

## RCF Term Loan Facility and ASX Waiver

MZI Resources Ltd (**MZI** or the **Company**) is pleased to advise that it has been granted a waiver of Listing Rule 10.1 by ASX Limited in connection with the establishment of a new US\$61M Term Loan (**New Debt Facility**) to be provided by its major shareholder Resource Capital Funds VI L.P. (**RCF**).

As announced on 29 March 2018, amounts drawn down under the New Debt Facility are to be used to repay all amounts outstanding under the Additional Working Capital Facility (**AWCF**) and to provide MZI with additional business funding to support the implementation of the 5.25Mtpa operating plan for Keysbrook and to facilitate MZI's broader debt restructuring program. Amounts drawn down under the New Debt Facility are to be repaid by 30 June 2021.

Whilst MZI is still in the process of finalising the formal legal documentation to give effect to the New Debt Facility, in accordance with the requirements of the ASX Waiver (copy attached) MZI advises that the key terms of the New Debt Facility to be provided by RCF to MZI are as follows.

<b>Principal</b>	\$US61M.
<b>Drawdown</b>	To be drawn-down in two tranches: <ul style="list-style-type: none"><li>• Tranche A – US\$53.5M</li><li>• Tranche B – US\$7.5M, which only becomes available once Tranche A has been fully utilised and certain performance conditions relating to the operational performance of the Keysbrook plant (in terms of throughput and recoveries) have been achieved.</li></ul>
<b>Interest</b>	15% per annum, payable quarterly in arrears. Interest to be paid in cash or capitalised at MZI's election.
<b>Repayment</b>	All amounts drawn down under the New Debt Facility are to be repaid on 30 June 2021. Early repayment is permitted.
<b>Loan Establishment Fee</b>	3% of the New Debt Facility, payable in cash on the drawdown of Tranche A or capitalised, at MZI's election.
<b>Use of New Debt Facility</b>	The funds advanced pursuant to the New Debt Facility are to be used: <ul style="list-style-type: none"><li>• for the repayment of the RCF Additional Working Capital Facility in full (including capitalised interest and fees); and</li><li>• to meet other costs agreed by RCF and MZI.</li></ul>
<b>Conditions Precedent</b>	The provision of the New Debt Facility is conditional upon (amongst other things) satisfaction of the following key conditions precedent:

- approval of RMB Australia Holdings Ltd (**RMB**) as senior lender;
- all documentation and approvals are obtained to ensure that amounts advanced under the New Debt Facility are secured (see further below);
- no material adverse change occurring;
- MZI having established an 'Operational Implementation Team' to support the operational ramp up of the Keysbrook mine;
- any other certifications, authorisations, documents, matters or things that RCF may reasonably require.

Drawdown on Tranche B is subject to the following additional conditions precedent:

- utilisation of Tranche A of the facility;
- the Keysbrook project attaining an annualised throughput rate of 5.25Mtpa, with sustained heavy mineral concentrate recoveries of greater than 76%, with recoveries of the L88 product of greater than 75%;
- continued satisfaction of all of the conditions precedent to the provision of the New Debt Facility.

## **Security**

The New Debt Facility is to be secured under the terms of the existing security trust and inter-creditor arrangements which currently secure amounts advanced under the AWCF and senior debt finance facilities with RMB.

MZI elected to seek to enter into the New Debt Facility with RCF, a party to whom Listing Rule 10.1 applies, rather than a lender that is not a Listing Rule 10.1 party, following feedback received from third party financiers of the need to demonstrate sustainable ramp up metrics regarding MZI's 5.25Mtpa operating plan for Keysbrook before any significant new funds (by way of replacement debt facilities) are likely to become available.

Whilst throughput levels beyond the required rate to achieve the 5.25Mtpa operating plan have already been achieved, MZI's focus is now on achieving targeted recoveries at this higher processing rate. MZI believes it will achieve the best outcome for the Company if its broader debt restructuring program is restarted once its Keysbrook Project is operating consistently at the revised 5.25Mtpa processing level.

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 facilities of the nature of the New Debt Facility and are considered to be fair and reasonable from the perspective of the holders of the Company's ordinary securities.

MZI expects to repay all amounts owing under the New Debt Facility by 30 June 2021 following the completion of its financial restructuring program by utilising cash flows generated from its Keysbrook mineral sands operations and from other sources available to it.

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

For further details please contact:

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## ATTACHMENT – ASX WAIVER

### “Decision

1. Based solely on the information provided, ASX Limited (“ASX”) grants MZI Resources Limited (the “Company”) a waiver from listing rule 10.1 to the extent necessary to permit the Company to enter into a new longer term debt facility with Resource Capital Fund VI L.P (“RCF”) with a principal totalling US\$61,000,000 (“New Debt Facility”) and with interest payable at 15% per annum payable quarterly in arrears either by cash or capitalisation at the Company’s election, secured under existing security trust and inter-creditor arrangements (“Security Trust Arrangements”) 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 New Debt Facility include a term that if an event of default occurs and RCF exercise their rights under the Security, neither 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 New Debt 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 New Debt 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 New Debt 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 New Debt 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 New Debt 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 New Debt 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 US\$41 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 restructure its existing short term debt into a new longer term debt facility with RCF. The New Debt Facility will provide the Company with US\$61 million in funds to be drawn down in two tranches, with the second tranche of US\$7.5 million becoming available once the first tranche of US\$53.5 million has been fully utilised. Interest is payable on the New Debt Facility at 15% per annum, payable quarterly in cash or able to be capitalised at the election of the Company. The funds drawn down under the New Debt Facility will be repayable on 30 June 2021. RCF as the lender holds a relevant interest in 51.88% of the total votes attached to the voting securities in the Company and therefore is regarded as a substantial holder of the Company. The funds drawn down under the New Debt Facility will be secured under the terms of the existing Security Trust Arrangements between the RCF, RMB and the Company. The granting of the security over the Company's assets in favour of RCF 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 New Debt Facility documents provide that in the event that the security under the New Debt Facility is exercised, neither the substantial holders 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 substantial holders or an associate of the substantial holders."



## About MZI

MZI Resources Ltd (ASX: MZI) is a mineral sands company based in Perth, Western Australia, focused on the high value minerals of zircon, rutile and leucoxene. MZI owns and operates the Keysbrook Mineral Sands Project, located 70km south of Perth which commenced operations in late 2015. At Keysbrook, 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 unique zircon / leucoxene rich ore body with total Ore Reserves equivalent to approximately 10 years of mine life and total Mineral Resources equivalent to over 25 years of production.

## 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.