

ASX ANNOUNCEMENT

23 March 2017



Business Update – 23 March 2017

MZI Resources Ltd (ASX: MZI) is pleased to provide a business update following the successful start-up and commissioning of its new transportable Mining Field Unit (MFU) at the Company's flagship Keysbrook Mineral Sands Operation.

The new mobile MFU, comprising integrated feeder, screening circuits and ore slurry unit has previously been used elsewhere in the mineral sands industry and has a proven operating record. It was brought online early on Wednesday 22 March and has operated well and consistently since. Production is currently being ramped up to Keysbrook design throughput levels.

Commissioning of the new MFU at the eastern mining location, where 24-hour mining operations were resumed in early February, is expected to result in significantly reduced operating costs. These will arise from shorter ore haulage distances, less mobile equipment, higher MFU throughput, increased availability and reduced maintenance.

After a short period of performance stabilisation and consolidation for the new MFU, MZI will seek to optimise throughput and production from the Keysbrook Wet Concentrator Plant (WCP), which achieved design performance levels with respect to Heavy Mineral Concentrate (HMC) recoveries and production in December 2016. Robust HMC production rates (circa 240 tonnes/day) have been maintained in the first two months of the quarter, despite being hampered by lower throughput from the original MFU.

Higher HMC production will also enable further optimisation and improved performance at the Mineral Separation Plant (MSP) located at Picton.

The successful commissioning of the new MFU caps what is expected to be a record quarter for product sales, comprising approximately 5000t of zircon concentrate, 7,500t of L88 and 11,500t of L70. The final L70 volume is subject to shipping and port access for a cargo of L70 (circa 5,000t) currently scheduled to occur at month end. Another L88 shipment of 4,500t is currently planned for early in April.

The commissioning of the new MFU, and Keysbrook's rapidly improving performance, place the Company in a strong position to benefit from steadily improving prices and demand for mineral sands products, including high value Keysbrook operations leucoxene.

MZI Interim Managing Director, Dr Steve Ward commented: *"We are extremely pleased with the start-up of the new MFU which transforms our mining operations. The new MFU and WCP Optimisation Project completed in the previous quarter will now enable us to turn our attention to unlocking more of the potential value from the operations by focusing on continuous improvement to achieve better than design at both Keysbrook and Picton. This will enable us to capitalise on the strengthening market for our products."*

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