



HIGHLIGHTS

- Keysbrook Project finance documents executed
- Construction Contract executed
- DuPont L88 Sales Agreement signed
- Keysbrook Project commenced
- Share Consolidation completed
- Settlement with Stirling
- Receipt of funds gets construction underway

COMPANY DIRECTORS

Mal Randall
Non-Executive Chairman

Trevor Matthews
Managing Director

Peter Gazzard
Technical Director

Nathan Wong
Non-Executive Director

SENIOR MANAGEMENT

Keith Vuleta
Chief Financial Officer

Jamie Wright
Chief Development Officer

John Traicos
Legal Manager & Company Secretary

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CORPORATE

The quarter was a landmark quarter for the Company and its wholly owned subsidiary Keysbrook Leucoxene Pty Ltd. Key activities and achievements for the quarter were:

- The Company executing and entering into Finance agreements for a total project funding package of approximately US\$110 million with finance providers, RMB Australia Holdings Limited (RMB) and Resource Capital Fund VI L.P (RCF).

Further details of the project funding package are included in the ASX announcements dated 3 September 2014 and 13 November 2014.

- The Board formally resolved on 3 December 2014 to confirm its Final Investment Decision and proceed with the development of the Keysbrook Mineral Sands Project after it had satisfied all conditions precedent to access project funding.
- The Company commenced drawdown of the Project Funding facilities. In December the Company received funds of US\$37.5 million from RCF which it used to commence the development of the Keysbrook Mineral Sands Project, repay its approximately US\$6.5 million short term debt and settle the acquisition of a Keysbrook property securing the location of the wet concentrator, infrastructure, administration facilities and initial mining activities. The Company is, with its other Keysbrook properties, now a significant freehold landholder in the Keysbrook area.
- The Company finalised negotiations and executed its third sales agreement and second agreement with DuPont Titanium Technologies for 25,000 tonnes per annum of leucoxene 88% titanium dioxide (L88) from the Keysbrook Mineral Sands Project. The agreement is for an initial term of five years with options to extend the term.

Importantly this agreement means that approximately 85% of Keysbrook's planned annual production by volume has now been sold under long term contracts.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2014

- The Company executed a lump sum, turn-key construction contract with a value of \$54.6 million, for the Keysbrook Mineral Sands Project with GR Engineering Services Limited (GR Engineering).
- The Company provided commencement notices to all key Keysbrook Project contractors and to other stakeholders.

The Company reported that it had reached an agreement with the Stirling Resources parties in full and final settlement of all outstanding obligations arising from an earlier settlement. By payment of \$1.6 million a royalty agreement was terminated and a \$1.0 million deferred payment and accrued interest obligation were satisfied. The settlement will have a positive impact on the Keysbrook Project through reducing future commitments. Refer to the ASX announcement on 10 December 2014 for further details.

In December the Company announced that its current CEO, Mr Trevor Matthews, was appointed as Managing Director and joined the Company's Board of Directors. Also in December, Mr Keith Vuleta stepped down from the Board and will remain in the position of Chief Financial Officer.

Further additions to the MZI Board are expected to be made in 2015 with the aim of increasing the number of independent non-executive directors.

The Company completed its equity reconstruction with the finalisation of the one for forty ordinary share consolidation during the quarter. In addition, at the Annual General Meeting, MZI shareholders approved the extension of the exercise date for the Rights Issue Options from 30 June 2015 to 30 October 2015. The Company will continue to evaluate various capital management initiatives that provide value to shareholders.

In accordance with the RCF Facility Agreement, the number of shares to satisfy the repayment of the US\$21 million Convertible Loan principal is 8,165,301 ordinary shares. RCF may elect to have the MZI shares issued at any time up to the maturity date of the facility, being May 2019. Alternatively RCF can elect to have the Convertible Loan repaid with cash on the maturity date.

MZI finished the December 2014 quarter in a strong financial position with \$21.5 million in cash and undrawn available facilities of \$85.9 million.

Total issued capital is 78,208,830 ordinary shares with a further 8,429,833 unlisted options with varying exercise prices and maturity dates.

DEVELOPMENT

Keysbrook

The Keysbrook Project formally commenced during the quarter.

Following execution of the construction contract in November 2014, GR Engineering, the engineering, procurement and construction contractor for the bulk of the project works, was given notice to commence work in early December. The contract is a lump sum, turn-key arrangement of \$54.6 million for construction of the wet concentrator plant and associated infrastructure at the Keysbrook site and the expansion and upgrade of the mineral separation plant owned by Doral Mineral Sands Pty Ltd.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2014

Also in December, Transmin Pty Ltd commenced construction of the Mine Feed Unit and Western Power commenced works associated with the provision of power infrastructure to the Keysbrook site.

Construction contractors have been undertaking detailed design activities ahead of the construction effort, with GR Engineering mobilisation to the Keysbrook and Doral sites anticipated to occur on schedule in early February 2015. MZI has been working closely with the respective contractor teams with respect to engineering drawings and execution plans required ahead of site activities.

Offtake Agreements

During the December quarter MZI concluded negotiations and executed a sales agreement with DuPont Titanium Technologies, a DuPont business, for 25,000 tonnes per annum of L88 from its Keysbrook Mineral Sands Project. The agreement is for an initial term of five years with options to extend. Along with the other offtake agreements this now satisfies the requirements of the project financiers.

An offtake agreement for the Leucoxene 70% titanium dioxide (L70) produced from the Keysbrook Project is already in place with DuPont. A formal agreement covering all the zircon concentrate produced from the Keysbrook Project has been finalised and executed with Tricoastal Mineral (Holdings) Company. 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. These binding L88, L70 and zircon concentrate offtake agreements now secure approximately 85% of the Keysbrook Project's forecast annual production under long term agreements.

MZI is now in discussion with a number of prospective customers for the remaining Leucoxene L88. In addition to other pigment producers, it is planned to offer the product into the welding rod and titanium metal markets to broaden the customer base and achieve higher prices. There is keen interest being shown in the L88 so annual production is expected to be close to fully committed by the end of 2015.

Mineral Sands Market

The mineral sands market has remained stable with prices largely unchanged as the industry continues to move through a period of adjustment.

Chloride pigment demand has continued to recover with supply and demand moving to a balanced position driven by the expanding US economy. It is expected that the US economy will continue to grow strongly throughout 2015 further increasing the demand for pigment in various applications. Pigment demand is typically highly correlated to economic activity which augurs well for the future.

The zircon market has remained steady due to the support of the larger zircon producers who are curtailing production and limiting any build up of inventory. This has provided clear signalling on price which has helped to restore much needed buyer confidence. It is expected that moves by the Chinese government to lower interest rates will eventually flow into renewed building activity which will boost the demand for ceramic tiles. Looking beyond China it is expected that the demand for ceramic tiles will improve in the Euro zone in response to the economic stimulus that is now expected and in India which is also displaying rapid economic growth. Both of these economies are important ceramic consumers that can influence global demand.

The timing for the commencement of Keysbrook sales in 2016 remains positive as its development will coincide with an expected improving market as the world economy continues to recover.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2014

Metallurgy and Operations Planning

MZI has reached agreement in principle for the financing and supply of heavy earthmoving equipment for mining operations including the provision of maintenance services and a maintenance workshop. The heavy earthmoving equipment is scheduled to arrive on site at Keysbrook in July 2015 when pre-mining activities will commence.

Proposals were sought from a number of recruitment firms in December with an award to be finalised in January. The recruitment process will commence in mid-January to employ senior maintenance, health and safety and some senior operational staff to commence in March and April. The balance of the operating and maintenance staff will be recruited to commence with the Keysbrook Project mid 2015.

MZI has developed a training matrix for all Keysbrook employees. A training consultant has been employed, starting in early February to assist in sourcing and developing safety and skills based training programs in readiness for operations.

The Operations Team was heavily involved in reviewing engineering plans from key construction contractors over December and this will continue throughout the next quarter.

Health, Safety and Environment

Ministerial Statement 984 was issued by the Minister for Environment which extended the date of substantial commencement of the Project under the Environmental Protection Act approval to 19 October 2019. This extension facilitated the commencement of site works in January 2015.

Under Ministerial Statement 810, the Project's principal environmental approval, MZI is required to protect 75 hectares of native vegetation in perpetuity as an environmental offset. Following the Keysbrook Final Investment Decision, MZI finalised and executed covenants with the Commissioner of Soil and Land Conservation to provide for the protection of 75 hectares of land. Under the covenants, MZI shall undertake habitat improvement within this area over the life of the Project.

Planning for commencement of operational activities was ongoing through the quarter with a focus on site procedures and contractor management. MZI also reviewed software solutions supporting the HSEC Management System, eventually selecting the Myosh safety management software product. Myosh is a modular occupational health and safety system management tool that primarily integrates hazard reporting, incident reporting, task allocation and actions while supporting easy access to safety information and tools for operational staff.

Community

A supplier briefing was held on 16 December 2014 at the Serpentine Hall in the Keysbrook region. In excess of 200 local and state based suppliers attended this event to ascertain project related tender and award package information. The Company is committed to utilising local suppliers and service providers wherever possible.

Communications to MZI's stakeholders continued throughout this period which included updates to registered suppliers, letters to nearest neighbours, meeting with Minister for Local Government, Mr Tony Simpson to provide a project update, a Community Consultation Group (CCG) meeting in November and distribution of the December newsletter.



QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2014

OPERATIONS

Tiwi Islands

During the quarter, MZI personnel visited Darwin and the Tiwi Islands. In Darwin, discussions were held with Government Departments updating them on MZI's plans for finalising the decommissioning of the Lethbridge site and rehabilitation of Andranangoo and the two Lethbridge mines.

A presentation was made to the Tiwi Land Council on Bathurst Island explaining plans for Lethbridge and Andranangoo rehabilitation and progress with the development of the Kilimiraka Deposit.

The removal of the remaining equipment from Lethbridge is planned for May 2015 after which site activities will be solely focussed on rehabilitation.

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.

A review of the area to the west of the existing Keysbrook Project Mineral Resource identified considerable prospectivity, and it has been included in the mine grade control and exploration drilling program which commenced in January (refer ASX announcement dated 20 January 2015).

For further details please contact:

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QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 DECEMBER 2014

SCHEDULE OF TENEMENTS AS AT 31 DECEMBER 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	Granted	MZI Resources Ltd	100%
P70/1662	Pinjarra, WA	Application	MZI Resources Ltd	100%
P70/1663	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%