

## Leucoxene Sales Agreements – Volume Reduction Notice

- **Reduction of L70 and L88 sales from current contracted volumes for second half 2016**
- **Approximately 73 per cent of 2016 production remains committed under current sales contracts**
- **Strong marketing links established to sell balance of 2016 leucoxene production**

MZI Resources Ltd (ASX:MZI) advises that it has received formal notification from its leucoxene offtake customer that under the terms of the L70 and L88 five year sales agreements, it is exercising its contractual right to reduce the quantity of each product to be purchased by the customer in the current contract year. As MZI understands the customer's position and under the terms of the sales agreements, the reduction is being applied to all the customer's contracted sales volumes for equivalent material and is in accordance with their current global pigment production strategy.

The reduction in volume of L70 and L88 to be purchased in the 2016 calendar year, which coincides with the contract year, is 6,440 tonnes of L70 and 6,750 tonnes of L88.

The volume reduction does not take effect for three months from the receipt of the notice and therefore sales commitments for the next three months will not be affected.

There will not be any impact on sales of zircon concentrate, which is fully committed to Tricoastal/Wensheng, China's largest zircon processor, under a five year offtake agreement.

During the past 12 months MZI has established effective marketing links for the sale of its leucoxene production and expects strong interest for all available L88 and L70 due to the high quality and value-in-use benefits of Keysbrook leucoxene products.

As indicated previously, MZI is in active discussions with a number of parties regarding the potential supply of leucoxene from the Keysbrook Project. Prospective customers include Jinzhou Titanium Industry Co, one of China's leading chloride pigment producers, which signed a Letter of Intent and Co-operation regarding potential L88 supply in December 2015. The Company is currently finalising a sample shipment of L88 to Jinzhou for trial processing, as a precursor to further negotiations (*refer 4 December 2015 ASX announcement*).

Despite the reduced purchasing requirement, the customer remains the Company's largest offtake counterparty and will continue to purchase approximately 40,000 tonnes of leucoxene products from MZI this calendar year, accounting for approximately 55% of all planned leucoxene production from Keysbrook. Including the planned zircon concentrate production and sales, approximately 73% of planned 2016 production remains committed under existing sales contracts.

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