

## Business Update

- Key works associated with the 5.25Mtpa Operating Plan on course for completion at both Keysbrook and Picton by mid-March
- Timeline of corporate refinancing initiative extended to accommodate additional banking requirements
- MZI has commenced discussions with RCF to extend maturity date of US\$31M Additional Working Capital Facility

MZI Resources Ltd (MZI) is pleased to provide an update on the activities associated with the implementation of the 5.25Mtpa Operating Plan and associated refinancing initiative. MZI completed the key aspects of upgrade work at the Keysbrook site during February 2018 and is currently optimizing the operation around the newly installed trommel and the re-configured spirals in the wet concentrator plant (WCP). With the trommel up and running, the apertures in the lower screen deck in the mine field unit (MFU) have been significantly increased. This combination resolves the disruptive issues experienced with organic contamination in the feed to the WCP and largely eliminates sporadic blinding of the screen deck during periods when there is a lot of clay in run of mine material. Following a successful trial in January, the co-disposal tailings circuit has now been fully implemented with the key benefits including better reclaim water quality, more efficient rehabilitation processes and reduced equipment requirements.

After less than two weeks commissioning the modified Keysbrook plant, throughput levels beyond the required rate to deliver the 5.25Mtpa plan have already been achieved. The next step is to focus on balancing the re-configured spirals to achieve target recoveries at the higher processing rates.

Whilst most of the upgrade works at Keysbrook were completed before the end of January 2018, the tie in of the new equipment had to be project managed over three days at the end of February to minimise the impact on day to day operations.

The final stage of implementing the 5.25Mtpa Operating Plan requires several upgrades to the Picton mineral separation plant (MSP). In accordance with the original project schedule, this work is about to commence and will be carried out during a planned 3-day shutdown. In order to extract maximum benefits from the new equipment, MZI has established a Technical Committee, which includes a number of industry experts in dry processing plants, to assist with the ramp up profile and achieving key target metrics in both throughput and product recovery.

Work on the refinancing program has continued with a report delivered by a specialist, independent technical engineering group, supporting the program of work and deliverables within the 5.25Mtpa Operating Plan. However, early feedback from prospective lenders has formulated a view that sustainable ramp up metrics should be demonstrated prior to the commitment of funding and it is likely that these additional requirements will extend the completion of the refinancing initiative into the second half of 2018. This being the case the demonstration of sustainable performance against the 5.25Mtpa Operating Plan will provide the platform for an optimal result from the refinancing.



Given this change in timeline, MZI is progressing discussions to restructure its current short-term funding arrangements, notably with regard to the US\$31m Additional Working Capital Facility (AWCF) provided by RCF. This Facility has served to fund an extensive range of activities over the past year, including production optimization and upgrade plans, enhanced noise management/regulatory compliance initiatives and general working capital requirements including a number of mining access agreements and land purchases. The Company is pursuing an extension to the maturity date of the AWCF from 1 April 2018 to a date that better aligns with the implementation of the 5.25Mtpa Operating Plan and the extended refinancing process.

MZI's Managing Director Martin Purvis said: "there has been a tremendous effort by everyone at Keysbrook and Picton to safely implement the 5.25Mtpa Operating Plan with minimal delays and whilst a number of factors and challenges have limited the ability to ramp up throughputs as quickly as originally planned, the efforts mentioned have already delivered a clear indication of future potential and this bodes exceptionally well for the longer-term outlook for the Keysbrook project."

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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. Production commenced in late 2015, making the Keysbrook Project Australia's first – and the world's largest – primary producer of high value leucoxene.

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