

ASX ANNOUNCEMENT

21 December 2018



Business Update

- *Funding discussions continuing with key stakeholders.*
- *Relocation and recommissioning of the Mine Feed Unit (MFU) completed on time and on budget.*

MZI Resources Ltd ("MZI") provides the following updates on recent corporate and operational activities.

Funding Discussions

As noted in the September Quarterly Activities Report, the Company is engaged in discussions with major shareholder Resource Capital Funds VI LP ("RCF") and senior debt provider RMB Australia Holdings Limited ("RMB") regarding the Company's existing debt obligations as well as the ability to access additional funding to meet the costs associated with planned operational upgrades at both the Keysbrook and Picton production facilities during 2019. As indicated in the Independent Auditor's Report included in the Company's 2018 Annual Report, the Company's ability to continue as a going concern remains dependent upon the Company being able to reach an acceptable outcome regarding its existing debt obligations.

These discussions are continuing and MZI expects to provide further details of these discussions in the near future.

Keysbrook Operations

As previously reported¹ and as part of the mine plan and operational schedule, MZI relocated the Mine Feed Unit to a new location (MFU3) approximately 1km east of the Keysbrook Wet Concentrator Plant (WCP) in November 2018. This relocation represents a significant step forward in the ongoing operational improvement program at Keysbrook by virtue of the better efficiency and cost benefits associated with the move.

The relocation process was completed safely, on time and on budget at the end of November 2018. Ore processing resumed inside three days, ensuring minimal interruption to processing and HMC production.

Notably, the relocation to a more central position within the current mining area is expected to substantially reduce average ore haulage distances for the next year of planned operations. Since the relocation, average tramming distances have reduced from approximately 1.7km to 0.5km, significantly reducing cycle times, fleet requirements, fuel and trucking costs.

The successful relocation of the MFU should facilitate further continuous improvements in cash costs at Keysbrook that have been in evidence since the start of calendar 2018.

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¹ Refer September Quarter Activities Report dated 30 October 2018 and Annual General Meeting presentation dated 22 November 2018.



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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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.