

ASX ANNOUNCEMENT

22 April 2016



Keysbrook Operational Update

- L70 and Zircon production ramping up
- Initial L88 shipment rescheduled to later in June Quarter
- L88 recovery improvement program underway
- Total March quarter product sales of 11,397 tonnes

MZI Resources Ltd (ASX:MZI) provides the following update relating to the ramp up of MZI's flagship Keysbrook Mineral Sands Project, ahead of the scheduled release of the Company's March 2016 quarterly activities report at the end of April.

Product Sales

As previously reported, sales of zircon concentrate from the Keysbrook operations commenced in late December 2015. Leucoxene sales commenced in mid-March when the first shipment of L70 was exported from Bunbury Port.

The first shipment of L88, originally targeted for late March/early April, is now scheduled to occur later in the current quarter reflecting slower than expected build-up of saleable L88 stocks and the timing of customer-arranged shipping schedules.

Despite the rescheduled L88 shipment, sales of all products for the March quarter totalled 11,397 tonnes, comprising 4,572 tonnes of zircon concentrate and 6,825 tonnes of L70.

With larger shipment sizes (some representing approximately 3 months of production), shipping volumes and revenue will vary from quarter to quarter reflecting customer delivery requirements and the time needed to build sufficient final product stocks. MZI is responsible for arranging all zircon concentrate shipments, while contracted leucoxene shipments are arranged by the Company's offtake customer to suit their product delivery requirements and shipment schedule.

Keysbrook Operational Performance

Following the attainment of nameplate plant throughput rates and reliability performance in late 2015, the operational focus has turned to improving heavy mineral recovery both at the Keysbrook Wet Concentrator Plant (WCP) and Doral's Mineral Separation Plant (MSP) and achieving sustainable long term throughput rates and plant reliability.

Production of Heavy Mineral Concentrate at the WCP totalled 19,566 tonnes in the March quarter, up from 16,008 tonnes in the preceding quarter. Production of saleable products for the March quarter increased by 173% to 16,168 tonnes, compared with 5,885 tonnes in the previous quarter as indicated in Table 1.

Table 1 – Keysbrook Production

	Unit of Measure	Dec-Qtr-2015	Mar-Qtr-2016	Total YTD
Mined Grade	% HM	2.99	2.58	2.74
WCP Availability	%	82.4	83.5	83.0
MSP Availability	%	Commissioning	85.7	85.7
HMC Production (WCP)	dt	16,008	19,566	35,574
L70	dt	2,315	6,337	8,652
L88	dt	1,795	4,943	6,738
Zircon concentrate	dt	1,775	4,888	6,633

While recovery of zircon is broadly in line with design with some variability in L70 recovery performance, high recirculating loads in the WCP have resulted in L88 recovery rates being below design. A program of changes to plant operations including a relatively simple operational change to unload the spiral circuit and low cost WCP flowsheet changes was initiated midway through the March quarter to address the recirculation issue, improve recoveries and achieve targeted L88 production rates. The optimisation program is in its early stages, however an improvement trend is already evident. In addition, Doral has commenced work to improve lower MSP throughput rates and L88 recovery prior to the next monthly MSP processing run scheduled for mid-May.

Operating expenditure was lower than planned for the quarter, reflecting lower energy usage and fuel costs, with cashflow adversely impacted by the lower L88 production and the resulting effect on short-term sales volumes and costs associated with the production improvement program mentioned previously. However, access to contingent facilities under the financing arrangements with both RMB and RCF is being progressed which will enable the Company to manage the impacts on cashflow whilst the L88 production issues are addressed.

MZI Managing Director, Trevor Matthews said “As we continue to work towards design levels of production, these sorts of teething issues are expected during ramp up phases. The MZI team has identified the key operational issues, is working to improve performance and is confident of achieving targeted production.”

Further details of Keysbrook’s performance in the March quarter will be available in the Company’s quarterly activities report scheduled for release in late April.

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