

Melior Announces Merger With ASX Listed Metallica Minerals Limited

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TORONTO, Sept. 12, 2018 - [Melior Resources Inc.](#) (TSXV: “MLR”) (“Melior” or the “Company”) is pleased to announce that it entered into a binding arrangement agreement (the “Arrangement”) with Australian Stock Exchange (“ASX”) listed [Metallica Minerals Ltd.](#) (ASX:“MLM”) (“Metallica”) on September 12, 2018 which sets out the terms and conditions of a merger (the “Merger”) of the two companies.

The Merger will be by way of a court approved plan of arrangement (the “Arrangement”) in which Metallica will acquire all of the issued and outstanding common shares of Melior in exchange for Metallica ordinary shares at an agreed exchange ratio of twenty (20) Metallica shares for every one (1) Melior share (the “Exchange Ratio”). On completion of the Merger, Melior shareholders will hold 64% of Metallica’s issued capital and Melior will become a wholly owned subsidiary of Metallica. Metallica will remain listed on the ASX and Melior will be de-listed from the TSX Venture Exchange (“TSXV”) and cease to be a reporting issuer in Canada.

Based on Melior’s closing share price on September 11, 2018, the Exchange Ratio represents consideration of A\$0.0449 per Metallica share which is a premium of 45% to Metallica’s closing price on September 11, 2018. Based on the respective 3 month volume weighted average prices of Metallica and Melior, as at September 11, 2018, the consideration represents a premium of 23%.

Upon completion of the Arrangement, all outstanding Melior options and warrants will be exchanged for an equivalent number of Metallica replacement options and warrants exercisable for Metallica shares.

Mark McCauley, Melior’s Chief Executive Officer, stated: “This is a great opportunity for Melior to keep moving forward and positioning itself for genuine shareholder wealth creation. The merger with Metallica is an attractive and low risk proposition providing a stronger platform for growth via an enhanced pipeline of development assets, a strengthened balance sheet and an ASX listing. Goondicum is on schedule to commence production in November and start generating cash by Q2 2019 and there are good prospects for realizing value shortly thereafter from the Metallica asset portfolio. The value-focused culture and combined technical and commercial skills of the two companies will also greatly enhance the merged group’s capabilities.”

Metallica’s Chairman, Mr. Peter Turnbull said: “This is a transformational deal for both companies. Melior’s Goondicum Ilmenite project shares similar attributes to Urquhart Bauxite in that it is fully funded and will be brought into production relatively quickly for a modest capital outlay and will provide a valuable source of near-term cash flow. We look forward to combining the respective skills of the two companies to successfully develop those projects and pursue further growth opportunities to build a significant, profitable, mining house generating excellent returns for shareholders.”

Post-Merger, the Metallica board of directors will consist of three directors from Metallica (Simon Slesarewich, Peter Turnbull and Ian Jacobson) and three directors from Melior (Mark McCauley, Martyn Buttenshaw and George Lloyd). George Lloyd will assume the independent, non-executive Chairman’s role. Simon Slesarewich will retain the Managing Director’s role and Mark McCauley (current Melior Chief Executive Officer) will assume an executive director role.

On completion of the Merger, the merged entities will have approximately \$6.6 million of cash and liquid securities, a project coming into production with near term cashflow and a pipeline of longer term development and exploration assets, all located in Queensland, Australia. These assets are briefly described below:

- Goondicum Ilmenite & Phosphate rock mine (100%): Goondicum is fully funded and is scheduled to restart production in November 2018. Goondicum currently has a scheduled nine year mine life producing an average of 160ktpa of ilmenite and 38ktpa of apatite. The recently completed preliminary economic assessment (“PEA”) shows a before tax project NPV₈ of US\$56 million. Goondicum has previously had over \$120 million of capital spent on it and is expected to produce above benchmark quality ilmenite and apatite products.
- Cape York Heavy Mineral Sands & Bauxite Project JV (50%): This asset consists of the Urquhart Point heavy mineral sands (HMS) project and the adjacent Urquhart Point Bauxite (UPBx) project. Both projects are located just south of Weipa on the western side of Cape York Peninsular in North Queensland. The HMS project is small scale; however, it has a granted mining license and an unused 120 tph mobile HMS processing plant, with replacement value of \$4 million¹, associated with it. UPBx also has a granted mining license and all environmental approvals in place necessary to commence mining; however, work is continuing on the most efficient means of shiploading. Additional work will be undertaken in the short term to assess the optimal means of creating value from this project and take advantage of the growing Chinese demand for Australian bauxite.
- Cape Flattery Silica Sands Project (100%): This project consists of an exploration permit and is adjacent to Mitsubishi’s Cape Flattery Mine, the world’s largest source of high purity silica sand. A maiden sampling program which was completed by Metallica in April 2018 confirmed the presence of high purity silica sand. This is an early stage exploration project and further work is required to present a JORC resource and assess its economic merits.
- Esmeralda Graphite Project (100%): This project is located in North Queensland and is an igneous or hydrothermal style graphite deposit with two drill holes intersecting broad graphite mineralization up to 95m thick at a depth of just over 70m. This is an early stage exploration project and further work is required to present a JORC resource and assess its economic merits.

Metallica also has a A\$5 million receivable as part of the recent sale of Metallica’s Sconi Co-Ni project to [Australian Mines Ltd.](#), to be paid on commencement of production at that project, as well as significant tax losses.

Transaction Overview

The Merger is subject to both Australian and Canadian regulatory approvals. In Canada, the plan of arrangement is a statutory process under Division 5 of Part 9 of the *Business Corporations Act* (British Columbia). The implementation of the Merger will be subject to the approval of the TSXV, the approval of the Supreme Court of British Columbia and shareholder approval as described further below. Pursuant to the terms of the Arrangement Agreement, the Merger is also subject to the satisfaction of certain closing conditions customary for transactions of this nature.

In Australia, the implementation of the Merger will be subject to the approval of the ASX and Metallica shareholders.

Melior convened a special committee (the “Melior Special Committee”) of independent directors to review and assess the proposed transaction. The Melior Special Committee subsequently engaged KPMG LLP (“KPMG”) as an independent financial advisor to provide a fairness opinion on the Merger. KPMG provided an opinion to the Melior Special Committee to the effect that, as of the date of the opinion and based upon and subject to the assumptions, limitations, restrictions and qualifications therein, the consideration to be received by Melior shareholders is fair, from a financial point of view, to the Melior shareholders. The full text of the fairness opinion will be contained in Melior’s information circular to be provided to Melior shareholders in connection with the Melior Meeting (as defined below).

Based on, among other things, the unanimous recommendation of the Melior Special Committee, and after consultation with its legal and financial advisors, the Board of Directors of the Company has: (i) determined that the Arrangement is fair to Melior shareholders and is in the best interests of Melior; and (ii) recommended that Melior shareholders vote in favour of the Arrangement.

Completion of the Arrangement is subject to, among other things, customary conditions, including approval

of a special resolution with respect to the Arrangement by (i) at least 66⅔% of the votes cast by shareholders of the Company present in person or represented by proxy at the Melior Meeting, and (ii) if required, a simple majority of the votes cast by shareholders present in person or represented by proxy at the Melior Meeting (excluding shareholders whose votes are required to be excluded pursuant to Multilateral Instrument 61-101), and the receipt of approval of the Supreme Court of British Columbia with respect to the plan of arrangement. Melior intends to call a special meeting of its shareholders to be held in November 2018 (the "Melior Meeting") to seek approval for the Arrangement.

Certain shareholders of Melior, who in aggregate hold approximately 79% of the issued shares of the Company (calculated on a non-diluted basis), have entered into support agreements pursuant to which they have agreed to vote their shares in favour of the Merger. Similarly, certain shareholders of Metallica, who in aggregate hold approximately 9% of the issued shares of Metallica (calculated on a non-diluted basis), have entered into support agreements pursuant to which they have agreed to vote their shares in favour of the resolutions to be put to the meeting of Metallica shareholders.

In specific circumstances, if the Arrangement Agreement is terminated by either party, a break fee of up to A\$300,000 will be payable by the applicable party set out in the Arrangement Agreement.

The proposed Arrangement and related transactions will be more fully described in a management information circular (the "Melior Circular") and related proxy materials of Melior that will be distributed to Melior shareholders and filed on SEDAR in advance of the Melior Meeting in accordance with applicable corporate and securities laws. Mailing of the Melior Circular is expected to occur in late October 2018.

In accordance with the Arrangement Agreement, the closing of the transaction must occur by no later than December 31, 2018. A full copy of the Arrangement Agreement will be filed in accordance with applicable securities laws and will be found on the Melior profile on SEDAR at www.sedar.com.

A copy of the press release of Metallica announcing the Merger issued concurrently herewith, as well as copies of Metallica's other publicly filed documents, can be accessed at <https://www.asx.com.au/asx/share-price-research/company/MLM> or Metallica's website at <http://www.metallicaminerals.com.au/asx-releases/>.

Financial and Legal Advisors

Melior's financial advisor is Argonaut Capital Limited in Australia and its legal advisers are Wildeboer Dellelce LLP in Canada and McCullough Robertson in Australia. The Special Committee of Melior was advised by DuMoulin Black LLP and KPMG LLP (Canada).

Immediately prior to the completion of the Arrangement and subject to the approval of the TSXV, Melior will make a payment of A\$250,000 and issue options to acquire 1,000,000 Melior shares at an exercise price of A\$1.25 per share on a pre-Arrangement basis to Argonaut Capital Limited.

Metallica's legal advisers are Bennett Jones LLP in Canada and Hopgood Ganim in Australia.

Update on Proposed Continuance to Australia

The proposed continuance of Melior from British Columbia to Australia as approved by shareholders of Melior on August 29, 2018, will be postponed until the earlier of the completion of the Arrangement and the termination of the Arrangement Agreement.

About Melior

Melior is the owner and operator of the Goondicum ilmenite and apatite mine located in Queensland Australia. Further details on Melior and the Goondicum mine can be found at 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.

The expectations outlined in this press release regarding the Goondicum mine represent the information contained in the PEA prepared independently by TZ Minerals International Pty Ltd. for the purposes of National Instrument 43-101 ("NI 43-101") and relies in part on inferred resources. As a result, the PEA is subject to increased uncertainty and technical and economic risks of mine failure and there can be no assurance that the report's expectations will be achieved.

The PEA is preliminary in nature and includes Inferred Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty the PEA will be realized. Shareholders are strongly encouraged to refer to the complete updated technical report prepared in accordance with NI 43-101 in respect of the Goondicum mine, which includes the results of the PEA described in this news release, which has been filed on SEDAR at www.sedar.com under the Company's profile.

Qualified Persons Statement

Melior

The Qualified Persons who reviewed Melior's technical information are: Steven Gilman, BAppSc (Extractive Metallurgy), FAusIMM (CP) (105881), SME (1158500), employed by TZMI as Principal Consultant; Simon Tear, BSc Hons (Mining Geology), P.Geo (Institute of Geologists of Ireland 17), EurGeol (26), employed by H&S Consultants Pty Ltd as a director and Consultant Geologist; and Graham Lee as an Associate to H&S Consultants Pty Ltd, BSc(Hons) FAusIMM (101602) and registered as a Chartered Professional Geologist (CP(Geo)) with the Australasian Institute of Mining and Metallurgy.

Metallica

The Qualified Persons who reviewed Metallica's technical information are: Mr. Stewart Lewis, Mining Engineer, who is a Member and Chartered Professional of the Australasian Institute of Mining and Metallurgy and the Chief Executive Officer of IMC Mining Pty Ltd completed the Mineral Reserve estimate and Production Target estimates. Mr. Lewis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The Mineral Resource estimate was undertaken by Mr. John Horton, Principal Geologist, who is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and an associate at IMC Mining Pty Ltd. Mr. Horton has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

The information in this announcement that relates to Exploration Results and Exploration Targets is based on information compiled by John Cameron (a geologist of over 25 years' experience), and a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and is a contract consultant to Metallica. Mr. Cameron has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Forward Looking Statements Disclaimer

This press release contains forward-looking information within the meaning of applicable securities laws that reflects the current expectations of management of Melior regarding the Arrangement and its consummation, including whether conditions to the consummation of the Arrangement will be satisfied, and the timing for completing the Arrangement. The words "may", "would", "could", "should", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate", "aim", "endeavor", "project", "continue", "predict", "potential", or the negative of these terms or other similar expressions have been used to identify these forward-looking statements.

Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond management's control, and that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

The following factors could cause actual results to differ materially from those discussed in the forward-looking information: failure to satisfy the conditions to completion of the Arrangement, including approval by Melior and Metallica's shareholders and regulatory and court approval and the occurrence of any event, change or other circumstance that could give rise to the termination of the Arrangement Agreement.

Additional risks and uncertainties regarding Melior are described in its publicly available disclosure documents, as filed by Melior on SEDAR (www.sedar.com) except as updated herein.

This forward-looking information represents management's views as of the date of this press release. While subsequent events and developments may cause such views to change, Melior does not intend to update this forward-looking information, except as required by applicable securities laws.

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¹ As per Metallica's published construction cost.

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