

ASX Announcement

28 September 2018

Funding Update

- Improved near term funding arrangements agreed with RMB and RCF.
- US\$4M in RMB Senior Debt Principal Repayments deferred until March 2019.
- Tranche B funds from RCF Term Loan available for drawdown at MZI's election.
- Refund received for past Research and Development expenditure.

MZI Resources Ltd (ASX: MZI) advises that it has successfully restructured its near-term funding arrangements with senior debt provider RMB and the Company's major shareholder, Resource Capital Funds VI L.P. ("RCF").

As previously indicated in the June Quarter Activities Report, the works to deliver the extensive upgrades associated with the 5.25Mtpa Operating Plan, were completed in mid-June this year, approximately three months later than originally targeted. This delay resulted in a misalignment between the projected cashflow profile with the Company's existing debt repayment schedule.

Following discussions with MZI's funding partners, agreement was subsequently reached with both RMB and RCF to restructure near term funding arrangements.

RMB has agreed to defer Senior Debt Principal Repayments, together totaling US\$4M and originally scheduled for payment in September 2018 and in December 2018 respectively, until March 2019 subject to further conditions referred to below. No fees are payable by MZI for this change.

The deferred payments will be payable coincident with the March 2019 quarter principal repayment of US\$2M and will accrue interest at a rate of 14% per annum. In the event that MZI does not achieve 95% of its quarterly saleable production and/or revenue targets in this period, it will incur additional charges, effectively increasing the annualised interest rate for the deferred component to 20%. MZI has already achieved the targets for the September quarter.

In tandem with these revised arrangements, RCF has agreed to defer its quarterly royalty payments for the same period as the RMB deferrals. In addition, RCF has waived the performance conditions pertaining to drawdown of the US\$4M in funds remaining available to MZI under Tranche B of the RCF Term Loan (refer ASX announcement dated 29 March 2018). MZI currently expects to draw approximately US\$1M from Tranche B for working capital purposes in late 2018, with the remainder available for drawdown in 2019. The waiver is consistent with that provided in July when MZI drew an initial US\$3.5M under Tranche B (refer ASX release dated 13 July 2018).

Separate to these improvements, MZI's near term funding position has also been complemented by a recent refund totalling \$9.4M for past Research and Development expenditure incurred in 2015-2016 (refer Annual Financial Report released 25 September 2018).



MZI Managing Director, Martin Purvis said: “The R&D refund, together with these revised short-term funding arrangements, will greatly assist the Company as we seek to consolidate and enhance the operational upgrades recently implemented at Keysbrook and Picton, and further demonstrates the strong ongoing support from both RMB and RCF.”

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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.

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