



CASE STUDY

Strategic advisor to MZI Resources: refinancing, restructuring and business sale

FTI Consulting provided strategic corporate advice to MZI Resources, an ASX listed mineral sands producer in WA. Our work helped to secure a funded runway for the business to explore a refinance and other strategic options, which ultimately supported a going concern sale to a mineral sands industry player.

SITUATION

MZI Resources (“MZI”) was underperforming on its production forecasts, largely due to poor mineral recoveries from its processing operations. Initially, the company sought assistance with a refinancing program, supported by its senior and subordinated lenders, and with the benefit of an updated Life-of-Mine plan.

Supporting and in conjunction with the refinancing initiatives, we identified a number of cost-saving and revenue improvement initiatives. These were subsequently embedded within the company’s revised business plan and updated Life-of-Mine economic model. We were also engaged to project-manage key business improvement initiatives, and to provide both short- and long-term cashflow modelling. The focus was to assist MZI’s board and management to develop an agreed plan with its financiers, who were owed a total of c.\$165m.

As results failed to improve over the initial months, our role broadened to providing a strategic business review to the board. This became a key input to the board’s further engagement with financiers, resulting in their commitment to fund the business through an orderly sales process. We provided safe harbour advice to the board and remained heavily involved through to the successful conclusion of the sale.

OUR ROLE

Our expertise is demonstrated in six primary areas:

1. We rebuilt MZI's financial projections into a fit-for-purpose, timely cashflow template which the financiers could readily digest and support. Previous reporting by the company did not deliver the financiers' requirements and our involvement added credibility to funding requests.
2. Our analysis established that refinancing of the business at existing debt levels was not viable, hence an alternative strategic approach should be pursued.
3. We assisted MZI to build the business cases for investment in a way that could be supported by the board and its financiers. This resulted in crucial new mining, processing and capital initiatives being actioned for improved business value.
4. We rapidly prepared a strategic business review including a financial analysis overview for the board. This was essential for assisting the board's engagement with the financiers to secure a funded pathway through to completion of the business sale process. Our work and strategic input became important anchors for negotiations between MZI and the financiers for the strategic business sale.
5. We prepared an updated Life-of-Mine economic model and associated materials that incorporated the new value initiatives and formed the basis of engagement with bidders.
6. In the latter stages of the engagement, we transitioned to the role of safe harbour advisor, providing a comprehensive restructuring plan and ongoing monitoring reports to the board. This assisted the board of the mining operations company to "stay the course" through to the going concern sale of the business.

OUR IMPACT



A going concern sale of the business was achieved to a strategic mineral sands player, Iwatani Corporation / Doral Pty Ltd



All operational employees were offered ongoing long-term employment by the new owners of the business



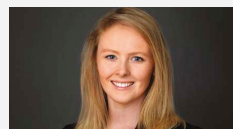
All unsecured creditors were paid in full and continue to service the mine

The senior secured creditor recovered the majority of its debt, whilst the subordinated secured creditor retained a royalty from the mine



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