

HIGHLIGHTS

- Record quarterly product sales of 23,361t ~ Full year 62,473t.
- Quarterly sales receipts of \$14.8M from product sales comprising: 8,945t of L88; 10,500t of L70 and 3,916t of zircon concentrate.
- Full year sales receipts of \$51.1M from product sales comprising: 29,538t of L88; 17,126t of L70 and 15,809t of zircon concentrate.
- Full year HMC production of 93,118t, including 22,172t in the June quarter.
- New specialty leucoxene product delivered for customer trials.
- Martin Purvis appointed Managing Director.
- Funding secured to progress strategic land access program at Keysbrook.
- Capital restructuring process underway.
- Mineral sands market conditions continue to improve.

Overview

During the June quarter MZI made substantial progress with improvements to operational efficiency and process controls at the Company's Keysbrook Operations. This systematic approach is set to deliver a more stable production platform, along with better plant availabilities, that will pave the way for increased productivity levels going forward.

The June quarter was a period of operational consolidation. Activity at Keysbrook focused on capitalising on the successful commissioning of the new Mine Field Unit (MFU) in the prior quarter by increasing mining production in the eastern mining location and maintaining consistent feed to the Keysbrook Wet Concentrator Plant (WCP). This resulted in significantly higher mining volumes and subsequent ore feed to the WCP in the quarter.

At the Picton Mineral Separation Plant (MSP), MZI utilised 37 days of allocated production capacity during the quarter. This compares with the 52 days of entitlement taken up in the March quarter and correlates with the comparatively lower product output from April to June, despite similar HMC production in both periods. On average MZI has access to 45 days of processing capacity each quarter, but actual allocation and take-up depends on the timing of both production cycles and shipment schedules.

The MSP is currently the subject of increased technical focus in order to optimise both throughput capacities and product separation, so as to facilitate variations in the HMC feedstock composition. In June, as part of this process, the MSP was successfully configured to produce a specialty leucoxene product aimed at the titanium welding rod market. The trial of this product is under way and could open the door to potential new markets for the Company.

With general market conditions for mineral sands products continuing to strengthen, MZI enters the new financial year with significant operational momentum, and looks forward to delivering a step change of improvements in the year ahead.

CORPORATE

MZI finished the June 2017 quarter with \$10.7M in cash and undrawn guarantee facilities of \$3.4M.

Total issued capital at 30 June 2017 was 218,082,824 ordinary shares with a further 6,562,500 unlisted options with varying exercise prices and maturity dates. In April 4,122,079 shares were issued to RCF in lieu of interest payments.

Appointment of Managing Director

On 2 May 2017, MZI announced the appointment of experienced resources industry executive Martin Purvis as Managing Director and Chief Executive Officer following a comprehensive Australian and international executive search.

Mr Purvis has dedicated more than 30 years of his working career to the international resource industry. During that time, he has served in senior management and executive roles in a range of both publicly listed and private international mining companies. His experience covers a broad base of diversified cultures, organisations, commodities, stock exchanges and regions. A mining engineer by background and graduate from the Australian Institute of Company Directors, Mr Purvis has worked in all aspects of the minerals industry, including business management, strategy and development, operational and corporate roles through to fund raising, investor relations and corporate governance.

Mr Purvis joined MZI on 1 July 2017, following a carefully planned transition from Dr Steve Ward who undertook the role on an interim basis from November 2016 to June 2017. Dr Ward has subsequently resumed his role as a Non-Executive Director.

Financial adviser appointment and capital restructuring

On 8 May 2017, MZI announced the appointment of Northcott Capital Limited as Corporate Financial Adviser to MZI to review the Company's balance sheet and financing structure and, subject to development of an acceptable plan, assist with the delivery of the most appropriate and efficient capital structure for MZI going forward. Northcott was appointed after a comprehensive selection process, based on its global reach and significant previous experience working in the mineral sands sector.

The review encompasses a wide range of potential options to achieve a simpler and more efficient capital structure to reflect MZI's long term future as a mineral sands producer. Substantial progress has been made since Northcott's engagement and MZI is targeting completion of this process in the final quarter of CY2017.

Funding secured for strategic land access program

During the quarter MZI announced it had secured US\$5 million in debt financing to progress its strategic land access program at Keysbrook, consolidating the potential for future growth. The funding was provided by the Company's major shareholder, Resource Capital Fund VI L.P. ("RCF") on market competitive terms and conditions. More information is available in the Company's ASX announcement dated 29 May 2017.

Insurance Settlement

During the quarter, the Company received \$5M to settle its insurance claim relating to design and operational issues associated with the original MFU.

OPERATIONS

Production

A major transformation has been completed in the past six months at the Keysbrook Operations. This involved a successful optimisation project for the Keysbrook WCP and the relocation to a new eastern mining area combined with the introduction of an improved and more reliable MFU (MFU2).

Operational focus is now on optimisation work both at Keysbrook and at the Picton MSP. Production and sales statistics for FY2017 are detailed in Table 1.

Table 1: Keysbrook Production and Sales

Production	Unit	Jun-Qtr 2016	Sep-Qtr 2016	Dec-Qtr 2016	Mar-Qtr 2017	Jun-Qtr 2017	Total FY2016-17
Ore Mined	dt	1,017,474	1,037,963	966,406	922,100	1,040,685	3,967,154
Ore Processed	dt	937,957	957,581	895,435	824,877	942,762	3,620,656
Mined Grade	% HM	2.47	2.53	2.73	2.85	2.61	2.68
WCP Availability	%	82.9	82.3	74.5	75.5	83.0	92.9
MSP Availability	%	93.4	90.9	95.5	92.8	89.7	92.6
HMC Production (WCP)	dt	22,636	24,218	24,744	21,984	22,172	93,118
HMC Processed (MSP)	dt	20,140	21,161	22,932	29,266	16,405	89,765
L70	dt	3,475	2,985	3,640	6,094	4,233	16,952
L88	dt	3,779	6,748	8,194	10,150	4,709	29,802
Zircon Concentrate	dt	3,572	3,645	3,802	4,606	3,449	15,501
Total Products	dt	10,826	13,378	15,636	20,850	12,391	62,255
Sales							
L70	dt	7,000	-	-	6,626	10,500	12,126
L88	dt	8,250	6,850	6,243	7,500	8,945	29,538
Zircon Concentrate	dt	3,770	3,211	3,923	4,759	3,916	15,809
Total	dt	19,020	10,061	10,166	18,885	23,361	62,473

In summary, there was continued further consolidation of operational performance during the June quarter:

- Record quarterly ore mined of 1.04Mt, up 13% from the prior quarter, taking full year ore production to 3.97Mt
- HMC production at the Keysbrook WCP of 22,172t
- Full year HMC production of 93,118t at the Keysbrook WCP
- Full year HMC throughput at the Picton MSP of 89,765t
- Reduced HMC processed in the June quarter (16,405t) due to the timing of production cycle variances at the MSP.
- Record quarterly sales of 23,361t (all products) despite the lower MSP throughput of 12,391t.
- Full year saleable production of 62,347t (all products)

Mining volumes at Keysbrook increased substantially during the June quarter, rising 13% to 1.04Mt, reflecting 24-hour production in the eastern mining location, where operations commenced in early February. The mined grade for the quarter was 2.61% heavy minerals content compared with 2.85% in the previous quarter. Mining volumes were consistent with overall HMC production levels achieved. Full year mining volumes were a record 3.97Mt at an average grade of 2.68% HM.

The recently commissioned MFU2 continued to demonstrate outstanding reliability in the June quarter, with total ore processed through the MFU2 increasing by 14% to 942,762t compared with the preceding quarter. The resulting uplift in operational efficiency and reduced maintenance downtime is anticipated to deliver significantly improved operating costs and production volume over time.

At the Keysbrook WCP, plant performance was temporarily impacted by high concentrations of fine root matter in ore mined from an area that historically had tree cover. As a result, HMC production increased only modestly to 22,172t as production was interrupted to make a number of alterations and changes in the plant to deal with this change in the feed material. Mining was largely completed in the root affected area during June and WCP operating conditions subsequently returned to normal.

Consequently, full year HMC production reached 93,118t.

With consistent feed now available to the WCP, the Company's continuous improvement program provides strong potential to improve HMC production and in doing so, build increased saleable product from the Picton MSP.

At Picton, MSP performance during the quarter reflected the cyclical allocation of production capacity referred to previously, resulting in 16,405t of HMC being processed. MSP availability and performance are expected to return to higher levels as part of the cycle process, during the September quarter. Overall, the Picton MSP achieved 89,765t of HMC throughput for the full year.

As noted, the MSP is currently the subject of increased technical focus in order to optimise both throughput capacities and product separation to deal with variations in the HMC feedstock composition. As part of this process, and in support of work to help diversify product sales and markets, the MSP was successfully configured to produce an initial bulk sample of a bespoke leucoxene product in June. This niche product is targeted to meet the requirements of the premium titanium welding rod market and will be evaluated by potential new customers on a commercial scale, potentially creating new market opportunities for MZI.

Total saleable production in the June quarter was 12,391t, reflecting the reduced HMC processed, and comprised 4,709t of L88, 4,833t of L70 and 3,449t of zircon concentrate. On a product basis, the operation produced 29,538t of L88, 17,126t of L70 and 15,501t of Zircon concentrate.

Sales

MZI achieved record quarterly product sales of 23,361t in the June quarter, an increase of 24% over the prior quarter, reflecting the record saleable production achieved in the prior quarter and the timing cycle of scheduled customer deliveries.

Sales for L88 and L70 of 8,945t and 10,500t respectively were achieved, while zircon concentrate sales totalled 3,916t. Sales revenue booked for the quarter totalled \$13.5M, while sales proceeds received by the end of June totalled \$14.8M (prior quarter sales revenue \$9.0M, cash receipts \$11.6M). Keysbrook generated positive operating cashflow of \$1.4M in the quarter.

Full year sales totalled 62,473t, comprising 29,538t of L88, 17,126t of L70, and 15,809t of Zircon concentrate, for total attributable full year sales revenue of \$39.6M and cash receipts of \$51.1M.

Mineral Sands Market

Mineral sands products such as rutile and leucosene contain titanium dioxide (TiO₂), which is primarily used in the manufacture of titanium pigments (pigment) for paints, plastics, paper, inks and coatings. TiO₂ is also used to produce titanium metal which is most commonly associated with aerospace and other specialist applications. TiO₂ is also used as a high temperature fluxing agent in welding electrodes. Zircon is a major component in ceramics used to manufacture tiles and bathroom furniture and is also used in specialty chemicals, precision castings, zirconium metal and special refractories. Consequently, the mineral sands market is closely aligned with global economic growth and urbanisation which has continued to exhibit positive signs.

The mineral sands market continued to firm during the June quarter on the back of a positive outlook for pigment as a result of the improving global economy. Chloride pigment producers are now experiencing strong demand, which is depleting inventory and placing upward pressure on feedstock prices.

Chinese producers have ramped up production in response to the positive outlook but are now experiencing weaker demand due to oversupply in local markets. This has dampened sulphate pigment prices as producers attempt to reduce inventory by lowering prices, and resulted in weaker demand for sulphate ilmenite, which had been extremely strong early in the quarter due to shortage of supply. There is now considerable effort in China to expand chloride pigment capacity to meet export opportunities, which will further increase demand for high grade chloride feedstock such as rutile and leucosene. MZI is now experiencing an increased level of enquiry from Chinese pigment producers and traders.

The major Western pigment producers, which are predominately chloride pigment based, have also announced significant price increases in response to stronger demand for their product. These producers are now operating at high utilisation rates and are using higher grade feedstock to increase yield, which has been positive for existing feedstock producers.

However, upward movement in the pricing for high grade chloride pigment feedstock has not been to the scale or extent that had been widely expected. The overhang of high grade TiO₂ feedstock production capacity, such as slag and synthetic rutile, and the impact of legacy contracts appear to have dampened price increases during the quarter. Despite these restrictions, upward momentum is expected over the remainder of the year as contracted volumes are extended with higher pricing. In addition the spot market in China, albeit small in volume, has increased by 30% over the past quarter which is an important indicator for the future.

Demand for zircon also improved strongly in the June quarter leading to the emergence of shortages in some sectors. The level of inquiry remains strong and there is a growing sentiment that there may now be insufficient supply to meet short term demand. A recent round of price increases, reportedly in the order of \$100-\$150 per tonne with effect from the 1st of July, has set a rising trend with further upside expected in Q4. Zircon producers appear to have limited any production increases, to ensure the market is not oversupplied, which should further support the upward momentum in prices.

Health, Safety and Environment

There were Zero Lost Time Injuries during the reporting period, and the Company-wide rolling 12-month Total Recordable Injury Frequency Rate (per 1 million hours worked) was 26.8 at the close of the period. Proactive reporting of potential hazards by employees continued during the period, providing a strong platform for the reduction of the risk of harm, damage or loss.

A comprehensive and detailed report was provided to regulatory authorities to inform a review of the appropriateness of noise regulation and management for the Keysbrook operation. The noise profile of operations continued to be closely managed on a daily basis and investigations into the noise attenuation of several items of mobile equipment progressed.

The 2017 pasture rehabilitation programme was completed with the seeding of 22 hectares. Other open ground not fully prepared was seeded with a cover crop to stabilise the surface, which will also serve to enhance subsequent rehabilitation performance. Rehabilitation works to enhance the quality of native vegetation within a 25 hectare area designated for conservation was also completed.

Extensive environmental monitoring programmes continued with Performance and Compliance Reports submitted in accordance with regulatory obligations.

Community

Communications with neighbours continued in the quarter, including distribution of the most recent newsletter and project updates. The Company, together with RCF, recently entered a major partnership with the Shire of Murray for the installation of air conditioning in the North Dandalup Community Hall, enabling the hall to be used all year round to host various community events.

Geology and Regional Exploration

Activities focused on preparation of updated estimates of both resources and reserves for the Keysbrook Project, completion of which is anticipated for release during the September quarter.

For further details, please contact:

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SCHEDULE OF TENEMENTS AS AT 30 JUNE 2017

Tenement	Location	Status	Registered Holder	Interest at 31/03/2017
E70/2407	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/2610	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/2673	Pinjarra, WA	Application	MZI Resources Ltd	100%
E70/4628	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/4723	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/4725	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/4764	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/4765	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/4766	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
E70/4767	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*
E70/4768	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*
E70/4925	Pinjarra, WA	Application	Keysbrook Leucoxene Pty Ltd	0%**
EL23862	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
EL24329	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
EL24851	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
EL25457	Anson Bay, NT	Application	MZI Resources Ltd	0%*
EL25458	Anson Bay, NT	Application	MZI Resources Ltd	0%*
EL25459	Anson Bay, NT	Application	MZI Resources Ltd	0%*
EL25460	Anson Bay, NT	Application	MZI Resources Ltd	0%*
EL25461	Anson Bay, NT	Application	MZI Resources Ltd	0%*
EL26421	Anson Bay, NT	Application	MZI Resources Ltd	0%*
EL29800	Croker Island, NT	Application	MZI Resources Ltd	100%
EL29839	Arnhem Land, NT	Application	MZI Resources Ltd	100%
EL30924	Tiwi Islands, NT	Application	MZI Resources Ltd	100%
ML24510	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
ML24511	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
ML27438	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
P70/1662	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
P70/1663	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
P70/1676	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
P70/1677	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
P70/1678	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
P70/1679	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	100%
P70/1680	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*
P70/1682	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*
P70/1683	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*
P70/1684	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*
P70/1685	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty Ltd	0%*

*Indicates tenement/application relinquished

**Indicates tenement/application withdrawn