



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 Project Funding Restructured
- Positive change in MZI Share Register
- Interim Loan Facility increase and extension agreed with RCF
- Extension of key EPA approval condition
- Continuing progress on Keysbrook engineering works
- L88 Offtake negotiations nearing completion

CORPORATE

During the quarter, the Board of MZI was offered and has accepted revised financing offers from RMB Australia Holdings Limited and Resource Capital Fund VI L.P. (RCF). The revised combined financing package of US\$109.5 million is a slight increase from the previous US\$106.5 million package. For further details please see the ASX announcement made on 3 September 2014.

The financing package was restructured to better suit the ongoing requirements of the Keysbrook Project. The provision of a new standby facility, a significant new foreign exchange hedging facility and the changes to funding commitments by the individual lenders will, subject to shareholder approval, enable MZI and the financiers to progress toward completion of the finance and security agreements very shortly. The revised RCF funding package is being considered at a General Meeting of shareholders on 7 November 2014. Please refer to the Notice of Meeting lodged with ASX on 9 October 2014 for further information.

The revised financing package further de-risks the Project by providing a contingent capital cost overrun facility, providing protection against adverse movements in exchange rates and gives greater certainty that MZI has sufficient funding to carry the Company through construction, commissioning and ramp up of the Keysbrook Project through to full production and in a timeframe that will maximise shareholder value.

On 6 August the Company announced that Stirling Resources and its Austrian parent, DCM DECOMetal GmbH, had been engaged in a process of liquidating its assets in Australia and the sale of its MZI shareholding was a part of that process.

With the support of Argonaut Securities and Azure Capital acting as adviser for DCM, the entire Stirling Resources' holding in MZI shares was transferred to supportive institutional funds, high net worth investors and MZI management and staff.

The Company welcomed the significant change in shareholders arising from this sale

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including two new substantial shareholders and greater management and staff ownership.

On 26 August the Company advised the market that RCF agreed to increase the size of the existing short-term loan facility (Facility) from US\$4.5m to US\$7.5m by making available an additional US\$3.0m of funding.

Partial repayments were made against the Facility including US\$1m repaid by the issue of MZI shares following approval by shareholders at the 27 June 2014 General Meeting and an additional issue of shares paying fees and partially repaying the Facility by increasing RCF's shareholding in MZI from 17.1% to 19.9%. This followed the necessary approval being received under the Foreign Acquisition and Takeovers Act. The Interim Facility balance of approximately US\$6.0m will be repaid from funds from the drawdown of the RCF Funding Package.

OPERATIONS

Tiwi Islands

During the quarter, the Tiwi Islands wet concentrating plant (WCP) and screening plants were removed from the Tiwi Islands. The removal of the plant was managed and paid for by the purchaser. MZI received payment for the sale of the WCP on 30 June 2014.

MZI will remove all remaining plant and equipment from the Lethbridge site after the wet season in 2015. Surplus ancillary and inventory items such as pumps, pipelines and tools will be relocated to Keysbrook for use at the Keysbrook Project. Any remaining items surplus to requirements will be sold or scrapped in Darwin. The accommodation camp has been donated to the Tiwi College at Pickertaramoor with MZI to relocate the facility to the College site.

DEVELOPMENT

Keysbrook

GR Engineering Services Ltd (GR Engineering), the engineering, procurement and construction contractor, continued early stage engineering and design work during the quarter, as well as providing initial drafts of the proposed project execution plans for each of the Keysbrook and Picton construction sites.

There has also been substantial work by the Company's Development Team, together with GR Engineering, preparing for the commencement of the construction program with major activities including, updating both plant's Process Design Criteria, confirmation and finalisation of the Basis of Design, reviewing the Project Execution Plan and aligning the safety management and responsibilities for the construction activities at Keysbrook.

GR Engineering has now largely completed its early stage works in preparation for a final investment decision on the project.

During the quarter, the Company finalised the construction agreement with Transmin Pty Ltd (Transmin) to provide the Mining Feed Unit for the Keysbrook site. Transmin has completed early engineering and design works in preparation of project commencement.

Additional feedback from the Shire of Murray in relation to project related road works was received, with arrangements with respect to these works being clarified and finalised.



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The Company has also completed negotiations and documentation with Western Power for the construction of a 22kv power line to the Keysbrook site accessing the state owned power grid.

Other key activities during the quarter included work to finalise the project controls, which incorporates, amongst other items, the Project Schedule, Work Breakdown Structure, reporting and progress measurement framework, Project control plans, Project implementation plans and contract variation control.

Offtake Agreements

MZI continued discussions 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. While the minerals sands markets are experiencing some recovery with supply and demand moving towards a balanced position, there is some uncertainty about the timing for this to occur. While slow progress was made during the quarter with an L88 offtake agreement to satisfy the requirements of the project financiers, this agreement is expected to be finalised shortly.

An offtake agreement for the Leucoxene L70 produced from the Keysbrook Project is in place with DuPont. A formal agreement covering all the zircon concentrate produced from the Keysbrook Project for a five year term has been finalised and executed with Tricoastal Mineral (Holdings) Company. Tricoastal is part of Hainan Wensheng High-Tech Materials, 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 revenue under long term sales agreements.

Mineral Sands Market

The mineral sands market has continued to show signs of recovery with supply and demand moving into a more balanced position. The larger Tier 1 producers have helped maintain stability by restricting production that has in turn reduced the amount of inventory that has been overhanging the market. This has resulted in stable prices and has helped to restore much needed confidence to buyers. The ongoing economic recovery in North America has improved the demand for TiO₂ pigment which augurs well for the near future. Although the slowing Chinese economy has been experiencing lower demand for construction-related materials such as ceramic tiles, it is in transition and with mineral sands at or near the bottom of the market cycle, there is a positive outlook for future prices.

It is expected that prices will remain flat for all products over the remainder of the year with no significant improvement expected before the middle of next year. The flat conditions have been more prolonged than expected but the sentiment is that mineral sands is at or near the bottom of the cycle and has significant upside potential. Improving consumer sentiment and global growth, and improvement in the Chinese economy remain key to stronger future demand. It will be important that mineral sands producers maintain a disciplined approach and not oversupply the market with excess production before the market has a chance to fully recover.

The delays to the Keysbrook Project could be beneficial as strengthening demand should coincide with the commencement of production and sales in late 2015 / early 2016.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2014

Metallurgy and Operations Planning

MZI has continued negotiations with major heavy earth-moving equipment suppliers in relation to assessing the mining equipment operability and maintenance regimes ahead of an important equipment selection process. Negotiations are also continuing with several engineering groups to provide innovative, cost effective solutions for the mining, ancillary fleet and fixed plant ongoing maintenance.

The Company had previously, after a competitive tender process, appointed Giacci Bros as the preferred logistics contractor. During the quarter, the Company finalised this important element of the project, executing a contract with Giacci Bros for the provision of logistics services and storage sheds for the Keysbrook products.

The Operations Team in preparing for the commencement of construction, are reviewing the schedule of operational tasks required to be completed during the plant construction period and ensuring these activities are properly aligned to the construction schedule. The activities include the development of detailed recruiting and training plans as well as scheduling of pre-mining earthworks and commissioning related tasks.

Health, Safety and Environment

MZI commenced the process of extending the substantial commencement date for the Keysbrook Project under Ministerial Statement 810, the Project's key environmental approval, which required the Project to substantially commence works by 19 October 2014. This process was finalised shortly after the end of the quarter, with the issue of a revised Ministerial Statement by the Western Australian Minister for Environment amending the substantial commencement date to 19 October 2019.

Other activities centred around operational readiness continued throughout the quarter. This included the preparation and review of safe work procedures, investigation of IT solutions for management system tools and preparation of annual compliance report submissions for the Office of the Environmental Protection Authority (OEPA), Shire of Murray and Shire of Serpentine Jarrahdale. These reports are required under the Project's existing statutory approvals (Ministerial Statement 810 and local planning approvals).

A comprehensive review of the Project's Acid Sulfate Soils Management Plan was undertaken to align the management strategy with current guidelines. A revised Plan is expected to be endorsed by the OEPA during the next quarter.

Community

MZI continues to engage on a regular basis with the local community and will work closely with nearby neighbours and other key stakeholders in regards to significant milestones and activities for the construction phase. A Suppliers Briefing will be held later in the year for local and state based suppliers to receive further information on Keysbrook development tender packages. MZI has a priority to employ and appoint local contractors wherever possible.

Looking ahead, MZI will consider sponsorship applications from local community groups in and around the Keysbrook project area. The Company-sponsored Keysbrook Community Consultation Group will consider and make recommendations on all applications received. The Company is looking forward to being able to make a positive and sustainable contribution to the local communities.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2014

EXPLORATION

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.

Assessment of the new Exploration Licence application (E70/4628), which is directly adjacent to the Keysbrook Project, including a review of historical drilling data by former lease holders, has indicated that there is a high probability that mineralisation extends beyond the presently known boundaries of the Keysbrook deposit, particularly to the west of the proposed plant location. MZI is planning exploration drilling as part of the grade control program to test for extensions to the deposit outside the current Resource boundary and including the new Exploration Licence application area.

Planning and preparatory works for the upcoming mine grade control, exploration drilling program and a further program of metallurgical test work at Keysbrook commenced during the quarter.

For further details please contact:

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QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2014

SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 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%
E70/4628	Pinjarra, WA	Application	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%