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Meridian Mining announces standstill with lenders as part of agreement in principle on the total conversion of outstanding loans

March 31, 2020 /CNW/ - Meridian Mining SE (TSXV: MNO) ("Meridian" or the "Company") announced today that it has made significant progress in refinancing discussions and has reached an agreement in principle with the holders of each of the Company's term loans on the framework of a comprehensive consolidated restructuring plan that will substantially deleverage the Company from its current debt levels. In connection with this restructuring, the Company also plans to complete a new capital raising in the second quarter of 2020. The current framework contemplates a conversion of all of the Company's loans into equity (at a significant premium to market), royalty interests and no interest limited recourse debt (where necessary for tax considerations) and, if implemented, will provide the Company with ample runway to execute on and complete its transformation plan into a successful mining company with a diversified portfolio of exploration properties to complement its manganese production. The terms of the debt restructuring remain subject to final documentation.

Meridian and its subsidiary have entered into binding standstill agreements with the Company's debt holders: Sentient Global Resource Fund IV L.P. ("SGRFIV"), Sentient Executive GP IV Limited ("SEGPIV"), collectively with SGRFIV ("Sentient"), as well as The Sentient Group ("TSG"), whereas during the standstill period, all principal and interest accruals from the Sentient and TSG loans will be suspended until the earlier of i) July 30, 2020, or ii) the execution of final documentation on the conversion of the Company's loans and the Company completing a capital raising of at least CAD 2.5M\$.

Sentient Loans Conversions

As part of their standstill agreement, Meridian and Sentient will work together to finalise documentation on the conversion of Sentient's loan to Meridian's wholly-owned subsidiary, Cancana Resources Corp., (US\$3,173,472 including accrued interest as of March 31, 2020), whereby, subject to certain conditions precedent, the entirety of the loan will be converted to a 2% net smelter returns royalty granted by Cancana over its indirectly held segregated Brazilian mining portfolio.

The remainder of Sentient's loans, held by Meridian, in the total amount of US\$20,884,111 as of March 31, 2020 (US\$17,250,000 in principal and US\$3,634,111 in accrued interest), will be converted as follows:

- USD 10.5M would be converted to common shares at a conversion price of CAD 2.50 per share.
- The remaining loan balance in the amount of USD 10.38M would be converted to a Limited Recourse Loan ("LRL") for a duration of 2 years @ 0% interest with a fixed conversion price of CAD 2.50. The LRL will be secured against certain inter-company loans between Meridian and its Brazilian subsidiary Meridian Minercao Jaburi S.A. ("MMJ"). Meridian subject to the

fulfillment of certain conditions precedent would have a call option over the LRL to convert it into common shares of the Company.

The conversion of Sentient's loans is conditional upon the execution of final documentation on the conversion of Sentient's loans and the Company completing a capital raising of at least CAD 2.5M\$, on or before July 30, 2020.

Meridian – Sentient (SGRFIV) Draft Claw Back Provision

It is anticipated that the debt conversion agreement with Sentient (SGRFIV) will contain a claw back provision that will provide that if the shareholders of Meridian were to accept within 24 months from the date of execution of a debt conversion agreement, subject to the fulfillment of certain conditions precedent, an unconditional cash offer from a third party purchaser for all of the common shares of the Company for an aggregate amount of at least USD 50.0M (a "Qualifying Sale"); and if at the time of such an offer Sentient (SGRFIV):

- I. has not sold or otherwise disposed of any shares in the time period since; and
- II. is the registered holder of less than 9.9% (on a fully diluted basis) of the total number of common shares then in issue, the delta (expressed as a percentage) between 9.9% and the actual percentage of common shares held by Sentient (SGRFIV) at the relevant time being the "Claw Back Percentage",

then Sentient (SGRFIV) shall be entitled to an amount equal to the Claw Back Percentage applied to the total consideration to be paid by the purchaser in the Qualifying Sale up to a maximum amount equal to but not exceeding to the Canadian dollar equivalent³ to USD 17.5M (the "Claw Back Allowance").

If Sentient (SGRFIV) is entitled to the Claw Back Allowance, then immediately prior to closing of the Qualifying Sale, Meridian shall issue and allot to Sentient (SGRFIV) a number of shares of an aggregate value (with reference to the increased percentage Sentient (SGRFIV) will receive as a result of owning such common shares from the total consideration to be paid by the purchaser in the Qualifying Sale) equal to the Claw Back Allowance.

The Sentient Group (TSG) Loan Conversion

The Company and TSG are party to a facility agreement dated 29 September 2017, as amended up to the date of this release for a maximum principal amount of USD 1.0M.

On the finalisation of terms and the fulfilling of certain condition's precedent, the Canadian Dollar equivalent⁴ of the principal USD 1.0M and interest from TSG will be converted to common shares at a conversion price equal to the offer price for the Company's planned future capital raising.

The conversion of TSG's loan is conditional upon the execution of final documentation on the conversion of the TSG's loans and the Company completing a capital raising of at least CAD 2.5M\$, on or before July 30, 2020.

^{1,2,3,4} The Exchange Rate to be used for the conversion of the Sentient loans and the TSG loans (principal plus interest) from USD to CAD will be calculated using the monthly mean average USD to CAD exchange rate as published by The Reserve Bank of Canada at or around 16:30 (Eastern Time Zone) on March 31, 2020 the “Conversion Date”.

Mr Clark, Interim CEO & President, states, “the Company greatly appreciates that all of its debt holders: Sentient Global Resources Fund IV, L.P, Sentient Executive GP IV, Limited and The Sentient Group, have after many weeks of discussion agreed to this standstill and all the commercial terms of the debt conversion agreements, which are binding on all parties. All parties have agreed to finalize and execute their individual debt conversion agreements as soon as possible. Once this is completed the Company can focus on attracting new investors who, like the debt holders, Meridian’s Board and employees, see the exciting potential for growth in the Company’s equity value that it’s Brazilian resource portfolio presents.”

Gilbert Clark

Interim CEO, President and Director

ABOUT MERIDIAN

Meridian Mining SE is focused on the acquisition, exploration, development and mining activities in Brazil. The Company is currently focused on exploring and developing the Espigao polymetallic project, the Mirante da Serra manganese project and the Ariquemes tin exploration portfolio in the state of Rondônia, Brazil.

Further information can be found at www.meridianmining.co.

FORWARD-LOOKING STATEMENTS

Some statements in this presentation contain forward-looking information or forward-looking statements for the purposes of applicable securities laws. These statements include, among others, statements with respect to the Company's plans for exploration, development and exploitation of its properties and potential mineralisation. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such risk factors include, among others, failure to obtain regulatory approvals, failure to complete anticipated transactions, the timing and success of future exploration and development activities, exploration and development risks, title matters, inability to obtain any required third party consents, operating risks and hazards, metal prices, political and economic factors, competitive factors, general economic conditions, relationships with strategic partners, governmental regulation and supervision, seasonality, technological change, industry practices and one-time events. In making the forward-looking statements, the Company has applied several material assumptions including, but not limited to, the assumptions that: (1) the proposed exploration, development and exploitation of mineral projects will proceed as planned; (2) market fundamentals will result in sustained metals and minerals prices and (3) any additional financing needed will be available on

reasonable terms. The Company expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise except as otherwise required by applicable securities legislation.

The Company cautions that it has not completed any feasibility studies on any of its mineral properties, and no mineral reserve estimate or mineral resource estimate has been established. In particular, because the Company's production decision relating to Meridian Mineracao Jaburi S.A, manganese project is not based upon a feasibility study of mineral reserves, the economic and technical viability of the Espigão manganese project has not been established

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