

ASX ANNOUNCEMENT

25 May 2016



Keysbrook production continues to improve

MZI Resources Ltd (ASX:MZI) is pleased to provide the following update on the production ramp-up at its flagship Keysbrook Mineral Sands Project, 70km south of Perth.

Since the release of the Company's March Quarter Activities Report in late April, production of heavy mineral concentrate has continued to increase from operational changes implemented by the Company at the Keysbrook Wet Concentration Plant (WCP).

Continuing the improvement trend reported in April, MZI advises that total HMC production has increased substantially in May, with total HM recovery in the WCP improving to approximately 90% of design, significantly higher than the average reported in the March quarter (70% of design). Importantly, this increase is predominantly related to L88 production. MZI expects this improvement trend to continue as further changes are progressed to achieve design production rates.

Furthermore, initial signs from modifications to improve throughput and L88 production at Doral's Picton Mineral Separation Plant (MSP) have also been positive, though these remain preliminary as processing of Keysbrook HMC only recently resumed under the Company's month-on-month off tolling agreement.

MZI is advancing to its first major shipment of L88, combined with a second major shipment of L70. The maiden shipment of 6,825 tonnes of L70 was completed in March 2016. Smaller frequent shipments of zircon concentrate, which commenced in late December 2015 and have continued on a regular basis, now exceed 6,400 tonnes.

The ongoing improvement in operational performance continues Keysbrook's progressive ramp-up toward targeted production since operations commenced ahead of schedule in October 2015, with design plant throughput achieved at the WCP and the MSP in November and December 2015 respectively.

MZI Managing Director Trevor Matthews said *"At this very early stage of Keysbrook's operational life, we are very encouraged by the rate at which production continues to ramp up toward design. With L88 sales about to commence, we look forward to again reporting significantly improved production and sales revenue for the current quarter."*

"It is also encouraging to see major producers are reporting early signs of improving demand for titanium dioxide feedstocks that bode well for prices in the medium term."

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