

ASX Waiver – Additional RCF Funding

MZI Resources Ltd (ASX: MZI) advises that it has been granted a waiver of Listing Rule 10.1 by ASX Limited in connection with the initial additional loan funding totalling US\$1.5 million (“New Facility”) to be provided by major shareholder and subordinated debt provider Resource Capital Fund VI L.P. (“RCF”), as announced by the Company on 21 January 2019.

The loan funds form part of a short-term funding package and other financial accommodation to support the process to explore a sale or other alternative transaction that would realise the value inherent in the Keysbrook Minerals Sands assets on a “going concern” basis. RMB Australia Holdings Limited (“RMB”), the Company’s senior debt provider, has also provided accommodation to support the process. This process was detailed in the ASX release dated 21 January 2019.

Drawdown of the US\$1.5 million is anticipated to occur in early March 2019.

As announced previously, the key terms of the funding package and other financial accommodation are as follows:

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 and a further waiver of Listing Rule 10.1 being obtained in respect to any such additional tranche;
- 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;
- 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.

MZI elected to seek to enter into the New 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, as MZI’s current financial position has limited the sources of funding available to the Company.

MZI is satisfied that its negotiations with RCF have been on an arm’s length basis, with each of MZI and RCF having separate legal representation. Further, based on MZI’s enquiries of potential alternative funding options, 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 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 Facility from the successful completion of the sale or other alternative transaction that would realise the value inherent in the Keysbrook Minerals Sands assets, which is expected to occur during calendar 2019.



The terms of the ASX waiver in respect to the additional US\$1.5M in funding from RCF are set out in the attachment to this release.

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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. 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. 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.

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 debt facility with Resource Capital Fund VI L.P (“RCF”) with a principal totalling US\$1,500,000 (“New Facility”) and with interest payable at 10% per annum capitalised 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 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 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 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 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 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 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 (i.e. the New 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 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\$61 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 establish a new debt facility with RCF to facilitate a sales process for the Company's Keysbrook mineral sands project ("Keysbrook Project"). In conjunction with the New Facility RMB has agreed to defer principal repayments under the senior debt facility until 30 June 2019. Interest is payable on the New Facility at 10% per annum, to be capitalised at the election of the Company. All amounts drawn down under the facility are to be repaid in January 2020. RCF as the lender holds a relevant interest in 60.14% 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 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 Facility documents provide that in the event that the security under the New 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 values shifting to the substantial holders or an associate of the substantial holders.