

# ASX Announcement

21 January 2019

## ADDITIONAL FUNDING SECURED TO SUPPORT PROCESS TO EXPLORE SALE OR OTHER TRANSACTION TO REALISE VALUE

MZI Resources (“MZI” or the “Company”) advises that after a review of potential options, the Board has determined to initiate a process to explore a sale or other alternative transaction that would realise the value inherent in the Keysbrook Minerals Sands assets.

The Board considers that the process has potential to deliver greater value for MZI shareholders, in part because a new owner may be better placed to build on existing operations within a more conducive capital structure, implement value initiatives and place greater strategic value on MZI’s product streams, and in doing so deliver ongoing benefits for all stakeholders involved with the Keysbrook Mineral Sands Mine.

To support this process, the Company has reached an in-principle agreement with major shareholder and subordinated debt provider Resource Capital Fund VI L.P. (“RCF”) on the key terms of a short-term funding package and other financial accommodation, including an additional \$US1.5 million in cash to be provided shortly (subject to receipt of an ASX waiver and execution of binding documentation) and an extension of the maturity date of certain facilities until 2020. RMB Australia Holdings Limited (“RMB”), the Company’s senior debt provider, has also provided accommodation to support the process.

Both lenders have indicated support for any potential sale or other transaction to be conducted on a “going concern” basis, with operations at site continuing on a business as usual basis, building on the improvement in operations achieved throughout 2018. Other potential value initiatives, such as previously detailed planned operational upgrades at the Keysbrook and Picton facilities, will continue to be pursued alongside the potential sale or transaction process.

MZI has appointed Azure Capital to act as financial adviser in relation to the process. Concurrent with the sale or transaction process, potential options to refinance and/or restructure MZI’s existing debt facilities will also be investigated. Subject to a suitably attractive proposal being received, RCF has indicated that it would be willing to consider a restructure of their existing debt obligations to allow a going concern sale or transaction to occur.

### ■ RCF Funding and Accommodation

- Additional loan funding of US\$1.5 million provided by RCF as part of the existing loan arrangements, with an additional tranche of up to US\$5.7 million to be made available in March 2019 subject to RCF being satisfied with the Company’s progress with, and likely outcomes from, the sale or transaction process;
- Maturity date of January 2020;
- Interest rate of 10% per annum (capitalised);
- Amounts advanced under the facility are to be secured under the existing security trust arrangements in place with RCF and RMB, subject always to MZI obtaining a waiver to enable compliance with ASX Listing Rule 10.1;
- Extension of the maturity date of the existing RCF Convertible Loan Facility until 1 July 2020; and
- Further deferral of royalty payments that will continue to accrue until 30 June 2019.

#### ■ RMB Accommodation

- Agreement to defer principal repayments owing under the senior debt facility until 30 June 2019; and
- Extension of debt covenant waivers until 1 January 2020

MZI expects that the additional funding and accommodation measures provided by both RCF and RMB will provide sufficient funding flexibility whilst it undertakes the sale or transaction process.

The additional funding to be provided by RCF remains subject to execution of binding documentation and MZI obtaining a waiver to enable compliance with ASX Listing Rule 10.1, which is expected to occur shortly. Shareholders should note there is no certainty that the sale or transaction process will result in a sale or transaction occurring.

For further details please contact:

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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.

#### **Disclaimer**

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#### **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.