

MZI Resources Ltd: Keysbrook Moves to Positive Cashflow

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Perth - [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.

- 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

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 leucoxene 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 leucoxene 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 leucoxene 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.

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."

About MZI Resources Ltd:

[MZI Resources Ltd.](#) (ASX:MZI) is a mineral sands producer focused on the high value minerals of zircon and leucoxene, and owns the newly commissioned Keysbrook Mineral Sands Mine, 70 km south of Perth in Western Australia.

Development of Keysbrook was completed ahead of schedule and within budget in October 2015, and completed its first shipment of zircon concentrate in December 2015. Keysbrook is designed to produce approximately 96,000 tonnes of zircon concentrate and leucoxene annually, with over 85% of all planned production committed under offtake contracts with blue chip international customers.

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