstruction at Goondicum immediately when it has drawn down the first funding tranche and is targeting commencement of commissioning by November 2018 with production ramping up thereafter.

Mark McCauley, CEO of Melior said, “The signing of these agreements with one of China’s leading ilmenite producers and our major shareholder represents a significant milestone and is a strong demonstration of confidence in Goondicum. These agreements represent the foundation of a robust, successful and long-term relationship that will benefit all parties. The deal is also a testament to the strong fundamentals and future outlook for the titanium feedstock market. We believe that our timing in moving to restart Goondicum production is favourable and will benefit our shareholders, partners and other stakeholders”

Under the terms of the O&L Agreements, Hainan Wensheng will provide US\$5 million in funding and will purchase 600,000 tonnes of ilmenite produced at Melior’s Goondicum mine on the following terms and conditions:

#### **Hainan Wensheng Loan Agreement:**

- *Loan Amount:* US\$5.0 million to be drawn in two installments as follows:
  - US\$2.5 million to be drawn within 5 days; and
  - US\$2.5 million to be drawn once 5,000 tonnes of ilmenite has been produced at the Goondicum mine and Chinese State Authority for Foreign Exchange approval has been received.
- *Principal Repayment:* The repayment of the US\$5 million principal amount shall be linked to the tonnage delivered under the offtake agreement on the following basis:
  - Principal loan repayments will be linked to tonnes delivered under the offtake agreement and commence at the earlier of i) 12 months from the start of production; or ii) after the delivery of the first 60,000 tonnes of ilmenite to Hainan Wensheng.
  - Following the initial 60,000 tonnes shipped in Year 1 with no principal repayment, the principal repayment rate will commence for the subsequent 540,000 tonnes sold to Hainan Wensheng, at US\$9.26/t i.e. (540,000t x US\$9.26 = US\$5 million).
  - If there is shortfall in principal repayments in any one year through failure to deliver the contracted quantity, Hainan Wensheng has the right to demand a cash repayment of this principal up to a maximum of US\$1 million per year.

- If there is any residual principal outstanding at the end of the six-year term of the loan, Hainan Wensheng has the right to demand full repayment of all outstanding principal amounts at that time.
  - The principal repayment rate will be suspended if, at any stage, any senior debt repayment is not met. Hainan Wensheng's principal repayments will restart once any senior debt repayment is back on schedule.
- *Arrangement Fee:* 5% (to be paid to TZ Minerals International for arranging the transaction).
  - *Interest Rate:* 0%.
  - *Security:* Fixed and floating charge over all assets of Melior and its subsidiaries, fully subordinated to security held by Pala under its current loan to Melior and the Pala Restart Facility.

**Hainan Wensheng Off-Take Agreement:**

- *Offtake Tonnes:* Hainan Wensheng will be entitled to purchase 600,000 tonnes of ilmenite produced at Melior's Goondicum mine located in Queensland Australia over the first six years of production on the following basis:
  - 60,000 tonnes in year 1;
  - 120,000 tonnes per annum for years 2 to 5;
  - 60,000 tonnes in year 6; and
  - Melior may sell more than the allotted tonnage to Hainan Wensheng at its sole discretion.
- *Sales Price:* The price paid by Hainan Wensheng to Melior for Goondicum AA ilmenite will be based on an agreed reference price calculated at a premium to the current traded market price of ilmenite imported into China and reflect the superior quality of Goondicum AA ilmenite. Hainan Wensheng will receive a subsequent discount of between 5% and 12.5%, depending on the reference price, which will be suspended and accrued if the reference price falls below a fixed threshold. There will be a formal review of the overall pricing mechanism every two years conducted by the parties in good faith.
- The principal repayments referred to in the loan agreement details above will be paid in addition to the discount.
- *Additional Term:* On expiry of the term of the agreement, an additional five-year term may be negotiated in good faith on a mutually acceptable basis.

The proceeds under the executed O&L Agreements will be used by Melior primarily for purposes of re-starting operations at its Goondicum mine and working capital. The Hainan Wensheng Off-take agreement is subject to the final approval of the TSX Venture Exchange (the "Exchange").

**Pala Restart Facility:**

Under the terms of the Pala Restart Facility announced on October 26<sup>th</sup> 2017 and February 1<sup>st</sup> 2018, Pala will provide US\$7.25 million in funding to Melior on the following terms and conditions:

- *Loan Amount:* US\$7.25 million to be drawn in two installments of:
  - US\$5.25 million (net funds to Melior of approximately US\$4.75 million)
  - US\$2.0 million (net funds to Melior of US\$2.0 million)
- *Arrangement Fee:* 2% to be paid to Pala.
- *Issuer Discount:* 7.5% of the proceeds under the first installment and 7.0% of the proceeds under the second installment.

- *Interest Rate:* 15%, PIK.
- *Term:* 24 months with a bullet repayment.
- *Warrants:* Up to 32.5 million warrants, with a term of 2 years, each warrant exercisable for one common share of Melior (a “Common Share”) with a strike price equal to \$0.095 and which cannot be traded until four months and a day after their date of issue.
- *Security:* Fully first ranking security over all assets of Melior and its subsidiaries.
- *Other Terms and Conditions:* Consolidation of the Common Shares at a minimum ratio of 5:1 to be undertaken prior to June 2018.

The proceeds under the executed Pala Restart Facility will be used by Melior primarily for purposes of re-starting operations at its Goondicum mine and working capital.

The funding of the Pala Restart Facility is subject to customary conditions precedent for a facility of this nature but includes receipt by Melior of the first US\$2.5 million payment from Hainan Wensheng. The Pala Restart Facility is subject to the final approval of the Exchange.

### **About Melior**

Prior to entering into the Pala Restart Facility, Pala beneficially held a total of 133,019,866 Common Shares, representing 45.80% of the issued and outstanding Common Shares. Following the exercise of the 32,500,000 warrants issuable under the Pala Restart Facility, Pala would hold 165,519,866 Common Shares, representing a securityholding percentage of 51.21%, an increase of 5.45%.

Melior is the owner and operator of the Goondicum mine, a past-producing ilmenite and apatite mine strategically located in Queensland Australia. Further details on Melior and the Goondicum mine can be found at [www.meliorresources.com](http://www.meliorresources.com) and regulatory filings are available on SEDAR.

Melior is incorporated under the provisions of the Business Corporations Act (*British Columbia*) and has a registered office in Toronto, Ontario. Melior is classified as a Tier 1 Mining Issuer under the policies of the TSX-V.

### **Forward Looking Statements Disclaimer**

*Statements made in this news release may be forward-looking and therefore subject to various risks and uncertainties. Such statements can typically be identified by terminology such as “may”, “will”, “could”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “possible”, “continue”, “objective” or other similar expressions concerning matters that are not historical facts. Certain material factors or assumptions are applied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements. Melior does not undertake to update any forward-looking statements; such statements speak only as at the date made.*

### **Going Concern Risk**

*As described in Melior’s most recent MD&A, the continuing operations of the Company are dependent upon its ability to continue to raise adequate financing, to commence profitable operations in the future, and repay its liabilities arising from normal business operations as they become due. There remains a significant risk that the Company is unable to find alternative sources of financing for on-going working capital requirements. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.*

*Failure to obtain sufficient financing could result in a delay or abandonment of the Goondicum mine and could force the Company into reorganization, bankruptcy or insolvency proceedings. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. Failure to raise capital when needed would have a material adverse effect on the Company’s ability to pursue its business strategy, and accordingly could negatively impact the Company’s business, financial condition and results of operations.*

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