

Keysbrook moves to positive cashflow

- **Keysbrook operations expected to achieve positive cashflow in September quarter**
- **Project forecast to remain cashflow positive at current production rates and pricing**
- **Evaluation and selection of optimum expansion pathway to be completed in first half 2017**
- **Land access and approvals being progressed**

MZI Resources Ltd (ASX:MZI) is pleased to announce that its flagship Keysbrook Mineral Sands Project is expected to generate positive cashflow in the September 2016 quarter and is expected to continue to be cashflow positive based on current production performance at prevailing and forecast commodity prices and exchange rates.

The current quarter performance reflects a significant improvement in operational performance since the previous quarter and includes revenue received in July from the record \$9.8m leucosene shipment in late June, zircon concentrate sales since the start of July and an L88 shipment scheduled for next week. Based on current forecast operational performance, and assuming that there is no material adverse change to mineral sands prices, product demand or USD:AUD exchange rates, as per current assumptions, the project is expected to continue to be cashflow positive on an annualised basis going forward as it continues its scheduled leucosene and zircon shipments under existing long-term offtake contracts.

Importantly, the project is on track to achieve positive cashflow in advance of the previously announced upgrades to the Keysbrook Wet Concentrator Plant (WCP), which are scheduled to occur in late September.

Positive cashflow from operations will assist the Company to finance the installation later this month of 48 additional large capacity spirals and a new screening unit at the WCP, as well as contributing part funding for capex needed to bring forward access to new mining areas as a result of recent optimisation of the Keysbrook mine plan.

Keysbrook is already a world class orebody, rich in high value leucosene and zircon, with the potential for a multi-decade operating life. Current Ore Reserves of 72 Million tonnes grading 2.2% Heavy Minerals are equivalent to +15 years' operation at current production rates but represent less than half the total Keysbrook Mineral Resources of 155 Mt @ 2.0% HM¹. Mineralisation at Keysbrook also remains open to the north, south and west, meaning there remains strong potential to progressively grow the already world-class Keysbrook resource to extend the life of the operation.

Consequently, MZI has commenced activities to support the potential expansion of the Keysbrook Project. This includes advanced discussions with a number of farm property owners for land access within the Ore Reserve footprint, engagement with the EPA on the required environmental approvals and local shire councils and regional development bodies regarding future mine development plans.

¹ Refer ASX releases dated 7 August 2015 and 23 March 2016.



In addition to expanding the area covered by current land access arrangements and approvals for the Keysbrook Project, the Company is moving to complete a detailed evaluation of options to expand production at Keysbrook building on a high level options study undertaken in 2015 prior to commissioning of the Keysbrook project, and before the Company significantly increased its Ore Reserves. The high-level evaluation identified over 20 alternative scenarios, ranging from a simple increase in WCP throughput and contracted dry plant processing time at Picton through to a doubling of overall mining and processing capacity.

The assessment of the most attractive options identified in the previous high-level scoping work to determine the optimum route, including targeted production capacity and detailed capital and operating estimates, is expected to be completed in the first half of calendar 2017.

Discussions with potential customers for the expanded production have been undertaken and the Company is confident of entering into additional sales contracts for the expanded production of leucoxene and zircon products.

MZI Managing Director Trevor Matthews said *“It is enormously satisfying to see Keysbrook achieve sustainable positive cashflow so early in its operating life, especially as it comes before we have completed the scheduled plant upgrades which we expect will take production to targeted levels.”*

“We are encouraged by the steadily growing evidence of improving pricing and demand for high quality titanium dioxide feedstocks, including Keysbrook leucoxene, which is very positive for the long term outlook for Keysbrook and MZI.”

“Consequently, we think the time is right to start planning for the potential future expansion of Keysbrook to consolidate MZI as one of the world’s premier long life producer of premium quality mineral sands products. We look forward to fast-tracking this next phase of evaluation and development and so pave the way to unlock even more value for shareholders from the Keysbrook Project.”

For further details, please contact:

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Competent Person’s Statements – Mineral Resources

The information in this report which relates to Mineral Resources is based upon information compiled by Mrs Christine Standing (in relation to the Keysbrook Project) who is a Member of the Australasian Institute of Mining. Mrs Standing is an employee of Optiro Pty Ltd and has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration and to the activity undertaken 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. Mrs Standing consents to the inclusion in the report of a summary based upon her information in the form and context in which it appears

The information in this report which relates to Mineral Resources is based upon information compiled Mr John Baxter (in relation to the Railway Deposit) who is a Member of the Australasian Institute of Geoscientists. Mr Baxter is a Consulting Geologist with sufficient experience relevant to the style of mineralisation, the type of deposit under consideration and to the activity being undertaken 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. Mr Baxter consents to the inclusion in the report of a summary based upon his information in the form and context in which it appears.

Competent Person’s Statements – Ore Reserves

The information in this report which relates to Ore Reserves has been compiled by Jean-Pierre Adams (MAusIMM) of MZI, under the direction of Andrew Law of Optiro, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Law has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Mineral Resources and Ore Reserves”. Mr Law consents to the inclusion in the report of the matters compiled by him in the form and context in which it appears.