



ASX ANNOUNCEMENT

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Preliminary testwork demonstrates further potential of Keysbrook Project

- Preliminary testwork results demonstrate potential to increase Keysbrook heavy mineral recoveries by 10% with additional gravity and separation stages
- Results could add significant value and further enhance the positive long-term potential of the Keysbrook Project
- Second stage of testwork program planned
- Keysbrook Project remains on track for commissioning in December quarter 2015

MZI Resources Ltd (ASX:MZI) is pleased to provide an update on testwork to further increase heavy mineral recoveries, particularly for the primary Leucoxene L88 product, at its flagship Keysbrook Project in Western Australia.

Encouraging initial results have now been collated from the first program of testwork completed at Allied Mineral Laboratories in July 2015.

The testwork demonstrates that overall heavy mineral recovery can be increased by a minimum of 2.4% with the addition of an extra stage of MG12 spirals to treat a middling tailings stream produced from the wet concentration plant (WCP).

Virtually all of the increase in recovered heavy minerals is in L88, Keysbrook's primary product, which makes up approximately 50% of contained heavy minerals and up to 55% of total annual sales revenue. The indicated increase would lift total L88 recovery in the WCP by approximately 5%, from 71% to 76%.

Additionally, the testwork has indentified the potential to increase total heavy mineral recovery by a further 7% through the addition of further separation stages.

Achieving even half of this 7% increase, combined with the 2.4% recovery increase identified above, would translate to an uplift in total heavy mineral recoveries from 85% to more than 90% and increase L88 recovery in the WCP to 83% from the current forecast L88 WCP recovery of 71%. If an increase in mineral recovery of the potential 7% was achieved, L88 recovery in the WCP would increase to approximately 90%.

MZI Managing Director, Trevor Matthews, said *"These extremely encouraging results indicate the significant potential upside at what will already be a high-margin, low cost, long life mineral sands project. We look forward to completing*

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the next round of testwork and further enhancing the already positive long term outlook for Keysbrook.”

Given the significant potential value uplift from an increase in L88 production and sales, MZI has commenced a second program of testwork to better define the optimum route to achieve the above targeted improvements.

The testwork program will have no impact on the current construction and commissioning schedule for Keysbrook. As previously reported, Keysbrook was 82% complete at the end of July and remains on track to commence commissioning in the December quarter of 2015, followed by first product sales in early 2016.

In its existing configuration and at prevailing prices and foreign exchange rates, the Keysbrook Project is expected to be a high margin operation with forecast earnings before interest, tax, depreciation and amortisation (EBITDA) of approximately \$39.9 million in its first full year of production, representing an EBITDA margin of approximately 50%¹. An increase in recoveries would potentially have a significant positive impact on the project's sales revenue, EBITDA and EBITDA margin.

The Keysbrook Project, located approximately 70 kilometres south of Perth in Western Australia, is planned to produce in excess of 95,000 tonnes of leucoxene and zircon products annually.

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¹ Refer "Keysbrook Financials" in ASX Investor Presentation dated 28 May 2015. EBITDA assumptions have been updated to reflect USD:AUD of 0.7168 and prevailing spot prices for zircon and rutile as at 28 August 2015.