



8 June 2011

## Company Update – Lethbridge South Project

Matilda Zircon (ASX: MZI) advises that following an incident at its Lethbridge South Mineral Sands Project in the Tiwi Islands yesterday a fire developed during construction of the processing facility which resulted in significant damage to parts of the plant, particularly the concentrator and pre-concentrator.

The fire has been fully extinguished and, thankfully, there were no injuries to any Matilda Zircon staff or contractors.

The Company has full insurance cover for the plant and expects to be fully indemnified against any losses sustained as a result of the fire.

Engineers and staff will be working over the next couple of weeks to assess the extent of the damage and determine the various options available to the Company towards minimising delays to the planned re-commencement of production at Lethbridge South.

Lethbridge South is the second of the Company's planned campaign mining projects on the Tiwi Islands, following completion of the successful Lethbridge West Project last year.

With a recent 22% increase in reserves and strong increases in world zircon and rutile prices, the Company is still looking forward to buoyant production and revenue from the Lethbridge South Project over its anticipated 6-month life.

Recently announced mineral sands pricing outcomes by major producers, including increases of 35-40% for zircon for the 3<sup>rd</sup> Quarter and 70-75% for rutile in the second half of 2011, would have a very positive impact on the economics of the Lethridge South Project.

Matilda's Chairman, Mal Randall, said: "While this was a very unfortunate incident for Matilda, our consultants have rallied around us to establish options to source the damaged equipment, and we are confident that we will be in a position to commence production as soon as possible.

"These campaign mining projects in the Tiwi Islands have the potential to generate valuable short-term cash flow, particularly in the current strong market environment for mineral sands, to support our broader objective of developing our other larger-scale mineral sands projects. These include the the long-life Keysbrook Project in the south-west of Western Australia."

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## About Matilda Zircon

Matilda Zircon (ASX: MZI) is a zircon focused, mineral sands company. It has mineral sands projects in the Northern Territory and Western Australia as well as a zircon processing plant in Indonesia. The Company mined the Lethbridge West deposit in 2010 and is preparing to mine the nearby Lethbridge South deposit in 2011. Further exploration drilling for mineral sands is currently being carried out at Kilimaraka in the South East corner of Bathurst Island in the Tiwi islands.

The company has a zircon / leucoxene rich mineral sands project at Keysbrook in the south west of WA which is in the final stages of approvals. Assuming final approvals are gained Matilda plans to start construction at Keysbrook in 2011 and mining in late 2012 / early 2013. Mining is planned to continue at Keysbrook for at least 8 years.

Matilda's strategy is to be a specialised supplier of high grade zircon to the nearby Chinese market. The Company has targeted zircon as a high value mineral sands product, with strong demand fundamentals. Zircon is primarily used to produce ceramic and porcelain products, with demand driven by global urbanisation trends, particularly in countries such as China and India.

For more information visit: [www.matildazircon.com.au](http://www.matildazircon.com.au)

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