



McGrathNicol

**McGrathNicol
Partnership**

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MZI Resources Ltd (Administrators Appointed)

ACN 077 221 722

(MZI)

Update to Members

I refer to:

- the appointment of Rob Brauer, Jason Preston and I as Administrators (**Administrators**) of MZI on 16 April 2019; and
- the relief from MZI's financial reporting obligations pursuant to section 340(1) of the Corporations Act 2001 (Cth) (**Act**) granted pursuant to ASIC Instrument 19-1065 (**Reporting Relief**).

The Administrators provide the following update to members of MZI pursuant to clause 6(d) of the Reporting Relief.

Actions taken during the external administration

The Administrators advise the following key actions have been undertaken during the relevant period from 16 April 2019 to 9 December 2019:

- ongoing trading of MZI's business during the period from 16 April 2019 to 30 June 2019 whilst the sale of the Keysbrook Mineral Sands Mine (**Keysbrook Mine**) was undertaken;
- sale of the Keysbrook Mine and associated assets to Doral Mineral Sands Pty Ltd for a value of circa \$32m plus future landowner debt obligations, including the sale of:
 - 100% of the shares in Keysbrook Leucoxene Pty Ltd; and
 - all freehold property held by Keysbrook Property Pty Ltd and MZI relating to the Keysbrook Mine;
- negotiation and execution of an unconditional sale contract for MZI's mining and exploration titles held in the Tiwi Islands (**Tiwi Island Titles**) to Tiwi Resources Pty Ltd which will facilitate the return of a \$536k cash bond (**Cash Bond**) held by the Northern Territory Department of Primary Industry and Resources (**DPIR**) for contingent rehabilitation liabilities;
- sale of MZI's surplus office equipment and motor vehicles to third parties at auction;
- conducted a sale campaign for MZI's listed corporate shell by way of a Deed of Company Arrangement (**DOCA**);
- detailed, but preliminary, investigations into the affairs of MZI with a view to understanding its history, financial performance and position, and any possible recoveries that may be available for creditors' benefit in the event MZI was placed into liquidation; and

In association
with



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**ADVISORY
RESTRUCTURING**



- preparation of the Administrators' report pursuant to section 75-225 of the Insolvency Practice Rules (**Administrators' Report**).

Update on sale of MZI's listed corporate shell and Administrators' Report

The Administrators received nine expressions of interest and five non-binding indicative offers during the sale campaign for MZI's listed corporate shell. The Administrators have now selected their preferred bidder and are currently negotiating the terms of a DOCA proposal with a view to provide a copy to creditors annexed to the Administrators' Report.

The Administrators expect to provide the Administrators' Report to creditors during the week ending 13 December 2019. A copy of the Administrators' Report will be made available at www.mcgrathnicol.com/creditors/MZI-resources-ltd/ for your review.

Actions to completion of the external administration

The Administrators note the following actions are required to complete the external administration:

- payment of the Administrators remaining trading liabilities;
- finalisation of the sale of the Tiwi Island Titles and the return of the Cash Bond;
- finalise negotiations of the DOCA proposal and issue the Administrators' Report to present to creditors for voting at the second meeting of creditors convened pursuant to section 439A of the Act (**Second Meeting**); and
- holding the Second Meeting for creditors to determine the future of MZI.

In the event that creditors resolve to execute a DOCA proposal at the Second Meeting, the Administrators will be appointed Deed Administrators and trustees of the creditors trust deed to:

- facilitate completion of the DOCA's condition precedents, including holding a members meeting; and
- distribute funds to creditors pursuant to the DOCA proposal and the creditors trust deed.

In the event the creditors resolve to wind up MZI, liquidators will be appointed to:

- realise the remaining assets of MZI, including any potential liquidator recovery actions; and
- distribute any funds available to creditors in accordance with the Act.

The Administrators expect these actions will be completed within the next twelve months however, noting the uncertainty of the result of the Second Meeting, are unable to confirm the exact expected time to completion.

If you have any queries please contact Jacob Flores of my staff on (08) 6363 7886.

Dated: 9 December 2019

A handwritten signature in dark ink, appearing to read 'Rob Kirman'.

Rob Kirman
Voluntary Administrator