



HIGHLIGHTS

COMPANY DIRECTORS

Mal Randall
Non-Executive Chairman

Trevor Matthews
Managing Director

Nathan Wong
Non-Executive Director

Stephen Ward
Non-Executive Director

SENIOR MANAGEMENT

Mike Ferraro
Chief Operating Officer

Peter Gazzard
Technical Director

John Traicos
Legal Manager/Company Secretary

Jamie Wright
Chief Development Officer

CONTACT DETAILS

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ASX CODE: MZI

- Keysbrook Project mobilised
- Project ahead of schedule and on budget
- Board changes enhance independence
- Drilling commenced west of Keysbrook Resource
- \$96.7 million in available funds at quarter end

CORPORATE

The March quarter was one of significant achievement for the Company and its wholly owned subsidiary Keysbrook Leucoxene Pty Ltd.

A critical milestone was achieved on 19 February 2015, with the mobilisation of construction contractors from GR Engineering Services Ltd (GR Engineering) to the Keysbrook mine site and Picton plant site owned by Doral Mineral Sands Pty Ltd. Construction activities commenced at both sites. At quarter end, progress was slightly ahead of schedule and within budget, and tracking to achieve first production in late 2015 and first sales in early 2016.

During the quarter, the Company further restructured the MZI Board with the appointment of Dr Stephen Ward as an Independent Non-Executive Director, effective 1 March 2015. Dr Ward has over 30 years' industry experience working globally in mineral sands and related products. In addition, Mr Peter Gazzard stepped down as an Executive Director but remains a member of the Company's executive management team.

Following these changes, the Board of MZI Resources comprises a majority of Non-Executive Directors, with half the Board members now classified as independent. The Company plans to appoint additional Independent Non-Executive Directors in the near future. Refer to the ASX announcement released 24 February 2015 for details of these changes.

Subsequent to the end of the quarter, the Company appointed experienced mineral sands executive Mr Mike Ferraro as Chief Operating Officer. Mr Ferraro has over 30 years' experience managing complex metallurgical businesses, mineral sands operations and related activities. Prior to joining MZI, Mr Ferraro was Managing Director of Doral Pty Ltd. Details of Mr Ferraro's appointment are contained in the Company's ASX release dated 8 April 2015. Following this appointment, Mr Gazzard moved into a part time executive role as Technical Director, a non-board position.

During the quarter, MZI continued to raise investor awareness of the Company and the Keysbrook project, presenting at the annual AJM Mineral Sands Conference and investor luncheons in Melbourne and Sydney.

MZI finished the March 2015 quarter in a strong financial position with \$36.1 million in cash and undrawn available facilities of \$60.6 million following drawdown from the RCF Bridge Facility of US\$12.5 million and the initial drawdown of US\$12.2 million from the US\$37.5 million RMB Project Finance Facility.

The Company issued 2,167,130 ordinary shares to RCF on 9 January 2015 in satisfaction of interest and commitment fees for the quarter ending 31 December 2015 and issued 821,280 ordinary shares on 16 February 2015 for fully vested performance rights under the MZI Resources Ltd Employee Incentive Plan.

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QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 MARCH 2015

Total issued capital at 31 March 2015 was 79,030,110 ordinary shares with a further 8,429,833 unlisted options with varying exercise prices and maturity dates.

DEVELOPMENT

Keysbrook Project

The March quarter saw a significant increase in construction activity for the Keysbrook Project. Overall progress at the end of March 2015 was 43.9%, slightly ahead of schedule and within budget. The project remains on schedule to commence first production during calendar 2015, and first sales in early 2016.

The project involves the establishment of a greenfields mine site at Keysbrook, and an extension to an existing mineral separation plant owned by a third party (Doral Mineral Sands Pty Ltd, or "DMS").

GR Engineering Services Limited (GR Engineering) has been engaged under a Lump Sum Turn Key arrangement for the bulk of the construction effort. GR Engineering is constructing the wet concentration plant and associated infrastructure at Keysbrook, and constructing the extension to the DMS owned mineral separation plant.

Transmin has been engaged to construct a Mine Field Unit (MFU) for the Keysbrook mine site. This unit will slurry ore from the mine back to the centralised wet concentration plant.

Engineering design was largely completed during the quarter by GR Engineering and Transmin.

All long lead equipment items were procured, with deliveries tracking to, or in some cases, ahead of schedule. Fabrication packages were started to be let in March, and this has continued into April 2015 in line with the schedule.

Keysbrook Mine Site

GR Engineering mobilised to site in early February 2015, and established a 1.8km access road into the main plant site as part of its initial activities to enable the construction teams to commence. By the end of the quarter, bulk earthworks were substantially complete, including the establishment of the main plant site, construction of a further access road to the MFU location and the digging of the main process water dams. Civil contractors were mobilised to site early in April 2015, ahead of schedule.

Western Power commenced burying the power line from Pinjarra to the Keysbrook mine site, and by the end of the quarter had buried approximately 5km of the 18km required.

Extension to the DMS owned mineral separation plant

GR Engineering mobilised to site in mid February 2015. Construction activities have focussed on the erection of the steel framework associated with a new dust extraction system, pouring footings associated with the extension (which will be housed in its own annex to the existing mineral separation plant) and the formation of the stockpile area for the zircon concentrate. Steel associated with the extension is expected early in the June quarter.

Western Power provided the design requirements for the upgrade to the power infrastructure, with construction time for this activity being quicker than expected.

Mineral Sands Market

The mineral sands market remained stable during the March quarter with prices largely unchanged reflecting the quiet period associated with Chinese New Year and the impact of the Northern Hemisphere winter.

Despite a slow start to the spring painting season due to cold weather, comments by US and European coatings producers suggest the painting season is shaping as one of the strongest for some time. This should result in improved demand for chloride pigment, in turn putting upward pressure on high TiO₂ feedstock such as rutile and leucoxene. Forecast economic growth in the US and Europe through 2015 is also considered positive for overall pigment demand.

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While weak construction activity in China has held back improvement in zircon demand, government economic stimulus initiatives are expected to eventually flow through to building activity and demand for ceramic tiles and bathroom furniture. Growing consumption in other countries such as India is also positive for the industry.

Prices are expected to remain subdued in the short term but have the potential to increase later in the year if the global economy continues to recover, which is positive for the scheduled commencement of sales from Keysbrook in early 2016.

Metallurgy and Operations Planning

Recruitment activities advanced during the period with the appointment of a recruitment consultant to manage the process. Letters of Offer for the first two roles (HSEC Advisor and Maintenance Coordinator) were sent to the preferred candidates with appointees to both roles scheduled to commence by the end of April.

During the quarter, the exploration team completed grade control drilling focused on the first year of production. This work was undertaken in conjunction with the exploration drilling referred to in the Exploration section of this report. Results have been received for the majority of this grade control drilling with analysis of the results to be incorporated into an updated resource model which will be available in July 2015. The mine planning model will be subsequently updated.

A proposal to undertake WCP leucoxene recovery improvement test work was received.

Health, Safety and Environment

As indicated above, recruitment of an HSEC Advisor for the Keysbrook Project was undertaken during the quarter with the successful candidate commencing on 7 April 2015. This key position will assist in maintaining safe work practices and environmental management, meeting statutory compliance obligations and support Keysbrook's social licence to operate.

Coincident with the commencement of project construction, activities supporting the setup of the site office were a focus during the quarter. Works commenced on learning and development materials, such as operator training packages, in readiness for delivery to the Keysbrook workforce.

A services contract was entered into for the supply of health and safety management software. Key activities following this milestone included system configuration and user training during the roll out phase. Other key contracts were negotiated and executed subsequent to quarter end, notably for the supply and maintenance of directional noise monitoring equipment and management software, and for dust monitoring apparatus and management software. Delivery and commissioning of this equipment is expected during the June quarter.

Community

Community engagement activities in and around the Keysbrook project site continued throughout the quarter. A community briefing was held in January to inform local community members of activities scheduled for the construction phase and to detail the 60 employment opportunities associated with the project.

The Keysbrook community consultative group (CCG) made its first partnership funding recommendation, being the Keysbrook Volunteer Bushfire Brigade for lighting and outdoor seating installation at the Keysbrook Hall and the Serpentine Jarrahdale Shire for bin stickers to be placed in and around the local schools of Mundijong, Serpentine and Jarrahdale.

Tiwi Islands

No significant activity occurred during the March quarter.

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

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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.

As reported in the Development section of this report, grade control drilling for the first year of operations was completed during the quarter. Assays and mineral assemblage analysis is expected over the coming quarter, with the results to be included in a resource update planned for mid-year.

Exploration drilling commenced in January to extend the known boundaries of the Keysbrook resource and has been successful, with drilling to date increasing the lateral area of mineralisation by more than 20%. As with the grade control program, assays and mineral assemblage analysis is expected over the coming quarter, with the results to be included in the resource update.

Drilling is continuing to expand the project area, and the program has now been extended into new areas. For details of the drilling program and results reported to date, please refer to the Company's ASX announcements dated 20 January 2015 and 16 April 2015.

For further details please contact:

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Competent Person's Statement – Exploration Results

The information in this report that relates to exploration results is based on information compiled or reviewed by Mr Stephen Harrison BSc (Hons) who is a member of the Australia Institute of Geoscientists. Stephen Harrison is a full time employee of MZI Resources Ltd. Stephen Harrison has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Stephen Harrison consents to the inclusion of this information in the form and context in which it appears in this report.

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 31 MARCH 2015

SCHEDULE OF TENEMENTS AS AT 31 MARCH 2015

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%