

ASX ANNOUNCEMENT

29 January 2018



Additional Working Capital Facility and ASX Waiver

MZI Resources Ltd (ASX:MZI) advises that it has secured a further US\$5 million under its Additional Working Capital Facility (AWCF) provided by the Company's major shareholder, Resources Capital Fund VI L.P. ("RCF").

The additional working capital is required to complete the orderly implementation and step up in site activity created by the move to the 5.25Mtpa Operating Plan at the Keysbrook Operation. The funding will also provide a bridge towards the Company's financial restructuring program. The Company has been granted a waiver of Listing Rule 10.1 by ASX Limited that will enable utilization of the additional funding.

The additional funding will be combined with and be on similar terms and conditions to the working capital facility provided on market competitive terms by RCF in November 2016.

In accordance with the requirements of the ASX Waiver (copy attached), MZI advises:

- a) the AWCF is a working capital facility of US\$31M which has been provided to MZI and its wholly owned subsidiary Keysbrook Leucoxene Pty Ltd (KLPL) by RCF in accordance with the RCF Subordinated Facility Agreement dated 12 November 2014 (as amended);
- b) the AWCF has been provided in several tranches since November 2016 and has been drawn down by MZI since November 2016 to meet various ongoing working capital commitments (including work essential to the wet concentrator plant at Keysbrook as well as key land acquisitions);
- c) the total amount of US\$31M (plus interest at the rate of 10% per annum and outstanding fees) owing under the AWCF is due to be repaid on 1 April 2018 (Repayment Date). In that regard, the AWCF has also been amended to permit an extension of the Repayment Date to be granted by RCF without the need to further amend the terms of the AWCF or to seek a further ASX waiver. RCF have agreed that interest outstanding under the AWCF may be capitalised and repaid on the Repayment Date together with outstanding capital, interest and fees;
- d) MZI expects to repay all amounts owing under the AWCF by the Repayment Date by utilising cash flows generated from its Keysbrook mineral sands operations and from other sources available to it (which may include funds made available through the financial restructuring program).

MZI elected to seek to extend the existing AWCF with RCF, a party to whom Listing Rule 10.1 applies in relation to the security granted under that AWCF, rather than a lender that is not a Listing Rule 10.1 party, as the AWCF is seen as an interim funding facility. As set out above, MZI is undertaking a financial restructuring program in order to deliver a more robust, transparent, simple and cost-effective financial and capital structure for the Company. In these circumstances, the Company believes it to be more cost effective to increase the AWCF and to allow for a possible extension of the Repayment Date of the existing AWCF (by RCF at its discretion) rather than seek alternative finance from a party that is not a Listing Rule 10.1 party, having regard to the time period within which such alternative finance is likely to be repaid and the likely cost of securing short term finance from third parties who do not already have an investment in the Company.



MZI is satisfied that its negotiations with RCF have been on a strictly arm's length basis, with each of MZI and RCF having separate legal representation. Further, based on MZI's enquiries of market comparable financings, the terms agreed with RCF (including the applicable interest rates and the fees to be paid to RCF) are considered acceptable for short term facilities of this nature and are considered to be fair and reasonable from the perspective of the holders of the Company's ordinary securities.

The terms of the ASX waiver are set out in the Attachment to this release.

For further details please contact:

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ATTACHMENT – ASX WAIVER

“DECISION

1. The decision made by ASX Limited (“ASX”) dated 6 November 2017 in relation to a waiver granted to MZI Resources Limited (“the Company”) be rescinded and replaced as follows:
 - 1.1. Based solely on the information provided, ASX grants the Company a waiver from listing rule 10.1 to the extent necessary to permit the Company to enter into an amended bridge loan facility with Resource Capital Fund VI L.P. (“RCF”) totalling US\$31,000,000 (“Amended RCF Bridge Loan Facility”), secured under an existing security arrangement with RCF and RMB Australia Holdings Ltd (“RMB”) (the “Lenders”) (the “Security”) without obtaining shareholder approval, on the following conditions:
 - 1.1.1. The terms of the Amended RCF Bridge Loan Facility include a term that if an event of default occurs and RCF exercise their rights under the Security, RCF nor any of its associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company’s obligations under the Security documents with respect to the Amended RCF Bridge Loan Facility, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by RCF exercising their power of sale under the Security and selling the assets to an unrelated third party on arm’s length commercial terms and conditions and distributing the cash proceeds to RCF in accordance with their legal entitlements.
 - 1.1.2. A summary of the material terms of the Amended RCF Bridge Loan Facility and Security documents are made in each annual report of the Company during the term of the Security.
 - 1.1.3. Any variation to the terms of the Amended RCF Bridge Loan Facility or the Security documents which are:
 - (a) not minor changes; or
 - (b) inconsistent with the terms of the waiver, must be subject to shareholder approval.
 - 1.1.4. The Company and the Lenders must seek to discharge the Security when the funds advanced under the Amended RCF Bridge Loan Facility are either repaid to RCF or converted into shares (assuming security holder approval for the issue of shares is subsequently obtained), or if it is not discharged, seek security holder approval for the continuation of the Security for any further period.
 - 1.1.5. The Company immediately releases to the market an announcement which:
 - a) sets out the material terms of the transaction and this waiver, and the Company’s plans with respect to the repayment of the funds advanced under the Amended RCF Bridge Loan Facility, including the timeframe within which it expects the repayment to occur; and
 - (b) includes a statement of the reasons why the Company has chosen to obtain a financial accommodation from a listing rule 10.1 party (ie the Amended RCF Bridge Loan Facility from RCF) rather than a lender that is not a listing rule 10.1 party, and the steps the Company’s board has taken to satisfy itself that the transaction is being entered into on arm’s length terms and is fair and reasonable from the perspective of the holders of the Company’s ordinary securities.
2. ASX has considered listing rule 10.1 only and makes no statement as to the Company’s compliance with other listing rules.

BASIS FOR DECISION

Listing Rule 10.1

Underlying Policy

3. Listed entities are required to obtain the approval of security holders for an acquisition from, or disposal to, a person in a position to exercise influence over the entity of a substantial asset. The votes of security holders who are parties to the transaction, and their associates, are not counted. Listed entities are required to obtain an independent expert's report on the fairness and reasonableness of the transaction and send it to security holders to accompany the notice of security holders' meeting. This rule protects security holders from a value-shifting transaction with a person in a position of influence being undertaken by a listed entity without the disinterested security holders having approved that transaction with the benefit of full information. The rule supplements the related party provision of the Corporations Act (or, in the case of foreign entities, the related party provisions of the law of their home jurisdiction).

Facts and Reasons for Decision

4. The Company has previously obtained shareholder approval pursuant to listing rule 10.1 to permit the Company to enter into a US\$58 million funding package with RCF, secured by way of a security arrangement with both RCF and RMB whereby the Company granted security over all its assets in favour of RCF and RMB, with RCF's security interest being subordinate. The Company has previously obtained waivers of listing rule 10.1 to permit the Company to enter into a new finance facility with RCF and amend the terms of that financial facility to increase the funds available to \$26 million, secured under the existing security agreements with RCF and RMB (in addition to amounts already advanced under the RCF Funding Package, the RMB Senior Debt Facilities and the RCF Bridge Loan Facility), without obtaining further shareholder approval. In this case the Company is seeking to add US\$5 million to the principal available under the facility, increasing the funds available to \$31 million and to amend the definition of the repayment date under that facility (to permit further extensions of the repayment date to be granted by RCF without the need to further amend the terms of the RCF Additional Working Capital Facility). RCF, as the lender, holds a relevant interest in 50.23% of the total votes attached to the voting securities in the Company and therefore is regarded as a substantial holder of the Company. The Company is amending the security interest granted over the Company's assets in favour of RCF and RMB. This amounts to a disposal of a substantial asset under listing rule 10.1. The Company is granted a waiver from the rule on a number of conditions, including that the Amended RCF Bridge Loan Facility documents provide that in the event that the security under the Amended RCF Bridge Loan Facility is exercised, neither the related parties nor any of their associates are entitled to acquire the assets without the Company first complying with any applicable listing rules, including listing rule 10.1. These conditions provide sufficient safeguard against value-shifting to the related parties or an associate of the related parties."

As you will see, the waiver is subject to certain conditions. Under listing rule 18.1.1, these conditions must be complied with for the waiver to be effective.



About MZI

MZI Resources Ltd (ASX:MZI) is a mineral sands company focused on the high value minerals of zircon, rutile and leucoxene based in Perth, Western Australia. Its flagship operating asset is the Keysbrook Mineral Sands Project, located 70km south of Perth. At the Keysbrook mine, mineral sands are mined and processed to produce heavy mineral concentrate (HMC) which is processed into final products under a toll treating arrangement with Doral Mineral Sands Pty Ltd at the Picton Mineral Separation Plant (MSP) near Bunbury. The Keysbrook mine hosts a world-class zircon / leucoxene ore body. Production commenced in late 2015, making the Keysbrook Project Australia's first – and the world's largest - primary producer of high value leucoxene.

Disclaimer

This release has been prepared by the Management of MZI Resources Ltd ("the Company"). The information provided in this release is based on publicly available information, internally developed data and is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. No warranties or representations can be made as to the origin, validity, accuracy, completeness, currency or reliability of the information. The Company disclaims and excludes all liability (to the extent permitted by the law), for losses, claims, damages, costs and expenses of whatever nature arising in any way out of or in connection with the information, its accuracy, completeness or by reason of reliance of any person on it. Where the Company expresses or implies an expectation or a belief as to the success of future exploration and the economic viability of future projects, such an expectation or belief is based on management's current predictions, assumptions and projections. However, such forecasts are subject to risks, uncertainties or other factors which could cause actual results to differ materially from future results expressed, projected or implied by such forecasts. Such risks include, but are not limited to, exploration success, commodity price volatility, changes to the current mineral resource estimates, changes to assumptions for capital and operating costs as well as political and operational risks and government regulation outcomes. For more detail of risks and other factors, refer to the Company's other Australian Securities Exchange announcements and filings. The Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in, or omission from any forecast or to update such forecast.

Forward Looking Statements

Announcements made by MZI Resources Ltd ("the Company") may from time to time contain forward looking statements concerning the operations and projects owned by the Company, including statements concerning mining reserves and resources which may involve estimates based on specific assumptions. Forward looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on Management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or reflect other future developments.