



COMPANY DIRECTORS

Mal Randall
Non-Executive Chairman

Trevor Matthews
Managing Director

Maree Arnason
Non-Executive Director

Rodney Baxter
Non-Executive Director

Stephen Ward
Non-Executive Director

Nathan Wong
Non-Executive Director

SENIOR MANAGEMENT

Mike Ferraro
Chief Operating Officer

Peter Gazzard
Technical Director

John Traicos
Legal Manager/Company Secretary

John Westdorp
Chief Financial Officer

Jamie Wright
Chief Development Officer

CONTACT DETAILS

Principal & Registered Office
Level 2, 100 Royal Street
East Perth
Western Australia 6004

Website
www.mzi.com.au

Email
admin@mzi.com.au

Phone
+61(8) 9328 9800

Fax
+61(8) 9328 9911

ABN: 52 077 221 722

ASX CODE: MZI

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2015

HIGHLIGHTS

- Keysbrook Project 74% complete
- Commissioning and first production on schedule for Q4 2015
- Further exploration success drives growth strategy
- Significant extension to Keysbrook mineralisation
- Director appointments complete Board renewal
- Key appointments bolster executive team

Significant progress was attained during the June quarter by the Company and its wholly owned subsidiary Keysbrook Leucoxene Pty Ltd (KLPL) on both the corporate and construction fronts.

Construction at Keysbrook and Picton continued during the period according to schedule, passing the important 50% completion milestone in late April. By the end of the June quarter 2015, the Project was 74% complete. Please refer to the ASX release dated 29 July 2015.

The Project remains on budget and on track to commence commissioning in November 2015, with first sales planned for early in the first quarter of 2016.

Exploration drilling also continued to achieve substantial success, significantly extending the lateral extent of mineralisation at Keysbrook and increasing the area of known mineralisation by approximately 15km². Drilling also identified extensions to known mineralisation at the Railway deposit, south of Keysbrook. Given the existing size of the Keysbrook Project and the ongoing exploration success, the Company commenced scoping studies to maximise the value of the resource including potential expansion options, revised approval envelopes and marketing opportunities.

CORPORATE

During the quarter, the Company completed the board renewal process it commenced in late 2014 with the appointment of Mr Rodney Baxter and Ms Maree Arnason as Independent Non-Executive Directors. Mr Baxter was appointed in April and has over 25 years' experience in the global resources and engineering services sectors, including 10 years in mineral sands. He has previously served in executive roles at Calibre Group, Consolidated Minerals (ConsMin), Anglo Platinum and Richards Bay Minerals. Ms Arnason was appointed in May, and is an experienced senior executive and director with 30 years' experience in the resources, energy and manufacturing industries and brings strong corporate and governance expertise to the MZI Board. The current MZI Board has a strong mix of technical, operations, commercial, strategy and governance skills which place the Company in a strong position to deliver on its strategic plan.

The Company also bolstered its executive management team during the quarter with the appointment of Mr Mike Ferraro as Chief Operating Officer in April and Mr John Westdorp as Chief Financial Officer in June. Mr Ferraro has over 30 years' experience managing complex metallurgical businesses, mineral sands operations and related activities and prior to joining MZI was Managing Director of Doral Pty Ltd. Mr Westdorp has more than 20 years of senior corporate experience in the resources industry, including oversight of large-

Level 2, 100 Royal Street, East Perth, Western Australia 6004 | PO Box 3011, East Perth, Western Australia 6892
Tel: +61 (8) 9328 9800 Fax: +61 (8) 9328 9911 | admin@mzi.com.au
ABN: 52 077 221 722

www.mzi.com.au

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2015

scale financing initiatives and senior management roles with major Australian and international resources companies. Mr Westdorp's extensive financial management expertise will be a significant asset to MZI as it looks beyond the commencement of production at Keysbrook.

MZI finished the June 2015 quarter in a strong financial position with \$33.8 million in cash and undrawn cash and guarantee facilities of \$21.9 million following the final drawdown in late June of US\$25.3 million from the RMB US\$37.5m Project Finance Facility.

On 30 June 2015 125,000 unlisted options exercisable at \$1.60 each expired.

Total issued capital at 30 June 2015 was 79,030,110 ordinary shares with a further 8,304,833 unlisted options with varying exercise prices and maturity dates.

The Company's shares were listed for trading on Germany's Frankfurt Exchange in May 2015.

DEVELOPMENT

Keysbrook Project

The June quarter saw a continuation of the construction activity for the Keysbrook Project. Overall progress at the end of June 2015 was 74% complete and on 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 expansion and upgrade to an existing mineral separation plant owned by a third party (Doral Mineral Sands Pty Ltd or "DMS").

Keysbrook Mine Site

GR Engineering's activities were focussed on earthworks, civil works and structural steel installation during the quarter such that by the end of the quarter, earthworks and civil works were complete and structural steel and mechanical installation well advanced. All of the spiral banks (key process equipment), pumps and thickener have been delivered to site. Installation of the spiral banks commenced, and following the arrival of the thickener in early July, all equipment is now onsite and will be installed over the next few months.

Delivery of MZI's new mining fleet commenced with all mining equipment due on site by early August, and the majority of MZI's mining operators commencing induction and training.

The Mining Feed Unit, being fabricated by Transmin is on track for trial assembly, testing and site construction in the September quarter 2015.

Western Power have completed the power line from Pinjarra to the Keysbrook mine site ahead of schedule with energisation of the line due in the September 2015 quarter.

Extension to the DMS owned mineral separation plant

GR Engineering's construction activities have focussed on the erection of the structural steel of the KLPL's annex as well as mechanical and electrical fitout of the lower floors. The earthworks and civil activities are complete with the steel and mechanical installation substantially complete by the end of the quarter. Installation of the coronastats has commenced on schedule.

Western Power commenced work on power network upgrades during the quarter with construction completion and energisation on track for the next quarter.

Mineral Sands Market

Mineral sands products such as rutile and leucosene contain titanium dioxide (TiO₂), which is primarily used in the manufacture of pigments in paints, plastics, inks and coatings. TiO₂ is also used to produce titanium metal which is most commonly associated with aerospace and other specialist applications. Zircon is a major component in ceramics used to manufacture tiles and bathroom furniture and is also used in specialty chemicals, precision castings

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2015

and specialty metals. Consequently, the mineral sands market is closely aligned with global economic growth and urbanisation.

The mineral sands market remained largely unchanged during the June quarter. Prices for all products appear to be holding, but continue to be influenced by existing adequate inventory, excess production capacity, and the global economic headwinds affecting most commodities.

The North American spring painting season was one of the strongest for some time, but increased demand was largely able to be met from existing pigment inventory. However, demand for chloride pigment is still expected to remain strong and ultimately put upward pressure on high-TiO₂ feedstock such as rutile and leucoxene. Economic growth in the US and Europe is still expected to continue throughout 2015 and 2016, supporting overall pigment demand. Early indications of corporate activity could also signal further industry rationalisation, notably of higher cost producers.

The weak construction sector in China continued to hinder zircon demand during the June quarter despite some early signs of a grass roots recovery, with larger zircon producers continuing to actively manage inventory and ensure the market remains balanced and stable.

Metallurgy and Operations Planning

Recruitment activities progressed significantly during the period with the appointment of several key management personnel including the appointment of two experienced Quarry Managers to oversee the day to day operations. Earthmoving operational positions were filled in readiness for the commencement of training and subsequent pre-mining activities scheduled to commence in August. Recruitment for fixed plant, technical and trade technicians commenced during the period.

In line with the above, preparation of training packages were progressed during the period.

A contract was executed for clearing and grubbing in readiness for the KLPL team to commence pre-mining activities in August. A contract was also executed for the civil works required in relation to the installation of the mining feed unit.

Subsequent to the end of the quarter negotiations and contracts for the supply of major services such as earthmoving equipment maintenance, electricity supply, fuel and lubes supply and other key services were either completed or substantially progressed in line with schedule requirements.

The WCP leucoxene recovery improvement test work was commenced during the period.

Health, Safety and Environment

Approvals works included preparations for licencing of the project under Part V of the Environmental Protection Act 1986 (WA). Engagement with the Western Australian Department of Environment Regulation commenced subsequent to the quarter with the Company looking to ensure smooth transition of its activities under its Works Approval to an Operating Licence.

A focus on training and development programs under the Company Health, Safety, Environment and Community Management System featured through the quarter in preparation for the commencement of new employees.

Having finalised key services contracts for dust and noise monitoring early in the quarter, the Company took delivery of monitoring equipment and commenced configuration of this technology in preparation for future statutory reporting. A number of monitoring programs commenced during the quarter, including water and dust monitoring.

Community

Communications to key stakeholders associated with the Keysbrook Project continued for the quarter with focus on the promotion of employment opportunities to the local community together with key site activities planned for the upcoming period.

The Keysbrook Community Consultative Group (CCG) made further community contributions which included the North Dandalup Primary School for playground equipment and the Peel Cycling Group for its annual road race classic. MZI,

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2015

together with its engineering contractor GR Engineering, local contractors Texcom and Urban Resources, recently funded the local Keysbrook Bushfire Brigade carpark upgrade with completion planned for early August.

In July, the Company will commence a benchmark community perception survey, managed by independent research agency, Ipsos Australia. Feedback, through phone and individual interviews, will be sought from the local community over a two week period in August. The results will enable MZI to evaluate current performance and better understand stakeholder and community expectations. The results of this survey work will be published in September.

Tiwi Islands

No significant exploration activity occurred during the June 2015 quarter.

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

EXPLORATION

Drilling was completed over the broader Keysbrook area, with the drilling of 1,550 aircore drill holes and submission of 12,223 samples for analysis. The drilling program had multiple areas of focus, including grade control for the first year of mining, detailed drilling on the western margins of the resource and reconnaissance drilling in the Keysbrook area and along strike from the Railway deposit.

Drilling has identified significant lateral extensions to the existing Keysbrook resource in addition to confirming and increasing the confidence of mineralisation within the current mine plan. Results have revealed significant lateral extensions of the existing resource, with the addition of approximately 15km² of mineralisation to the existing resource footprint. These lateral extensions have not been fully defined with potential for the addition of further resources from future drilling programs.

Drilling also identified strike extensions to the existing Railway deposit, located to the south of North Dandalup. Three reconnaissance lines were drilled which intersected dune mineralisation up to 1 kilometre along strike from the existing resource of 13.6Mt @ 2.2%THM.

Work commenced on the resource update for the Keysbrook Project, with quality control checking of analyses received and geological interpretation of logged intervals and results. Completion of the geological interpretation and mineral assemblage analysis are expected to be completed in July, followed by estimation and reporting of the resource in early August.

For further details of the drilling program and results reported to date, please refer to the Company's ASX announcements dated 20 January 2015, 16 April 2015 and 29 May 2015.

For further details please contact:

Trevor Matthews
Managing Director
+61 8 9328 9800



Subscribe to our mailing list at
www.mzi.com.au

QUARTERLY ACTIVITIES REPORT

FOR THE PERIOD ENDING 30 JUNE 2015

SCHEDULE OF TENEMENTS AS AT 30 JUNE 2015

Tenement	Location	Status	Registered Holder	Interest at quarter end
E70/2673	Pinjarra, WA	Application	MZI Resources Ltd	100%
E70/2407	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty. Ltd.	100%
E70/2610	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty. Ltd.	100%
E70/4628	Pinjarra, WA	Granted	Keysbrook Leucoxene Pty. Ltd.	100%
P70/1662	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
P70/1663	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. 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	WITHDRAWN	MZI Resources Ltd	100%
ML26472	Tiwi Islands, NT	WITHDRAWN	MZI Resources Ltd	100%
ML26475	Tiwi Islands, NT	WITHDRAWN	MZI Resources Ltd	100%
ML26476	Tiwi Islands, NT	WITHDRAWN	MZI Resources Ltd	100%
ML26477	Tiwi Islands, NT	WITHDRAWN	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%
P70/1676	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
P70/1677	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
P70/1678	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
P70/1679	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
P70/1680	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
E70/4723	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
E70/4725	Pinjarra, WA	Application	Keysbrook Leucoxene Pty. Ltd.	100%
ML27438	Tiwi Islands, NT	Granted	Keysbrook Leucoxene Pty. Ltd.	100%