

ASX ANNOUNCEMENT

3 March 2017



Business Update

MZI Resources Ltd (ASX: MZI) is pleased to provide the following business update on operational performance and corporate matters.

Following on from strong Heavy Mineral Concentrate (HMC) production at Keysbrook in the final quarter of 2016, MZI has already achieved its second highest level of quarterly sales since operations commenced.

In the quarter to date, MZI has completed two major shipments of leucoxene products totalling 6,500 tonnes of L70 and 7,500 tonnes of L88, in addition to 3,118 tonnes of zircon concentrate. Further shipments of up to 2,000 tonnes of zircon concentrate are currently anticipated by the end of this quarter which would result in record total quarterly sales volumes. The Company's next bulk leucoxene shipments are currently being arranged for early next quarter.

Mining also successfully commenced in the new eastern mining location in early February, enabling a resumption of night time mining operations as per our approval conditions. Mining is scheduled to occur in this area for circa 18 months.

Work is also well advanced at the eastern mining area to install and tie-in the new transportable integrated Mining Feed Unit (MFU) which has been used successfully in mineral sands mining previously. Some minor delays have been experienced including unseasonal wet weather. MFU commissioning is now planned for late March.

The original MFU has consequently remained in operation with ongoing reliability issues being carefully managed. Robust HMC production rates (circa 240t/day) have been achieved though not quite to the record levels seen in the last quarter due to lower MFU throughput.

Commissioning of the new MFU will deliver significantly improved operational performance and production through higher throughput, greater utilisation, reduced maintenance downtime, retirement of supplementary mobile feeder equipment and significantly reduced haul distances from the mining area. This will subsequently enhance Wet Concentrator Plant (WCP) throughput and HMC production.

Continued optimisation progress has also achieved increased throughput rates for HMC and L88 at the Picton Mineral Separation Plant with further improvement work to be completed during March and April.

The forecast increased production due to the new MFU positions MZI to benefit from continued strengthening global market conditions for mineral sands products, particularly in titanium minerals.

Good progress has also been made regarding the recruitment of a permanent managing director, with interviews of candidates underway.

MZI Interim Managing Director, Dr Steve Ward commented *"It is pleasing to report significantly improved sales from Keysbrook as we focus on consolidating our performance and achieving continuous improvement. We are now very much looking forward to the significant operational improvements we expect from the commissioning of the new MFU, which should deliver greater efficiency, lower costs and higher HMC production in the coming quarter and beyond. We are very well placed to take advantage of a strengthening market for our products"*

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