



HIGHLIGHTS

COMPANY DIRECTORS

Mal Randall
Non-Executive Chairman
Keith Vuleta
Finance Director
Peter Gazzard
Technical Director
Nathan Wong
Non-Executive Director

MANAGEMENT

Trevor Matthews
Chief Executive Officer

CONTACT DETAILS

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ASX CODE: MZI

- Keysbrook Development debt funding secured
- Shareholders approve RCF Funding Package
- RCF interim loan extended
- Positive FIRB decision received
- Loan facilities documentation being finalised
- Keysbrook construction and operations planning well advanced
- Sale of Tiwi Islands plant settled
- Option rights issue completed

CORPORATE

The Company announced on 10 April 2014 that it had secured a fully underwritten Project Debt funding offer from RMB Australia Holdings Limited ("RMB") totalling approximately US\$64 million which in addition to the US\$42.5 million Funding Package provided by Resource Capital Fund VI L.P. ("RCF") will be used for the development of the Keysbrook mineral sands Project.

On 27 June 2014, MZI shareholders approved the RCF Funding Package and during the quarter RCF advised that it had received the necessary positive advice from the Foreign Investment Review Board ("FIRB") that it had no objections to the Funding Package.

During the quarter, the Company has advanced the negotiation and finalisation of the RMB project finance agreements and RCF funding agreements together with relevant security documentation. The Company has made good progress towards finalising legal due diligence and completing the execution of all financing, construction, operations and land access agreements necessary to meet the requirements of the financiers.

In addition, the Company worked on satisfying a number of the customary conditions for these types of facilities to allow the drawdowns of the RMB Project Debt facilities and RCF Funding Package to commence as soon as possible.

On 1 July 2014, the Company also announced it had reached agreement with RCF to further extend the repayment date of the US\$4.5 million short-term loan facility from 30 June 2014 to 14 July 2014, and later on 14 July 2014 also further extended this facility repayment date to 31 July 2014.

The Company continues to progress any further extensions required of the short-term loan facility with RCF and in the future, the Company will update the market in circumstances where there is a material change to the terms or conditions of any of the RCF Facilities.

At the General Meeting held on 27 June 2014, shareholders resolved, in addition to the approval of the RCF Funding Package, to:

- approve the conversion of US\$1 million of the US\$4.5 million short-term loan facility into ordinary shares of MZI;
- issue shares to RCF in payment of US\$105,000 in extension fees;
- issue share units to two Executive Directors under the Company's Employee Share Trust Plan; and
- issue options to two Non-Executive Directors.

In addition, 79,500,000 options were issued in satisfaction of the RCF acceptance fees for the US\$21m Convertible Loan and US\$18m Bridge Finance facilities as required under the Terms Sheet with RCF.

During the quarter, the Company has advanced a treasury policy and a foreign currency hedge program with RMB for the construction and operations periods with the assistance of a specialist treasury consultant. A hedge program has been designed and is expected to be agreed with RMB in the near future.

A non-renounceable option entitlement offer (1 new unlisted option for every 5 shares held) was completed in June 2014 with option purchase applications totalling \$133,635 received. These funds have been received by MZI and the options were issued in early July 2014. All Directors took up their full entitlements in the offer.

OPERATIONS

Tiwi Islands

During the quarter, the Tiwi Islands Wet Concentrating Plant ("WCP") and screening plants were sold and are planned to be removed from the Lethbridge site on Melville Island by the purchaser over the September quarter. The transaction has completed with funds received on 30 June 2014.

Once the WCP and screening plants have been removed, MZI will remove all remaining plant and equipment from the Lethbridge site. The accommodation camp has been donated to the Tiwi College at Pickertaramoor and its relocation will coincide with the main plant removal. Surplus ancillary and inventory items such as pumps, pipelines and tools will be relocated to Keysbrook for use at the Keysbrook Project. Any other remaining items will be sold or scrapped in Darwin.

DEVELOPMENT

Keysbrook

The Company has continued to advance the Keysbrook Project whilst it completes the financing process. In order to derisk the project, the Company has adopted an improved construction strategy, established sound commercial arrangements and developed more detailed operational mine planning. These advancements will assist the commencement of development with reduced risk for shareholders.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2014

Engineering, Design and Construction

GR Engineering Ltd, the engineering, procurement and construction contractor, made substantial progress during the quarter on the early stage engineering and design work necessary for the Keysbrook mineral sands project. This includes the wet concentrating plant and mineral separation plant design criteria setting out the ore parameters and flow rates which merge the flow sheet into the design. A Project Execution Plan is also being finalised with GR Engineering.

MZI has significantly advanced project management controls, schedules and systems as part of a broader Project Implementation Plan in preparation for the commencement of construction activities.

The contract with Transmin to construct the Mining Feed Unit ("MFU") for the Keysbrook Project was finalised during the quarter and a strategy of early engineering and design works was undertaken by Transmin in preparation for project commencement. The MFU is a mobile plant that provides screened ore in a slurry to the wet concentrating plant and comprises a dump hopper, conveyor, water sprays, trommel screen and sump.

The Company has agreed contract terms with Western Power for the construction of power infrastructure to the Keysbrook site as well as a power upgrade for Doral's Mineral Separation Plant (MSP) at Picton. The agreement is expected to be executed shortly. This connection will provide power from the south west grid for the Keysbrook operations.

Discussions with the Shire of Murray in relation to road widening of the shire road used for concentrate transport and modifications to a single road intersection were advanced during the quarter.

Offtake Agreements

MZI continued negotiations with a number of prospective customers for the offtake of the Leucoxene L88 product from the Keysbrook Project into the pigment, welding rod and other non-pigment markets. With mineral sands markets currently at the bottom of the price cycle following an extended period of declining demand, the completion of offtake agreements to satisfy the requirements of the project financiers is taking longer than expected.

An offtake agreement for the Leucoxene L70 produced from the Keysbrook Project is in place with DuPont and a binding heads of agreement covering all the zircon concentrate produced from the Keysbrook Project has been executed with Tricoastal Mineral (Holdings) Company. The formal offtake agreement with Tricoastal is now agreed and execution is planned in the near future. Tricoastal is part of Hainan Wensheng High-Tech Materials which is the largest mineral sands processor in China. Tricoastal is also one of MZI's major shareholders with a 4 per cent shareholding.

These binding L70 and zircon concentrate offtake agreements secure approximately 60% of the Keysbrook Project's forecast annual production and 45% to 50% of forecast annual under long term sales agreements.

Mineral Sands Market

The mineral sands market has remained relatively unchanged due to continued disciplined action by the larger producers helping to maintain stability and restore confidence amongst customers. Inventory positions are now more balanced with most of the finished product now sitting with the producers creating an environment where shortages may start to reappear.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2014

Although this is yet to translate into increased prices, prices have remained firm in all sectors which is a positive sign. Accordingly, prices are expected to show gradual improvement throughout the remainder of 2014 and into 2015.

Consumer sentiment has continued to strengthen in North America and Europe supported by a raft of positive economic news. The Chinese economy appears to have turned a corner and is responding to the central government spending stimulus package. This should start feeding into new construction improving the demand for both pigment and ceramics. There appears to be sufficient market momentum to ensure continued demand growth for both TiO_2 and zircon products. Typically the minerals sands industry is a late mover in the business cycle so MZI remains confident of increasing demand which will coincide with the timing of the production and sales from the Keysbrook mine in mid-2015.

Metallurgy and Operations Planning

MZI has continued discussions with major heavy earth-moving equipment suppliers in relation to model selection, specifications and pricing for the final selection of the mining and ancillary equipment fleet supplier. Negotiations are also continuing with several engineering groups to provide innovative solutions for the ongoing mining and ancillary fleet maintenance.

After a competitive tender process, the Company has finalised one of the last material contracts, for the provision of logistics services and storage sheds for the Keysbrook Project. The Company has appointed Giacci Bros as the preferred logistics contractor.

Metallurgical test work programs were completed to provide further confirmation of the flow sheet design for the Keysbrook wet plant and the modifications to Doral's MSP. This was an extensive test programme using bulk samples of ore for each quarter of the mine plan covering the 5.5 year Reserve life. The programme confirmed the flow sheet designs and the planned concentrate and final product recoveries for the project.

Community

MZI has continued to hold regular meetings with local community members through the Community Consultation Group ("CCG") comprising members of the local community, local Shires and the Company. Meetings have been regularly conducted for over 18 months and feedback has been positive. In addition to the CCG, MZI remains active in its engagement with key landowners, government, communities and other groups surrounding the Keysbrook Project.

Following application by the Company, the term of the development and extractive industry licence approvals in respect of the Project have now been extended by both the Shire of Murray (during the December 2013 quarter) and the Shire of Serpentine-Jarrahdale (during the current quarter) to 29 June 2023, an extension of approximately 39 months from the current approvals term. The extension of the term of the approvals enables the Company to complete its mining activities within the current approved mining area during the proposed Reserve life of the Project.

The Company is grateful for the support of both shires and believes the extension of the term of the approvals is indicative of the good relationship developed with both local councils and a willingness to work cooperatively to facilitate the successful development and operation of the Keysbrook Project.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2014

EXPLORATION

The Company has successfully completed the transfer of all tenements and tenement applications which were the subject of the Deed of Settlement with Stirling Resources Ltd and Stirling Zircon Pty Ltd. All tenements and tenements applications are now indisputably owned and title held by MZI Resources Ltd.

The share issue under the Deed of Settlement has been made to Stirling Zircon Pty Ltd.

Greenfields exploration continued to be minimised in both Western Australia and the Northern Territory to allow resources to be concentrated on the Keysbrook mineral sands Project.

Exploration and mineralogy work has continued on the western and southern exploration areas of the Keysbrook Project. Drilling is planned as part of the grade control process which will help contribute additional information to assist the exploration program.

The Company has applied for a new exploration licence immediately west of the proposed plant location (E70/4628) and is presently undertaking an assessment of the prospectivity of both this licence and the area to the immediate south of the Keysbrook Project mining area.

For further details please contact:

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SCHEDULE OF TENEMENTS AS AT 30 JUNE 2014

Tenement	Location	Status	Registered Holder	Interest at quarter end
E70/2673	Pinjarra, WA	Application	MZI Resources Ltd	100%
E70/2407	Pinjarra, WA	Granted	MZI Resources Ltd	100%
E70/2610	Pinjarra, WA	Granted	MZI Resources Ltd	100%
EL29800	Croker Island, NT	Application	MZI Resources Ltd	100%
EL29839	Arnhem Land, NT	Application	MZI Resources Ltd	100%
EL25457	Anson Bay, NT	Application	MZI Resources Ltd	100%
EL25458	Anson Bay, NT	Application	MZI Resources Ltd	100%
EL25459	Anson Bay, NT	Application	MZI Resources Ltd	100%
EL25460	Anson Bay, NT	Application	MZI Resources Ltd	100%
EL25461	Anson Bay, NT	Application	MZI Resources Ltd	100%
EL26421	Anson Bay, NT	Application	MZI Resources Ltd	100%
ML26471	Tiwi Islands, NT	Application	MZI Resources Ltd	100%
ML26472	Tiwi Islands, NT	Application	MZI Resources Ltd	100%
ML26475	Tiwi Islands, NT	Application	MZI Resources Ltd	100%
ML26476	Tiwi Islands, NT	Application	MZI Resources Ltd	100%
ML26477	Tiwi Islands, NT	Application	MZI Resources Ltd	100%
EL23862	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
EL24329	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
EL24851	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
ML24510	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
ML24511	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%
ML27438	Tiwi Islands, NT	Granted	MZI Resources Ltd	100%