

ASX ANNOUNCEMENT

3 January, 2013



Option Agreement with Doral

*Due diligence process for Keysbrook debt funding continuing,
project development on schedule*

MZI Resources (ASX: MZI) advises that the option granted last year to mineral sands producer Doral Pty Ltd to acquire 250 million ordinary shares in the Company at 2.3 cents per share will not be exercised.

MZI granted the option to Doral under the Strategic Alliance formed between the companies in May last year (*see ASX announcement dated 14 May 2012*). As part of this Alliance, Doral will toll treat ore from MZI's flagship Keysbrook mineral sands project in Western Australia at its neighbouring Picton Mineral Separation Plant.

This toll treatment arrangement, which is the subject of a signed binding term sheet agreement between MZI and Doral, will deliver estimated capital cost savings of more than \$20 million and significant operational benefits for Keysbrook, assisting with financing plans for the project.

The lapse of the option has no bearing on the toll treatment agreement. MZI and Doral are continuing to work together to complete the formal toll treatment agreement and separate capital works agreement for the expansion of the Picton MSP to accommodate material from Keysbrook. MZI expects these agreements to be ready for execution in Q1 2013.

MZI understands that Doral's decision not to exercise the option before its expiry was made for corporate reasons unrelated to the Keysbrook project and its Strategic Alliance with MZI. MZI is continuing to discuss other corporate investment opportunities with Doral.

MZI has recently mandated two leading banks to provide debt financing for the development of Keysbrook (*see ASX announcement dated 21 December 2012*). The due diligence process as part of this debt arrangement is well advanced and offers of debt funding are expected to be received in February. This will ensure that MZI is on track to start construction of Keysbrook in the current quarter, with commissioning scheduled for the December quarter 2013.

MZI Chief Executive Trevor Matthews said the toll treatment agreement with Doral, the debt financing and construction timetable for Keysbrook all remained firmly on track.

COMPANY DIRECTORS

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Non-Executive Chairman
Keith Vuleta
Finance Director
Peter Gazzard
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Non-Executive Director

CHIEF EXECUTIVE OFFICER

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“Keysbrook is set to be in commercial production and generating strong cashflow by the first quarter of 2014,” Mr Matthews said.

“The Project will enjoy robust margins at current mineral sands prices and is ideally placed to benefit from any price increases which stem from the global economic recovery.”

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About MZI Resources

MZI Resources Ltd (ASX: MZI) is a mineral sands company focusing on the high value minerals zircon, rutile and leucoxene. It has mineral sands projects in the Northern Territory and Western Australia.

The Company mined the Lethbridge West deposit on the Tiwi Islands in 2010 and commenced mining and production at Lethbridge South in 2012.

MZI's exploration success at Kilimiraka in the South East corner of Bathurst Island in the Tiwi Islands identified a substantial inferred resource of over 890,000 tonnes of Heavy Mineral. This large resource has the potential to provide a long life mine. The Company plans to complete further drilling and feasibility studies in 2013.

The Company has an advanced zircon / leucoxene rich mineral sands project at Keysbrook in the south west of Western Australia. The two shires over which the deposit is situated have given the project Development Approvals and Extractive Industry Licences. These follow the Environmental Approval previously granted by the Western Australian Minister for Environment. MZI plans to start construction at Keysbrook in early 2013 and commence operations in late 2013. Mining is planned to continue at Keysbrook for potentially 11 years.

MZI's strategy is to be a specialised supplier of high grade zircon, rutile and leucoxene to the nearby Chinese and other world markets. The company has targeted zircon, rutile and leucoxene as high value mineral sands products with strong demand fundamentals. Zircon is primarily used to produce ceramic and porcelain products with demand driven by global urbanisation trends, particularly in countries such as China and India. Rutile and leucoxene are used to produce titanium pigment for paint and plastics as well as titanium metal and flux for welding electrodes.