

Form 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

State if the report is filed to amend information disclosed in an earlier report. Indicate the date of the report that is being amended.

Not applicable.

Item 1 – Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to common shares (“**Melior Shares**”) of Melior Resources Inc. (“**Melior**”).

Melior’s address is:

120 Adelaide Street West
Suite 2500
Toronto, Ontario
Canada M5H 1T1

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

2.1 State the name and address of the acquiror.

Pala Investments Limited (“**Pala**”)
12 Castle Street, St. Helier
Jersey JE2 3RT
UK

Pala is a company existing under the laws of Jersey. Pala’s principal business is investing in companies in the mining sector.

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On July 7, 2017, Pala entered into definitive documentation with Melior regarding the amendment of its existing loan facility to Melior into a convertible loan facility (the “**Convertible Loan Facility**”) and the advance of a further US\$1,240,000 (the “**Advance**”) under the Convertible Loan Facility. Melior will use the Advance to fund a technical work programme for the Goondicum ilmenite project in Queensland, Australia and to satisfy

certain outstanding payables of Melior. Following the funding of Advance and the addition of US\$209,796.50 in accrued and unpaid interest to the outstanding principal amount under the prior loan facility, the principal amount outstanding under the Convertible Loan Facility is US\$4,750,929.95.

Under its terms, the Convertible Loan Facility will mature and be payable on October 31, 2022, unless repayment is required prior to such date. Pala may demand repayment in full within five Business Days at any time after June 23, 2019. Melior shall not be permitted to prepay the Convertible Loan Facility prior to June 30, 2019.

The interest rate under the Convertible Loan Facility is 10% per annum. Pala may elect prior to any fixed date for the payment of interest to require that such interest payable be paid by way of Melior Shares, issued at the market price of the Melior Shares, less the maximum allowable discount under the rules of the TSX Venture Exchange. Such election will be subject to the approval of the TSX Venture Exchange.

Melior has also covenanted under the Convertible Loan Facility to complete a consolidation of the Melior Shares (the “**Required Share Consolidation**”) at a ratio to be determined by Melior, so long as the consolidation results in a Conversion Price (as defined below) greater than C\$0.10, as adjusted in accordance with the terms of the Convertible Loan Facility.

Pala may elect to convert the outstanding principal amount under the Convertible Loan Facility) into Melior Shares at the Conversion Price (as defined below) at any time and from time to time up to the fifth (5th) Business Day after the earlier of (A) July 7, 2022 or (B) the repayment, in full, of the principal balance of the Convertible Loan Facility, and any accrued and unpaid interest. The conversion price (“**Conversion Price**”) will be (i) for the period from July 6, 2017 to July 6, 2018, C\$0.052 (the “**initial conversion price**”), and (ii) following July 6, 2018, the greater of (x) C\$0.10, and (y) the initial conversion price as adjusted for the Required Share Consolidation.

The Convertible Loan Facility and the amendments thereunder received the approval of the TSX Venture Exchange on July 11, 2017. The Advance was funded on July 12, 2017 upon satisfaction of the conditions in the Convertible Loan Facility.

2.3 State the names of any joint actors.

Mr. Vladimir Iorich is the indirect beneficial owner of Pala.

Item 3 – Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.

Based on US\$4,750,929.95 principal outstanding after the Advance and assuming (i) an exchange rate of C\$1.2887 for each US\$1.00 (the Bank of Canada rate for July 7, 2017) and (ii) a Conversion Price equal to the initial conversion price, the Convertible Loan

Facility would be convertible into a total of 117,740,835 Melior Shares, representing an increase in Pala's securityholding percentage of 19.09% (based on 271,468,945 Melior Shares outstanding prior to the conversion).

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.

Pala acquired ownership and control of the Convertible Loan Facility.

3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Prior to the entering into of the Convertible Loan Facility, Pala held a total of 131,194,865 Melior Shares, representing approximately 48.33% of the issued and outstanding Melior Shares. Subject to the assumptions set forth in item 3.1 above, following the conversion of the Convertible Loan Facility, Pala would hold 248,935,700 Melior Shares, representing a securityholding percentage of 67.42%.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

Pala has ownership and control over all the securities referred to in Item 3.4 above.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

See Item 2.2 above.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

See Item 2.2 above.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

Not applicable.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

Pala acquired these securities for investment purposes and may increase or decrease its investment in the securities of Melior depending on its evaluation of the business, prospects and financial condition of Melior, the market for Melior's securities, general economic conditions and other factors.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure

of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

I, as the acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

July 13, 2017

Date

/s/ John Nagulendran

Signature

Director

Name/Title