

ASX ANNOUNCEMENT

03 September 2014



Keysbrook Project Funding Restructured

- ***Keysbrook Project funding arrangements restructured to better reflect project requirements***
- ***Approximately US\$51.5 million in debt facilities from RMB plus foreign exchange hedge facilities***
- ***RCF to provide US\$58 million Funding Package***
- ***Keysbrook project development continues to be fully funded***

MZI Resources Ltd (ASX: MZI) is pleased to announce that revised funding offers have been received from each of the relevant project financiers to the Company's Keysbrook Project. The revised funding package will result in an increase in the size of the Bridge Finance Facility and a decrease in the size of the Senior Debt Facility with an overall increase in committed funding structured to better reflect the Keysbrook Project's requirements.

Commenting on the revised funding package, MZI Resource's Chief Executive Officer Trevor Matthews said: "The restructured funding package will provide sufficient funding for the entire forecast cash required to complete the construction, commissioning and ramp up of the Keysbrook Project through to full production. Importantly, the underlying development costs of the Keysbrook Project have not changed, and the project's economics remain robust. In addition MZI will have sufficient funding to meet its corporate costs through the construction phase."

The Senior Debt Facility provided as part of the Project Debt Facilities by RMB Australia Holdings Limited (RMB) and arranged by RMB Resources Limited (RMB Resources), will be reduced from US\$50.0 million to US\$37.5 million. The Bank Guarantee Facility has been reduced from A\$12.124 million to A\$11.5 million to align with expected project requirements. In addition, RMB will provide foreign exchange hedging facilities to protect the project from adverse movements in the USD:AUD exchange rate.

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The Working Capital Facility and its key terms are unchanged from those announced on 10 April 2014. Details of the revised RMB Project Debt Facilities and key terms are included in this announcement.

Resource Capital Fund VI L.P. (RCF) has offered to increase its Bridge Finance Facility, provided under the previously announced US\$42.5 million Keysbrook Funding Package by a further net total of US\$11.5 million and provide a contingent US\$4.0 million Bridge Finance Facility to be drawn in the event there are construction cost overruns during the construction phase (see ASX releases dated 2 October 2013 and 26 August 2014).

RCF will now provide a total of US\$58 million under the Keysbrook Funding Package, the key terms of which are detailed below.

Overall, the revised funding package represents an increase in committed funding from \$106.5 million to \$109.5 million, with the difference being due largely to the inclusion of the contingent cost overrun facility to be provided by RCF.

The MZI Board has resolved to accept the revised funding offers from RMB and RCF and proceed with the completion of the documentation of the Project finance facilities.

Details of the RMB Project Debt Facilities:

The RMB Project Debt Facilities comprise a US\$37.5 million Senior Debt Facility, a US\$3.0 million Working Capital Debt Facility, an A\$11.5 million Bank Guarantee Facility and foreign exchange hedging facilities.

The **Senior Debt Facility** has the following key terms:

- US\$37.5 million construction and amortising term loan, with final repayment on 30 June 2019; and
- Interest at a margin of 4.75% per annum above the US\$ LIBOR rate pre-project completion and a margin of 4.25% post-project completion.

The **Working Capital Debt Facility** has the following key terms:

- US\$3.0 million facility, to be available from commencement of mining of ore and production of HMC from the wet plant at Keysbrook; and
- Interest at a margin of 4.00% per annum above the US\$ LIBOR rate.

The **Bank Guarantee Facility** has the following key terms:

- Guarantee amount of up to A\$11.5 million to provide bank guarantees securing the Keysbrook Project's obligations under Western Australian Environmental Protection Agency approvals, landowner agreements and power connection agreement; and
- Facility to be available for the term of the Senior Debt Facility.

Details of the RCF Funding Package:

Royalty

- US\$3.5 million payable by RCF in consideration for a 2% gross revenue royalty from all minerals produced from the Keysbrook Project and the surrounding area; and
- The royalty consideration will flow contemporaneously with the Convertible Loan Facility funding.

Convertible Loan Facility

- US\$21 million Convertible Loan Facility provided by RCF to be used to fund development costs associated with the Keysbrook Project;
- The conversion price for the Convertible Loan Facility will be the higher of:
 - a) 120% of the lower of:
 - i. A\$0.01373;
 - ii. The 30 trading day VWAP as at the Acceptance Date; and
 - iii. the 30 trading day VWAP as at the date of drawdown of the Convertible Loan Facility; and
 - b) A\$0.01 (or where the Company has issued or agreed to issue Shares at a lower subscription price (other than under an employee incentive scheme), that lower price);
- Maturity date to be 54 months from the date of drawdown. MZI cannot pre-pay this facility;
- Interest is payable at 10% per annum and MZI can elect to pay this interest using MZI shares;
- Fees associated with the Convertible Loan Facility include:
 - a) an Acceptance Fee, comprising 44,000,000 options with an expiry of 27 June 2017 and with an exercise price of A\$0.01648 (being 120% of A\$0.01373). These options were issued on 2 July 2014; and
 - b) an Establishment Fee, equal to 3% of the loan amount, satisfied by the issue of 48,834,159 MZI shares at an issue price of A\$0.01373; and
- In the event that MZI does not proceed to drawdown on the Convertible Loan Facility when it is available for drawdown, RCF Management LLC will be entitled to a break fee equal to 3% of the loan amount. The break fee is also payable where MZI does not proceed to drawdown on the Convertible Loan Facility in circumstances where MZI has not acted in good faith in seeking to satisfy the conditions to drawdown or there has been a change of control of MZI without RCF's prior written consent.

Bridge Finance Facility

- RCF will provide a Bridge Finance Facility of US\$33.5m comprising:
 - a) Tranche A with a facility limit of US\$4.0 million (formerly US\$5.0 million) to be used to provide funding for any debt service reserve required to be established under the JLA debt funding agreement (this Tranche has been reduced due to the reduction in the size of the Senior Debt Facility to be provided by RMB);
 - b) Tranche B with a facility limit of US\$13.0 million to be used for funding MZI corporate purposes;
 - c) Tranche C with a facility limit of US\$12.5m to be used to fund Keysbrook Project development costs; and
 - d) Tranche D with a facility limit of US\$4.0m which is to provide standby funding for Keysbrook Project cost overruns. Note: if there are no cost overruns, this facility will not be drawn.
- All tranches have a maturity date that is 12 months from the date of first draw of that tranche. MZI can pre-pay the whole or any part of each tranche without penalty;
- In the event the tranches are not repaid by the maturity date, each will automatically convert to a convertible loan facility, the terms of which will be materially the same as those in the Convertible Loan Facility described above, other than the conversion price mechanism will be 110% of the relevant price (as opposed to 120% as outlined above) and the reference to date

of drawdown in paragraph a) (iii) under the description of the Convertible Loan Facility above will be the date of conversion to a convertible loan facility;

- In the event that any of the tranches are converted to convertible loan facilities, the maturity date for all converted tranches will be 66 months from the date that Tranche B is drawn;
- Interest is payable at 10% per annum and MZI can elect to pay this interest using MZI shares;
- Fees associated with the Bridge Finance Facility include:
 - a) An Acceptance Fee for the sum of tranches A and B, comprising 35,500,000 options with an expiry of 27 June 2017 and with an exercise price of A\$0.01648 (being 120% of A\$0.01373). These options were issued on 2 July 2014;
 - b) An Acceptance Fee for the sum of tranches C and D, comprising 31,000,000 options with a 3 year term from the date of issue and with an exercise price of A\$0.0085. These options are yet to be issued;
 - c) An Establishment Fee equal to 3% of the sum of each of the tranches, issued in MZI shares at an issue price of A\$0.01373; and
 - d) A Commitment Fee of 10% per annum on any unutilised portion of the Bridge Finance Facility amount;
- In the event that MZI does not proceed to drawdown on the Bridge Finance Facility when it is available for drawdown, RCF Management LLC will be entitled to a break fee equal to 3% of the loan amount. As with the Convertible Loan Facility, the break fee is also payable where MZI does not proceed to drawdown in circumstances where MZI has not acted in good faith in seeking to satisfy the conditions to drawdown or there has been a change of control of MZI without RCF's prior written consent.

The finalisation of the RMB Project Debt Facilities and RCF Funding Package is subject to the agreement and execution of formal financing and security documentation and execution of insurance cover for the RMB debt facilities, which is expected to be concluded in the near future. The amendments to the RCF Funding Package are subject to FIRB approval as well as MZI shareholder approval. The timing for the shareholder general meeting to approve the funding is expected to be late October/early November 2014.

Drawdown of the RCF Funding Package and the RMB Project Debt Facilities is subject to customary conditions for these types of facilities.

The Project Debt Facilities have been arranged with the assistance of BurnVoor Corporate Finance.

For further details please contact:

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