

HIGHLIGHTS

- Robust operational performance despite exceptionally heavy rainfall.
- HMC production up 20% on previous quarter, record saleable production 12% above budget, C1 cash costs 25% lower than FY2017 average.
- WCP recoveries and plant performance tracking FY2018 guidance.
- Quarterly sales of 12,735t reflecting timing of customer shipping schedules.
- Mineral sands market conditions continue to improve.
- Site works start on 5.25Mtpa Operations Plan.
- Maturity date for Additional Working Capital Facility extended from 1 December 2017 to 1 April 2018 to dovetail with capital restructuring timetable ~ subject to ASX waiver.

Overview

During the September quarter MZI continued to make sequential progress with improvements to operational efficiency and performance at the Company's Keysbrook Operations.

A number of positive outcomes were achieved despite mining and processing activities being hampered by extremely high rainfall in both July and August. Highlights included record quarterly production of Heavy Mineral Concentrate (HMC) at the Keysbrook Wet Concentrator Plant (WCP), record saleable production at the Picton Mineral Separation Plant (MSP) and a step change in HM recoveries at the WCP, notably for L88. Project performance was assisted by improved HM grades in the current mining area and 52 days of allocated MSP processing time, compared with 37 days in the prior quarter, contributing to a 77% increase in total HMC processed at the Picton MSP for the period.

Significantly, and in line with FY2018 guidance, C1 unit cash operating costs reduced by approximately 25% to \$500/dmt when compared with the FY2017 average of \$668/dmt. Total ("all-in") unit cash costs reduced to \$728/dmt, 25% lower than the average for FY2017.

Sales volumes were constrained to 12,736t - comprising 7,000t of L88 and 5,736t of Zircon concentrate - commensurate with customer shipping schedules. A bulk cargo of L70 totalling approximately 9,000t was exported a few days after the end of the September Quarter. The blended average realised price achieved in the quarter was \$735/dmt.

On 18 September 2017, the Company announced implementation of a higher throughput 5.25Mtpa Operating Plan with associated plant modifications to increase saleable production, improve margins and reduce unit costs. Benefits from the Plan will sequentially manifest in the second half of FY2018, culminating in sustainable operating cashflows being generated from the June quarter of 2018.

As previously detailed, the Plan is anticipated to reduce unit cash operating costs by 25-30% and lift saleable production by over 50% compared with FY2017. Funding for the associated plant modifications was secured via a \$US5 million increase to the Company's existing Additional Working Capital Facility (AWCF) in September this year.

The Plan is the result of a detailed technical review undertaken in support of the Company's planned financial restructuring, which remains targeted for completion in early 2018. Given the discrepancy between this timeline and the repayment of the AWCF, MZI approached RCF for assistance with alignment of the key dates. RCF were readily supportive of MZI's approach and agreed to extend the repayment date of the AWCF from 1 December 2017 to 1 April 2018, subject to a further ASX waiver. This variation now allows the Company to implement its financial restructuring programme in an orderly and sequential fashion.

General market conditions for mineral sands products also continued to strengthen in the quarter, complementing the anticipated improvements from the enhanced Keysbrook Operating Plan.

CORPORATE

MZI finished the quarter with \$4.8M in cash and undrawn guarantee facilities of \$2.7M.

Total issued capital at 30 September 2017 was 222,817,965 ordinary shares with a further 4,575,000 unlisted options with varying exercise prices and maturity dates. 7,734,766 shares were issued to RCF in early October, after the close of the September Quarter, in lieu of interest payments.

In late August and early September 2017, Rich Mark Development (Group) Pty Ltd, of level 9, 250 Queen Street Melbourne filed substantial shareholder notices confirming an increase in its shareholding to 7.435%.

Financial restructuring

As previously stated, the Company is currently undertaking a financial restructuring initiative, being overseen by MZI's corporate financial advisers Northcott Capital in collaboration with the Company's major shareholder and financier Resource Capital Fund VI LP ("RCF") and the Company's Senior Debt provider RMB Australia Holdings Limited ("RMB").

This initiative is being pursued in order to deliver a more robust, transparent, simple and cost-effective financial and capital structure for the Company to better realise the long-term value opportunity presented by the Keysbrook Project and the continued strengthening of the global mineral sands market.

In support of the initiative, and given the compelling benefits identified in the 5.25Mtpa Operating Plan, RCF agreed to increase funds available under the existing AWCF by US\$5 million, enabling MZI to proceed immediately with implementing the Operating Plan including the associated capital expenditure.

This additional funding was received in September 2017 (*Refer to ASX releases on 29 November 2016, 29 May 2017, 8 June 2017, and 18 September 2017*).

During the September Quarter, the Company entered into discussions with RCF in order to explore the key timing and sequence of MZI's current financial restructuring process. As a result of those discussions and subsequent to month end, RCF has offered, and MZI has agreed, to extend the repayment date of the AWCF from 1 December 2017 to 1 April 2018. In return for the extended maturity date, MZI will pay an extension fee of US\$330,000 which amount is to be capitalised and payable on the repayment date of 1 April 2018. All other terms of the Additional Working Capital Facility remain unchanged.

Financial Results and 2017 Annual Report

On 27 September 2017, MZI released its annual financial report, in which it reported a net loss after tax of \$31.4 million for the year ended 30 June 2017. The Company released its 2017 Annual Report on 12 October 2017.

The Company will hold its 2017 Annual General Meeting in Perth on 21 November 2017.

OPERATIONS

Production

Continuous and sustainable operational improvements have been achieved at Keysbrook since the commissioning of the upgraded MFU2 in early 2017. Operational focus is now on implementing the various modifications and improvements associated with the 5.25Mtpa Operating Plan.

Production and sales statistics for the September Quarter are detailed in Table 1.

Table 1: Keysbrook Production and Sales

Production	Unit	Sep-Qtr 2016	Dec-Qtr 2016	Mar-Qtr 2017	Jun-Qtr 2017	Sep-Qtr 2017	YTD FY2017-18
Ore Mined	dt	1,037,963	966,406	922,100	1,040,685	970,458	970,458
Ore Processed	dt	957,581	895,435	824,877	942,762	851,311	851,311
Mined Grade	% HM	2.53	2.73	2.85	2.61	3.20	3.20
WCP Runtime	%	82.3	74.5	75.5	83.0	87.7	87.7
MSP Runtime	%	90.9	95.5	92.8	89.7	93.6	93.6
HMC Production (WCP)	dt	24,218	24,744	21,984	22,172	26,669	26,669
HMC Processed (MSP)	dt	21,161	22,932	29,266	16,405	29,119	29,119
L70	dt	2,985	3,640	6,094	4,233	8,988	8,988
L88	dt	6,748	8,194	10,150	4,709	7,295	7,295
Zircon Concentrate	dt	3,645	3,802	4,606	3,449	5,693	5,693
Total Products	dt	13,378	15,636	20,850	12,391	21,976	21,976
Sales							
L70	dt	-	-	6,626	10,500	-	-
L88	dt	6,850	6,243	7,500	8,945	7,000	7,000
Zircon Concentrate	dt	3,211	3,923	4,759	3,916	5,735	5,735
Total	dt	10,061	10,166	18,885	23,361	12,735	12,735

Mining volumes at Keysbrook were moderated in the September Quarter at 970,458t due to exceptionally heavy rainfall. In July and August the Operation received over 400mm of rain which is the highest level recorded for those two months by some margin, for close to two decades. Throughput at the MFU2 was reduced, with the wet conditions inhibiting the ability to maintain continuous feed to both the MFU2 and WCP. Throughput was also impacted by limitations on slimes pumping capacity (prior to the installation of additional booster pumps in September) and by higher clay content. The reduced throughput was offset by improved mined grade in the quarter, which averaged 3.2% Heavy Minerals, compared with 2.61% HM in the previous quarter.

Notwithstanding adverse conditions, the Keysbrook WCP continued to demonstrate steady improvement during the quarter, notably with regard to availability and HM recovery. Availability improved significantly to 87.7%, while overall HM recovery averaged 72.6% and HMC grade averaged 85% HM. Importantly, L88 recoveries improved progressively through the Quarter as various adjustments and improvements were made to the circuit. By September the monthly recovery had reached 69.4% which is within 2% of design, lifting the average for the quarter to 63.8%.

All these factors helped the WCP to achieve a record quarterly HMC production of 26,669t, an increase of just over 20% compared with the June quarter.

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At Picton, MSP performance during the quarter reflected the higher cyclical allocation of 52 days as well as the robust supply of feedstock from Keysbrook. HMC processed at Picton rose 77% compared with the prior quarter to 29,119t.

This resulted in record quarterly saleable production of 21,976t, comprising 8,988t of L70, 7,295t of L88 and 5,693t of Zircon concentrate. Better throughput was achieved as a result of lower HMC moisture levels and coarser feed material as well as adjustments to residence time at various stages within the MSP Plant. Further optimisation and modification of the MSP is planned as part of the 5.25Mtpa Operating Plan.

The increased production and process improvements achieved as a result of the ongoing focus on operational efficiency, contributed to a significant reduction in unit cash operating costs in the Quarter. C1 unit cash operating costs reduced by approximately 25% to \$500/dmt compared with the FY2017 average of \$668/dmt. Pleasingly, this improvement is aligned with the guidance already provided for FY2018 (*refer Table 2 below*). The total ("all-in") unit cash costs reduced to \$728/dmt, 30% lower than the average figure for FY2017. It is worthwhile highlighting that these reductions were largely achieved prior to the launch of the 5.25Mtpa Operating Plan announced in late September and under atrocious weather conditions.

5.25Mtpa Keysbrook Operating Plan

On 18 September 2017, following an extensive and detailed technical review, the Company announced the approval and implementation of the higher throughput 5.25Mtpa Keysbrook Operating Plan incorporating a range of associated plant modifications. The Plan is designed to increase saleable production, increase margin performance and reduce overall unit costs. During the course of FY2018, while the various works are being implemented, the operation is forecast to deliver a modest operating surplus with robust and sustainable, positive operating cashflows being generated from the June 2018 quarter onwards.

In a recent announcement the Company provided the following operational and cost guidance for the 2017-18 Financial Year (*refer Table 2 below*). Guidance for Q4 FY2018 was highlighted as it is anticipated to be representative of the "steady state", long-term performance targeted by the Plan.

Table 2: Operational and Cost Guidance FY2018

		FY18	Q4 FY18	FY17 Actual
Mining/MFU feed (annualised)	Mdtpa	4.9	5.25	4.0
Mined Grade	%HM	2.9	2.7	2.67
HMC Produced	kdt	120-130	30-33	93
HMC grade	%HM	84	85	79.7
HMC Recovery	%	76	79	69.3
Saleable products	kdt	95-97	27-29	62
C1 unit cash operating costs	\$/dt	470-485	385-400	668^
Total (all-in) unit cash operating costs*	\$/dt	680-695	550-565	1040^
Average Realised Price (all products)	A\$/dt sold	700-715	735-750	635

*Total cash costs include C1 costs, interest, royalties, inventory movement, leases, MZI corporate costs and financing fees. ^FY2017 costs are unaudited

Sales

MZI recorded quarterly product sales of 12,735t in the September quarter, comprising 7,000t of L88 and 5,735t of Zircon concentrate. The fact that only one Leucoxene shipment was made in the quarter is a reflection of shipping schedules previously agreed with MZI's customers. Sales in the September quarter accounted for 58% of total quarterly saleable production, with no L70 exported in the period. A bulk cargo of approximately 9,000t of L70 was shipped subsequent to the end of the quarter in October.

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Sales revenue booked for the quarter totalled \$9.4M, while sales proceeds received by the end of September totalled \$6.5M (prior quarter sales revenue \$13.5M, cash receipts \$14.8M), resulting in a blended average realised price (all products) achieved in the quarter of \$735/dmt.

The timing of sales proceeds in the quarter resulted in a negative operating cashflow for Keysbrook Operations of approximately \$5.2M.

Looking forward a similar pattern of shipments and sales revenue is also expected in the December Quarter. Thereafter, the modifications and improvements forming the core of the 5.25Mtpa Operating Plan, will start to manifest with a commensurate and progressive increase in production, sales and revenue flow in the second half of the 2017-18 Financial Year.

Mineral Sands Market

Strong demand for pigment continues to be driven by low inventory and limited supply despite pigment plants operating at high utilization rates. The market has steadied during the mid-year seasonal low but is poised to strengthen further, especially if the next painting season is again strong. Paint producers continue to assess the outlook for demand but signs are positive on the back of continued strong global economic growth.

Supply tightness has resulted from increased environmental inspections and enforcement actions in China, affecting both titanium and zircon value chains. Plant outage in Europe has put pressure on pigment supply. These factors have resulted in rising prices for both ilmenite and pigment. The major Western chloride pigment producers have continued to announce significant price increases in response to stronger demand for their product. These chloride pigment 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. This is set to further increase the demand for high grade chloride feedstock such as rutile and leucoxene. MZI is continuing to position L88 leucoxene as a valuable feedstock in the welding rod sector. Trials have continued with a major welding rod producer, potentially paving the way for commercial deliveries in 2018.

Zircon prices have pushed higher due to tightening supply with Iluka announcing an increase in their zircon reference price to US\$1230/t that will apply for 6 months from 1 October and which will migrate across all zircon sales. A looming zircon shortage is currently anticipated by the market in 2018 due to a predicted fall in supply from existing operations to below 1 million tonnes by 2021. Continued environmental pressure in China is forcing consolidation and mine closure further reducing a substantial, long-standing overhang on the supply side in the market.

Health, Safety and Environment

There were Zero Lost Time Injuries during the reporting period. The rolling 12-month Total Recordable Injury Frequency Rate (per 1 million hours worked) improved to 24.1 (June Quarter 26.8). 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.

Adaptive noise management continues to inform operations planning, and the noise profile of operations continued to be closely managed on a daily basis. The Company continued to engage with regulatory authorities to progress the review of the appropriateness of noise regulation and management for the Keysbrook operation, with further feedback anticipated in the December quarter. An extensive programme of environmental monitoring was maintained across the Keysbrook site.

Following the rehabilitation of 22 hectares undertaken in the prior quarter at Keysbrook, a further 40 hectares were seeded with a cover crop during the quarter. Rehabilitation monitoring was completed at the Company's Tiwi Islands tenements and activities progressed toward final mine closure.

Community

Community engagement activities for the quarter included the distribution of the September newsletter as well as facilitating various sponsorship commitments. The Keysbrook Community Consultative Group (CCG) continues to meet on a regular basis to provide community based feedback for the Keysbrook operations and recommendations on sponsorship submissions. Recent funding commitments for the quarter included the Serpentine Jarrahdale Men's Shed, the Pinjarra Garden Day, Murray Eventing and the Peel Harvey Biosecurity Group.

Geology and Regional Exploration

Activities focused on preparation of updated estimates of both resources and reserves for the Keysbrook Project.

Subsequent to the end of the quarter, on 11 October 2017, the Company released an updated Keysbrook Mineral Resource of 146.8 Mt grading 2.0% Total Heavy Minerals (THM), and an updated Ore Reserve of 58.0Mt grading 2.3% THM as at 30 June 2017. The revised estimates included a reduction of 7.5Mt from depletion, dilution and sterilisation by mining since operations commenced, and 6.6Mt from other technical adjustments identified during the review process.

The updated Mineral Resource and Ore Reserve Statement substantiates increasing confidence in the Keysbrook Deposit, with 86% of the total Mineral Resource now classified as Measured (from 71% previously) and 92% of the total Ore Reserve now classified as Proved (from 75% previously). It is important to note that the Mineral Resource remains open to the north, west, and south west within areas that will be progressively tested by further drilling over the life of the operation.

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About MZI

MZI Resources Ltd (ASX: MZI) is a mineral sands company based in Perth, Western Australia, focused on the high value minerals of zircon, rutile and leucoxene. Its flagship operating asset is the Keysbrook Mineral Sands Project, located 70km south of Perth. At the Keysbrook mine, mineral sands are mined and processed to produce heavy mineral concentrate (HMC) which is processed into final products under a toll treating arrangement with Doral Mineral Sands Pty Ltd at the Picton Mineral Separation Plant (MSP) near Bunbury. The Keysbrook mine hosts a world-class zircon / leucoxene ore body with total Ore Reserves equivalent to over 15 years of mine life and total Mineral Resources equivalent to over 30 years of production. Production commenced in late 2015, making the Keysbrook Project Australia's first – and the world's largest - primary producer of high value leucoxene.

Disclaimer

This release has been prepared by the Management of MZI Resources Ltd ("the Company"). The information provided in this release is based on publicly available information, internally developed data and is based on the assumptions and limitations mentioned herein and is an expression of present opinion only. No warranties or representations can be made as to the origin, validity, accuracy, completeness, currency or reliability of the information. The Company disclaims and excludes all liability (to the extent permitted by the law), for losses, claims, damages, costs and expenses of whatever nature arising in any way out of or in connection with the information, its accuracy, completeness or by reason of reliance of any person on it. Where the Company expresses or implies an expectation or a belief as to the success of future exploration and the economic viability of future projects, such an expectation or belief is based on management's current predictions, assumptions and projections. However, such forecasts are subject to risks, uncertainties or other factors which could cause actual results to differ materially from future results expressed, projected or implied by such forecasts. Such risks include, but are not limited to, exploration success, commodity price volatility, changes to the current mineral resource estimates, changes to assumptions for capital and operating costs as well as political and operational risks and government regulation outcomes. For more detail of risks and other factors, refer to the Company's other Australian Securities Exchange announcements and filings. The Company does not have any obligation to advise any person if it becomes aware of any inaccuracy in, or omission from any forecast or to update such forecast.

Forward Looking Statements

Announcements made by MZI Resources Ltd ("the Company") may from time to time contain forward looking statements concerning the operations and projects owned by the Company, including statements concerning mining reserves and resources which may involve estimates based on specific assumptions. Forward looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on Management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or reflect other future developments.

Competent Person's Statement – Mineral Resources

The information in this report which relates to Mineral Resources is based upon information compiled by Mrs Susan Havlin (in relation to the Keysbrook Project) who is a Member of the Australasian Institute of Mining and Metallurgy and Mr John Baxter (in relation to the Railway Deposit) who is a Member of the Australasian Institute of Geoscientists. Mrs Havlin is an employee of Optiro Pty Ltd and Mr Baxter is a Consulting Geologist, both have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mrs Havlin and Mr Baxter consent to the inclusion in the report of a summary based upon their information in the form and context in which it appears.

Competent Person's Statement – Ore Reserves

The information in this report which relates to Mineral Reserves is based upon information compiled by Mr Andrew Law who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Law is an employee of Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Law consents to the inclusion in the report of a summary based upon their information in the form and context in which it appears.

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SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 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