

Chairman's Address 2016 Annual General Meeting

Ladies and Gentlemen, it is a pleasure and privilege to be addressing you at my first AGM as Chairman of MZI Resources at what is an exciting point in the Company's evolution.

MZI's evolution to date has been pronounced. Over the past year the Company has delivered on significant milestones. We completed and commissioned the Keysbrook Mineral Sands Project, and started mining, processing, and shipping thousands of tonnes of premium mineral sands products to customers around the world.

Having established this strong platform, MZI is now in the midst of a transformation. Keysbrook is currently in ramp-up, moving from an early-stage operation towards meeting design capacity and delivering steady state production.

In my address today, I will detail the measures that are being undertaken to support this transformation and outline the short, medium, and long term initiatives set out by the Board that will best position MZI to generate value for shareholders from our high quality asset.

Operational review

Firstly, I would like to take a moment to reflect on what MZI has been able to achieve in a short time frame. In recent years very few mining projects have been developed in Western Australia due to challenging market conditions, including mineral sands projects. Against that backdrop MZI has developed our flagship Keysbrook Project.

This project went from a final investment decision in November 2014 to first mining in October 2015. In November 2015 MZI was processing ore and just one month later we started shipping product to our offtake customers around the world. That a Greenfield project was able to be successfully developed ahead of schedule and within budget in the current environment is a significant achievement for MZI and full credit must go to all the people who brought that to fruition.

Since the Keysbrook plant was commissioned, our operational focus has been on ramping up the plant to meet design capacity through improving heavy mineral recovery, delivering sustainable throughput rates, and ensuring plant reliability. As part of this, MZI has targeted enhancements at our Wet Concentrator Plant in order to increase Heavy Mineral Concentrate recoveries and grade. Increasing grade is important, as it will ensure MZI achieves greater product recoveries during downstream processing at the Mineral Separation Plant in Picton, performed under a toll treatment agreement with Doral.

As with many early-stage operations, MZI has experienced challenges during the past year in ramping up Keysbrook to design capacity. This has been frustrating for the Board and we appreciate that shareholders

would share our sentiments. Importantly, MZI has made significant headway in identifying the enhancements and optimisation improvements required to deliver on this ramp up, which I will elaborate on later in my address.

Notwithstanding these challenges, progress has been made. For example, MZI has continued producing and selling our high quality mineral sands products throughout the year, and by the end of September 2016 the Company had shipped more than 41,000 tonnes of product to offtake customers. In April we formally opened the Keysbrook operations, and shortly thereafter trebled our Ore Reserve. We have also been fully engaging with and consulting our neighbours as well as all surrounding stakeholders and local community. To provide some context, the Keysbrook project is located in a predominantly farming area approximately 70 kilometres south of Perth. As a miner and producer, MZI is highly cognisant of its responsibilities to the local community and the environment, and we will continue to liaise closely with these important stakeholders.

Leadership transition

With MZI's operational transformation now underway, the Company's leadership team has concurrently been transformed in recent months. This closely aligns with MZI's evolution from a project developer to a fully-fledged mineral sands producer. The Board's objective is to ensure that MZI has the right experience and expertise to draw on as the Company completes its ramp-up to full-scale production and then enters the next phase of its evolution.

At the Board level, in August 2016 MZI announced that Mal Randall would be stepping down as Chairman as part of the Board succession planning. Having the honour of taken the reins from Mal as Chairman, I would like to take this opportunity to pay tribute to his outstanding contribution to the business. Mal has been on the Board since 2006 and was Chairman for much of that period. He oversaw our development from a junior explorer, through securing the approvals necessary for mining activity and financing the project, and then the construction and successful commissioning of the operation, putting the company on track to becoming a producer of premium quality mineral sands. Without his considerable efforts, Keysbrook would likely not be in operation today. Today Mal is resigning as a Non-Executive Director. On behalf of the Board, I take this opportunity to thank Mal for his significant contribution and dedication to the Company, and I want to wish him the very best in his future endeavours.

Earlier this month, the Board and Trevor Matthews concluded that the time was right to transition to a new Managing Director. Trevor's resignation followed four and a half years serving as MZI's Managing Director, during which time he successfully developed the Keysbrook Project. The Board and Trevor mutually agreed that, with Keysbrook having been developed and now ramping up from early-stage operation towards steady state production, the time was right for the leadership transition to occur.

To begin this process, MZI Independent Non-Executive Director Dr Steve Ward has been appointed as interim Managing Director while an executive search is conducted. Steve has more than 30 years' experience in mining and mineral processing, particularly in mineral sands and related products. He has held executive and board positions at well-known mineral sands producers, has extensive public company experience, and is highly familiar with MZI's operations. I can assure you that Steve is extremely focused on driving the business forward and is highly committed to progressing MZI's transformation. I thank Steve for stepping into this role. Steve is being well supported by Kevin Watters, who was concurrently appointed as permanent

Head of Operations, succeeding Chief Operating Officer Mike Ferraro. I also want to today acknowledge and thank both Trevor and Mike for all they achieved during their time at MZI.

Outlook

As I said at the start of my address, MZI is at an exciting point in its evolution. Our flagship Keysbrook project is undergoing a transformation from early-stage operations to ramping up to meet design capacity and deliver steady state production. The Board's focus is on ensuring MZI generates value from our high quality Keysbrook project for shareholders. There is already a strong platform in place upon which to do this and we have set out a number of initiatives to ensure that we successfully build on this platform.

Over the coming months, our priority is to build on the production ramp-up that has been achieved to date at Keysbrook, by completing the plant enhancements required to achieve targeted production rates. As part of this, MZI will remain in active dialogue with our neighbours, the local community, and regulatory environment. We consider a strong relationship with these stakeholders as essential for our success.

An example of these plant enhancements is the flagged installation 48 large capacity spirals. MZI recently received shire approval and regulatory permits for the spirals. I can report that the spirals have now been installed and are currently undergoing commissioning. These spirals are expected to increase heavy mineral concentrate recoveries in the WCP and deliver a higher grade concentrate product from the WCP, which will in turn support the MSP in its ramp-up to operating design levels. As part of the plant enhancements we are also focused on ensuring that MZI implements the most efficient and cost effective mining operations.

In addition, MZI's nomination committee has commenced a process to appoint a new Managing Director. This process is about MZI finding a candidate that will build on our strong platform by leading the Keysbrook transformation, strengthening the Company's relationship with its stakeholders, and taking the Company to the next stage of its evolution. In the meantime, I know Steve is committed to delivering the Keysbrook enhancements and his focus is to further progress the business.

MZI's ability to fund this transformation is supported by a US\$16 million debt funding package from Resource Capital Funds. A term sheet is now in place for the second tranche of US\$10 million, with final conditions and detailed documentation being worked through. It should also be noted that MZI recently met a key milestone by delivering positive operating cash flow in the September 2016 quarter. This was despite Keysbrook not yet running at design capacity. With this debt funding package and the improvements being made to the plant, the Board is confident we have the financial flexibility to deliver on this transformation to Keysbrook.

Looking beyond our immediate priorities which are aimed at ensuring that the business can consistently and reliably meet its production rates, our intention is to then build on this platform and continue with the transformation of the business. For example, operationally we will continue to identify and implement further improvements and optimisation activities at Keysbrook and throughout the process chain to increase productivity, enhance operational performance, and improve financial outcomes. We will also review our existing balance sheet structure and consider how this could be simplified for the benefit of all MZI shareholders. It should also not be forgotten that the Keysbrook project hosts a world-class zircon and

leucoxene orebody with long life. I have great confidence in the long-term value of this asset and our ability to become a supplier of choice with customers.

In this regard, MZI has a number of factors in its favour. Firstly, there are signs of renewed market optimism and positive demand outlook for our products, particularly in the titanium sector, where there has also been some depletion of pigment inventories. The mineral sands sector has also seen a consolidation and contraction of supply over the last few years, with a lack of investment more broadly in new projects, so new supply to meet any increasing demand is likely to be some way off. Our ability to develop and commission a project successfully during the low point of the cycle and also be adaptable, positions MZI well to take advantage of any upswing.

Secondly, Keysbrook is located in a stable regulatory environment here in Western Australia, a key advantage in the mineral sands market.

Thirdly, Keysbrook hosts a quality ore body. We hold Ore Reserves equivalent to more than 15 years of production at designed output rates and total Mineral Resources equivalent to over 30 years of production. We also believe that our leucoxene products offer a potentially attractive value-in-use proposition for our customers, and there is an opportunity to brand and market leucoxene as a premium product. As we increase production output we will also be able to broaden our customer base, and discussions with users are already taking place.

What we need to focus on, firstly, is getting the Keysbrook project right, to the point where it operates reliably and sustainably as per design and delivers consistent outputs and results. In this regard the team has a clear path to ensure such operational and financial objectives. Moreover, I can assure you the Board is committed to ensuring that MZI captures the value from our high quality asset. We will continue to consider a range of growth initiatives to develop these opportunities over the longer term.

In closing, I want to take this opportunity to thank all MZI management and staff for their efforts and achievements throughout the year. I would also like to thank MZI shareholders for your patience and continued loyalty. In particular I acknowledge the strong support that we receive from RCF and RMB. Lastly, I thank our all of our advisors and brokers for your ongoing assistance to the Company, and single out the support that we receive from our local shires and stakeholders.

I look forward to the next stage of MZI's evolution and believe we have the right plan to ensure our transformation delivers returns for shareholders.

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