MZI Resources

and its controlled entities

ABN 52 077 221 722

ANNUAL FINANCIAL REPORT
For the year ended 30 June 2015

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Corporate Directory

Board of Directors

Malcolm Randall	Non-Executive Chairman
Trevor Matthews	Managing Director
Chi To (Nathan) Wong	Non-Executive Director
Stephen Ward	Non-Executive Director
Rodney Baxter	Non-Executive Director
Maree Arnason	Non-Executive Director

Company Secretary

John Traicos

Registered Office

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Share Registry

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Perth, Western Australia 6000

Telephone:	+61 8 9323 2000
Website:	www.computershare.com.au

Auditors

HLB Mann Judd

Securities Exchange Listing

Shares in MZI Resources Ltd are quoted on the Australian Securities Exchange under trading code MZI. MZI Resources is also listed on the Frankfurt Stock Exchange under trading code AU000000MZI8.

Directors' Report

The Directors present their report on the Consolidated Entity comprising MZI Resources Ltd (the "Company" or "MZI") and its controlled entities ("the Group") for the financial year ended 30 June 2015.

1 Directors

The following individuals were directors of MZI Resources Ltd during the whole of the financial year and up to the date of this report except as noted below:

Malcolm Randall	Non-Executive Chairman	
Chi To (Nathan) Wong	Non-Executive Director	
Trevor Matthews	Managing Director	Appointed 15 December 2014
Stephen Ward	Non-Executive Director	Appointed 1 March 2015
Rodney Baxter	Non-Executive Director	Appointed 30 April 2015
Maree Arnason	Non-Executive Director	Appointed 22 May 2015
Keith Vuleta	Finance Director	Resigned 15 December 2014
Peter Gazzard	Technical Director	Resigned 1 March 2015

2 Company Secretaries

The following persons held the position of Company Secretary during the whole of the financial year and up to the date of this report except as noted below:

John Traicos	
Keith Vuleta	Resigned 10 December 2014

3 Directors & Officers

Malcolm Randall	Independent Non-Executive Chairman
Qualifications:	Dip. Applied Chem., FAICD
Experience:	Mr Randall is an experienced company Director and Chairman with extensive experience in corporate management and marketing in the resources sector, including more than twenty years with the Rio Tinto group of companies. His experience extends over a broad range of commodities including iron ore, diamonds, base metals, coal, uranium and industrial minerals both in Australia and internationally.
Interest in Shares and Options at the date of this report:	500,000 ordinary shares 43,750 unlisted options ($0.80, 30 October 2015) 125,000 unlisted options ($1.60, 31 December 2015) 125,000 unlisted options ($0.80, 27 June 2017)
Special responsibilities:	Chairman of the Nomination Committee, member of the Remuneration Committee and Audit and Risk Committee.
Directorships held in other listed entities in the last three years:	Current Director of Thundelarra Exploration Ltd, Royal Resources Ltd and Summit Resources Ltd. In the last three years, Mr Randall was previously a Director of Iron Ore Holdings Limited (resigned 21 November 2014).

Trevor Matthews	Managing Director
Qualifications:	B. Com., Dip. Applied Finance and Investment, MAICD
Experience:	Mr Matthews has 30 years' experience in the resources industry and has held executive positions with a number of listed entities in both operational and corporate roles including Managing Director and Executive Director. Mr Matthews has experience in various commodities and operations including iron ore, silicon metal, copper, gold, nickel and cobalt and significant experience in greenfields project development, operational management, finance and corporate governance.
Interest in Shares and Options at the date of this report:	926,080 ordinary shares 125,000 unlisted options ($3.00, 30 June 2016)
Special responsibilities:	Member of the Nomination Committee.
Directorships held in other listed entities in the last three years:	Mr Matthews has not held Directorships in any other listed company in the last three years.
Stephen Ward	**Independent Non-Executive Director**
Qualifications:	B. Sci. (Hons Chemistry), PhD Physical Chemistry, GAICD.
Experience:	Dr Ward has over 30 years' industry experience working globally in minerals sands and related products. He has an extensive mining and mineral processing background with a proven record in managing the critical transition from development to production.
Interest in Shares and Options at the date of this report:	90,000 ordinary shares
Special responsibilities:	Chairman of the Remuneration Committee and member of the Nomination Committee.
Directorships held in other listed entities in the last three years:	In the last three years, Dr Ward was previously a Director of Mindax Ltd (left 31 May 2014).
Rodney Baxter	**Independent Non-Executive Director**
Qualifications:	B. Sci. (Hons.) Physical Chemistry, B. Sci. (Distinction) Applied Mathematics, PhD Thermodynamics, MBA
Experience:	Mr Baxter has 25 years' of operational and executive leadership experience in the resources and engineering services sector. He was most recently the Managing Director of engineering, asset management and construction services company, Calibre Group.
Interest in Shares and Options at the date of this report:	Nil
Special responsibilities:	Chairman of the Audit and Risk Committee.
Directorships held in other listed entities in the last three years:	In the last three years, Mr Baxter was a Director of Calibre Group Limited (resigned 17 June 2013).

Maree Arnason	**Independent Non-Executive Director**
Qualifications:	B. Arts, GAICD
Experience:	Ms Arnason is an experienced Director and senior executive whose career has spanned 30 years across industries including resources, energy, transport and manufacturing. Ms Arnason is a Co-Founder/Director of Energy Access Services, who operate an energy trading platform for WA's wholesale gas market; member of CEDA's WA State Advisory Council (Committee for Economic Development of Australia); Non-Executive Director of Juniper, a community benefit organisation and a life member and past National Director of the Australia China Business Council.
Interest in Shares and Options at the date of this report:	Nil
Special responsibilities:	Member of the Remuneration Committee and Audit and Risk Committee.
Directorships held in other listed entities in the last three years:	In the last three years, Ms Arnason was previously an Executive Director of Rey Resources Limited (resigned 28 November 2012).
Chi To (Nathan) Wong	**Non-Independent Non-Executive Director**
Qualifications:	B Eng. (First Class Honours), M Sci.
Experience:	Mr Wong has extensive experience in the mineral sands value chain in China at both a technical and commercial level. He is a Director of Tricoastal Minerals (Holdings) Company Limited which manages one of the largest mineral separation capacities together with a comprehensive sales and marketing network throughout China. He brings additional depth of processing and marketing expertise on the Board.
Interest in Shares and Options at the date of this report:	2,870,602 ordinary shares 125,000 unlisted options ($1.60, 31 December 2015) 75,000 unlisted options ($0.80, 27 June 2017)
Directorships held in other listed entities in the last three years:	Mr Wong has not held Directorships in any other listed company in the last three years.
John Traicos	**Company Secretary**
Qualifications:	BA, BL, LLB
Experience:	Mr Traicos has more than 30 years' experience in legal and corporate affairs in Australia and South Africa. He has acted as a legal and commercial manager and Company Secretary to several Australian resource companies and has been involved in resource projects and acquisitions in Australia, Africa and Indonesia.

4 Directors' Meetings

The number of meetings of the Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Member	Full Board	Remuneration Committee
M Randall	14	2
CT Wong	13	n/a
T Matthews (appointed 15 December 2014)	7	n/a
S Ward (appointed 1 March 2015)	5	2
R Baxter (appointed 30 April 2015)	3	n/a
M Arnason (appointed 22 May 2015)	2	2
P Gazzard (resigned 1 March 2015)	9	n/a
K Vuleta (resigned 15 December 2014)	4	n/a
Number of Meetings Held	**14**	**2**

The Remuneration, Nomination and Audit and Risk Committees were established on 23 June 2015. The Nomination and Audit and Risk Committee held no meetings in the reporting period.

The details of the functions of the committees of the Board are presented in the Corporate Governance Statement.

5 Principal Activities

The principal activities of the Group during the financial year were mineral sands development, production and exploration.

6 Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Group.

7 Operating and Financial Review

7.1 Operating Result

The net loss applicable to owners of the Parent after income tax amounted to the following:

CONSOLIDATED	
30-Jun-15 $'000	30-Jun-14 $'000
(16,646)	(8,306)

7.2 Review of Operations

During the year, the Group commenced construction and development of the Keysbrook Project in Western Australia.

The following significant achievements occurred during the year:

- Final investment decision for the Keysbrook Project;
- Execution and drawdown of finance facilities of approximately US$110m with finance providers, RMB Australia Holdings Limited ("RMB") and Resource Capital Fund VI L.P. ("RCF");
- Execution of an offtake agreement for approximately 65% of the Keysbrook Project's Leucoxene 88 ("L88") annual production with The Chemours Company;
- Execution and commencement of the lump sum, turn-key construction contact with GR Engineering Services Limited ("GRES") for the construction of a Wet Concentrator Plant ("WCP") and the upgrade and expansion of the existing Doral Mineral Sands Pty Ltd ("Doral") Mineral Separation Plant ("MSP"), with a value of $54.6m.

Keysbrook

Significant progress continues to be made on the construction activities associated with the Keysbrook Project. As at 30 June 2015, development activity was 74% complete and continues to be on schedule and on budget. First production is expected to commence during calendar quarter four of 2015 and first sales in quarter one of 2016.

All long lead procurement items have been delivered to both the WCP and MSP sites. Activity continues to be focused on structural steel installation and installation of the remaining mechanical equipment including the spiral banks at the WCP and coronastats at the MSP.

The Mining Feed Unit ("MFU") is being fabricated, installed and commissioned by Transmin Pty Ltd and remains on track for trial assembly, testing and site installation during calendar quarter three of 2015. Western Power has completed the power line from Pinjarra to the Keysbrook Project ahead of schedule. Power is expected to be available at both the WCP and MSP during calendar quarter three of 2015.

Subsequent to year end, delivery of the Group's mining fleet occurred. The equipment has been procured and financed by Komatsu Australia Corporate Finance Pty Limited.

Recruitment activity has progressed significantly with final employees due on site during calendar quarter three of 2015. Pre-mining activities have commenced with the construction of the MFU site and will continue in order to provide ore for commissioning in late 2015.

Tiwi Islands

Subsequent to year end, the Company commenced the removal of the remaining equipment and facilities from its Lethbridge operation. Post the completion of removal activities, site activities will solely be focussed on rehabilitation.

Exploration

During the year, a substantial drilling program was undertaken over the broader Keysbrook area. A total of 1,550 aircore drill holes were completed with 12,223 mineral samples subsequently sent 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 and resource drilling in the Keysbrook area.

The drilling program identified significant lateral extensions to the existing Keysbrook resource in addition to confirming and increasing the confidence of mineralisation within the current mine plan. Work commenced on a resource update with completion scheduled for calendar quarter three of 2015.

Corporate

As at 30 June 2015, the Group had available cash of $33.8m and undrawn facilities of $21.9m.

During the year, the Company completed an equity reconstruction consisting of a forty to one share consolidation. Total issued capital as at 30 June 2015 was 79,030,110 ordinary shares with a further 8,304,833 in unlisted options. All ordinary share references in this report are post consolidation.

During the year, the Company issued the following shares:

- 2,466,516 ordinary shares to RCF as consideration for a loan repayment and loan extension fee;
- 3,910,011 ordinary shares to RCF as part of the establishment fee associated with the Keysbrook Project finance facilities;
- 2,167,130 ordinary shares to RCF as satisfaction of interest and commitment fees; and
- 821,280 ordinary shares to employees as part of the Employee Incentive Plan.

Settlement and termination of the Stirling Resources Pty Ltd, Stirling Zircon Pty Ltd and DCM DECOmetal GmbH Deed of Settlement occurred during the financial year. The full and final settlement included repayment of the $1m loan and termination of a 0.5% royalty on Keysbrook revenue, resulting in a payment of $1.6m to the parties with no remaining obligations.

The Company completed its Board restructuring with the majority of Directors now independent and Non-Executive. The new 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.

7.3 Likely Developments and Business Strategies

The likely developments of the Group and the expected results of those developments in the coming financial year are as follows:

- Completion of construction of the mine, plant and infrastructure at Keysbrook;
- Commencement of full operations at both Keysbrook's WCP and Doral's MSP;
- Continued mineral sands exploration and assessment of other development opportunities in Keysbrook and the surrounding region; and
- Commencement of studies and other activities in relation to the potential expansion of production from the Keysbrook Project.

8 Events Subsequent to the end of the Reporting Period

There are no subsequent events post the reporting period.

9 Environmental Regulations

The Group's operations are subject to various environmental laws and regulations under the relevant State, Territory or Commonwealth Government legislation in respect to its mining and mineral exploration activities within Australia. The Group is a party to various approvals and licences issued through legislation. Generally, these approvals and licences specify the environmental conditions applicable to exploration and mining operations in the respective jurisdictions. The Group regards full compliance with these conditions, laws and regulations as a minimum acceptable standard for all operations and activities to achieve.

Compliance with environmental law is monitored by the Board of Directors. There have been no breaches by the Group of any environmental law during the financial year ended 30 June 2015.

10 Remuneration Report - Audited

This report sets out the remuneration arrangements in place for Directors and senior management of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Parent company.

10.1 Remuneration Policy

The Group's remuneration policy encompasses the total value Directors and executives receive as a result of their employment, including all forms of salary, short and long-term incentives and benefits (direct cash or otherwise). It is the belief of the Board of Directors that ensuring the employees of the Company are competitively remunerated is critical to the Group's success.

During the period, remuneration policies were determined by the Board of Directors and were adapted to reflect competitive market and business conditions. Within this framework the Board of Directors and the Managing Director consider remuneration policies and practices and determine specific remuneration packages and other terms of employment. Remuneration and other terms of employment are reviewed annually by the Board of Directors and the Managing Director having regard to performance, relevant comparative information and independent expert advice. A Remuneration Committee was established on 23 June 2015 and will be responsible for recommending remuneration policies and framework to the Board of Directors.

10.2 Principles used to determine the nature and amount of remuneration

The names and positions of the KMP of the Company and the Group during the financial year were:

- Malcolm Randall — Non-Executive Chairman
- Chi To (Nathan) Wong — Non-Executive Director
- Stephen Ward — Non-Executive Director (appointed 1 March 2015)
- Rodney Baxter — Non-Executive Director (appointed 30 April 2015)
- Maree Arnason — Non-Executive Director (appointed 22 May 2015)
- Trevor Matthews — Managing Director
- Jamie Wright — Chief Development Officer
- John Westdorp — Chief Financial Officer (appointed 22 June 2015)
- Michael Ferraro — Chief Operating Officer (appointed 8 April 2015)
- Keith Vuleta — Finance Director and Chief Financial Officer (resigned 7 April 2015)
- Peter Gazzard — Technical Director and Chief Operating Officer (resigned from the position of Chief Operating Officer on 8 April 2015)

The Group's remuneration policy for its Managing Director and executives is designed to promote superior performance and long-term commitment to the Group. Remuneration packages are set at levels that are intended to attract and retain Executive Directors and senior managers capable of managing the Group's operations. Executive Directors and executives receive a base remuneration which is assessed regularly against market data for similar roles.

The Group's remuneration policies are designed to align remuneration with shareholders' interests and to retain appropriately qualified talent for the benefit of the Group. The main principles of the policy include:

- rewards reflect the competitive market in which the Group operates;
- individual rewards should be linked to performance criteria; and
- employees should be rewarded for both financial and non-financial performance.

10.3 Non-Executive Directors' Remuneration

In accordance with current corporate governance practices, the structure for the remuneration of Non-Executive Directors and employees is separate and distinct. Shareholders approve the aggregate or total fees payable to Non-Executive Directors, with the current approved limit being $500,000 per annum. The Board of Directors determines the actual payments to Directors. Actual payments to individual Directors are determined after considering advice from external advisors and with reference to fees paid to Non-Executive directors of comparable companies. The Board of Directors approves any consultancy arrangements for Non-Executive Directors who may provide services outside of and in addition to their duties as Non-Executive Directors.

Non-Executive Directors may be entitled to statutory superannuation benefits. Non-Executive Directors may be entitled to participate in equity-based remuneration schemes. Shareholders must approve the framework for any equity-based remuneration schemes and if a recommendation is made for a Director to participate in an equity scheme, that participation must be specifically approved by shareholders.

Shareholders approved the issue of options to Non-Executive Directors in June 2014 and August 2012.

All Directors are entitled to have indemnity insurance paid by MZI.

10.4 Managing Director and Executive Remuneration

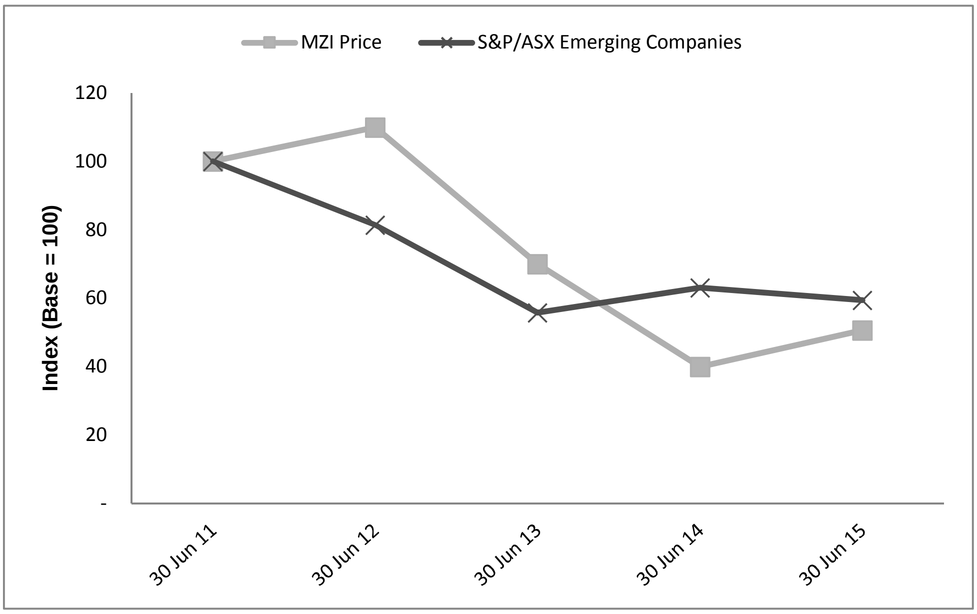
The structure of remuneration packages for the Managing Director and executives comprises:

- a fixed base salary payable in cash;
- short-term incentives, through eligibility to participate in equity plans and cash bonuses;
- long-term incentives through being eligible to participate in incentive plans, with any equity issues generally being made in accordance with plans approved by shareholders; and
- other benefits.

The Directors consider the principles of the remuneration policy have been successful in providing positive Company performance. The principles have provided the desired incentive and are expected to continue to provide such incentive. Whilst earnings are in a loss position in the development stages of the Group's Keysbrook project, the Company expects to achieve positive earnings and cash flow following the commencement of Keysbrook operations.

During the financial year, the Company's share price has ranged between $0.20 and $0.495 (post share consolidation). Consideration of the Group's earnings will be more relevant as the Company matures.

The chart below compares, assuming an initial investment of $100, the yearly percentage change in cumulative total shareholder return on the Company's ordinary shares against the cumulative total shareholder return of the S&P/ASX Emerging Companies Index for the Company's four most recently completed financial years.



	30 Jun 2011	30 Jun 2012	30 Jun 2013	30 Jun 2014	30 Jun 2015
The Company	$100.00	$110.00	$70.00	$40.00	$50.63
S&P/ASX Emerging Companies Index	$100.00	$81.39	$55.73	$63.10	$59.39
Loss per share	($0.056)	($0.200)	($0.560)	($0.144)	($0.220)

10.5 Share-Based Payments

Directors, employees and consultants may be eligible to participate in equity-based compensation schemes.

The primary purpose of the schemes is to increase motivation, promote retention and align the interests of Directors, employees and consultants with those of the Company and its shareholders and to reward contribution to the growth of the Company.

All references to rights over shares and options refer to post share consolidation amounts.

Employee Share Option Plan

Under the terms and conditions of the Plan, each option gives the holder the right to subscribe for one fully paid ordinary share. Any option not exercised before the expiry date will lapse on the expiry date. Options have been valued using the Black-Scholes option valuation method. The following table lists the inputs to the model for options outstanding during the period:

	Series 6	Series 7	Series 10
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	80.00%	80.00%	99.40%
Risk-free interest rate (%)	4.50%	4.50%	2.70%
Expected life of options (years)	4.132	3.633	3.000
Exercise price (cents)	300.0	160.0	80.0
Grant date share price (cents)	80.0	80.0	36.0
Grant Date	27 Apr 12	31 Aug 12	27 Jun 14
Expiry Date	30 Jun 16	31 Dec 15	27 Jun 17
Number	125,000	500,000	200,000
Fair value at grant date	$0.2800	$0.3480	$0.1680

There are no participating rights or entitlements inherent in the options and the holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. All shares allotted upon the exercise of options will rank pari passu in all respects with other shares.

Current Options Issued to Key Management Personnel

- 125,000 options granted to Mr T Matthews on 27 April 2012 at $3.00 per option, which vest after 12 months of employment and expire on 30 June 2016 (Series 6). As at 30 June 2015, these options are fully vested.

  During the year ended 30 June 2015, 125,000 options at $1.60 per option, granted to Mr T Matthews on 27 April 2012, with an expiry of 30 June 2015, lapsed. The fair value of the lapsed options is $40,000.

- 125,000 options each, total 500,000, at $1.60 were granted to Mr P Gazzard, Mr K Vuleta, Mr M Randall and Mr CT Wong on 31 August 2012. The options vested immediately and expire 31 December 2015 (Series 7).

- 125,000 options at $0.80 granted to Mr M Randall on 27 June 2014. The options vested immediately and expire on 27 June 2017 (Series 10). The fair value of these options is $20,942.

- 75,000 options at $0.80 granted to Mr CT Wong on 27 June 2014. The options vested immediately and expire on 27 June 2017 (Series 10). The fair value of these options is $12,565.

Employee Share Trust Plan

Under the terms and conditions of the Plan, each unit in the Employee Share Trust gives the holder the right to one fully paid ordinary share for nil consideration. Any unit not exercised before the expiry date will lapse on the expiry date. These units have been valued by using the prevailing market price at the date of issue less the present value of any expected dividends that will not be received on the units over the vesting period.

There are no participating rights or entitlements inherent in the units and the unit holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the units. All shares allotted upon the exercise of the unit will rank pari passu in all respects with other shares.

Current Rights Over Shares Issued to Key Management Personnel

In determining the number of units that the KMP would be entitled to under the Employee Share Trust Plan, the Directors utilised a share price of $0.48 cents and 28% of the KMP's total fixed remuneration from January 2014.

(a) 1,016,878 units were granted to Mr T Matthews on 25 February 2014. These units were issued at a price of $0.48, with a total fair value of $488,101, and have the following non-market based performance conditions:

- 508,439 units vest upon a positive Final Investment Decision ("FID") in the Keysbrook Project by 25 February 2016; and
- 508,439 units vest upon first shipment of product from the Keysbrook Project by 25 February 2016.

A further 258,461 units were granted to Mr T Matthews on 9 December 2014. The share price at date of issue was $0.25, resulting in a total fair value of $64,660. The following non-market based performance conditions apply:

- 258,641 units vest upon a positive FID in the Keysbrook Project by 31 December 2014.

As at 30 June 2015, 767,080 units are fully vested.

(b) 404,036 units were granted to Mr P Gazzard on 27 June 2014. These units were issued at a price of $0.36, with a total fair value of $145,453, and have the following non-market based performance conditions:

- 202,018 units each vest upon a positive FID in the Keysbrook Project by 27 June 2016; and
- 202,018 units each vest upon first shipment of product from the Keysbrook Project by 27 June 2016.

A further 205,530 units were granted to Mr P Gazzard on 9 December 2014. The share price at date of issue was $0.25, resulting in a total fair value of $51,383. The following non-market based performance conditions apply:

- 205,530 units each vest upon a positive FID in the Keysbrook Project by 31 December 2014.

As at 30 June 2015, 407,547 units are fully vested.

(c) 404,036 units were granted to Mr K Vuleta on 27 June 2014. These units were issued at a price of $0.36, with a total fair value of $145,453, and have the following non-market based performance conditions:

- 202,018 units each vest upon a positive FID in the Keysbrook Project by 27 June 2016; and
- 202,018 units each vest upon first shipment of product from the Keysbrook Project by 27 June 2016.

A further 205,530 units were granted to Mr K Vuleta on 9 December 2014. The share price at date of issue was $0.25, resulting in a total fair value of $51,383. The following non-market based performance conditions apply:

- 205,530 units each vest upon a positive FID in the Keysbrook Project by 31 December 2014.

50,000 units of Mr K Vuleta's entitlement vested to Mr K Vuleta as a termination payment on 30 June 2015. The units were issued at a price of $0.36, with a total fair value of $18,000.

As at 30 June 2015, 457,547 units are fully vested. The remainder of Mr K Vuleta's entitlement to units, totalling 152,017 with a fair value of $54,726 have been forfeited as a result of his resignation from the Company.

(d) 366,906 units were granted to Mr J Wright on 25 February 2014. These units were issued at a price of $0.48, with a total fair value of $176,115, and have the following non-market based performance conditions:

- 183,453 units vest upon a positive FID in the Keysbrook Project by 25 February 2016; and
- 183,453 units vest upon first shipment of product from the Keysbrook Project by 25 February 2016.

A further 174,487 units were granted to Mr J Wright on 9 December 2014. The share price at date of issue was $0.25, resulting in a total fair value of $43,622. The following non-market based performance conditions apply:

- 174,487 units vest upon a positive FID in the Keysbrook Project by 31 December 2014.

As at 30 June 2015, 357,940 units are fully vested.

10.6 Terms of Employment

The terms of employment for the Managing Director and specified senior management are formalised in service agreements. Major provisions of the agreements relating to duration and termination as at 30 June 2015 are set out below:

Name	Base salary	Contract duration	Notice period Company	Notice period Employee	Termination provision
T Matthews	$456,201 pa	4 years	2 month for breach of contract and inadequate performance or 6 months	1 month for breach of contract or 3 months	Accrued leave entitlements
J Wright	$323,415 pa	n/a	6 months	1 month for breach of contract or 3 months	Accrued leave entitlements
J Westdorp	$340,000 pa	n/a	6 months	1 month for breach of contract or 3 months	Accrued leave entitlements
M Ferraro	$355,160 pa	n/a	6 months	1 month for breach of contract or 3 months	Accrued leave entitlements
P Gazzard	$213,000 pa	14 months	6 months	1 month for breach of contract or 3 months	Accrued leave entitlements

10.7 Use of Remuneration Consultants

To ensure the Board of Directors is fully informed when making remuneration decisions, it seeks external remuneration advice and market-related information.

In the financial year ended 30 June 2015, the Board of Directors subscribed to Mercer Consulting (Australia) Pty Ltd's ("Mercer") AUSREM remuneration database to assist in benchmarking remuneration and the Company also engaged directly with Mercer to review its remuneration strategy in relation to current market practice.

In order to ensure the Board of Directors is provided with advice, free from undue influence by the Directors and executives to whom the recommendations may relate, the engagement of Mercer by the Board of Directors was governed by an agreed scope and engagement process.

The fee payable to Mercer for remuneration advice and subscription to the remuneration database for the year ended 30 June 2015 was $8,000.

10.8 Other Transactions with KMP and Their Related Parties

Tricoastal Minerals (Holdings) Company Limited ("Tricoastal") is a company in which Mr CT Wong has a beneficial interest.

During the year ended 30 June 2015, the Company entered into a Settlement Deed with Tricoastal which allowed the Company to make payment of its US$456,747 debt to Tricoastal by repaying at 5% per shipment of zircon concentrate produced from the Keysbrook Project with the debt to be repaid by no later than 31 March 2016.

10.9 Details of Remuneration

The following tables disclose details of the nature and amount of each element of the remuneration of each Director of MZI and the Group and each of the KMP for the year ended 30 June 2015.

Details of remuneration provided to Key Management Personnel are as follows:

	Short-term benefits		Post- employment benefits		Share-based payments	
2015	Salary & fees $	Non-monetary benefits $	Super-annuation $	Long Service Leave $	Rights over shares $	Performance Related %
Executive Directors						
T Matthews (i)	452,272	6,665	34,999	-	389,949	44%
Non-Executive Directors						
M Randall	90,000	-	10,685	-	-	0%
CT Wong	70,000	-	-	-	-	0%
S Ward	21,309	-	2,024	-	-	0%
R Baxter	10,935	-	1,039	-	-	0%
M Arnason	6,296	-	598	-	-	0%
Other Key Management Personnel						
J Wright	319,707	6,308	30,372	-	160,992	31%
J Westdorp (ii)	-	-	-	-	-	n/a
M Ferraro (iii)	83,409	-	8,209	-	-	0%
P Gazzard (iv)	312,437	6,308	29,682	-	160,123	31%
K Vuleta (v)	300,049	6,308	24,594	41,544	141,512	36%
Total	1,666,414	25,589	142,202	41,544	852,576	-

(i) Mr Matthews was appointed Managing Director on 15 December 2014 and before this appointment was the Group's Chief Executive Officer. Amounts shown above include all Mr Matthews' remuneration during the reporting period.

(ii) Mr Westdorp commenced on 22 June 2015 and received no remuneration during the reporting period.

(iii) Mr Ferraro commenced as Chief Operating Officer on 7 April 2015. Amounts shown above include Mr Ferraro's remuneration received from 7 April 2015 to 30 June 2015.

(iv) Mr Gazzard resigned from the position of Technical Director on 1 March 2015 and remained as the Group's Chief Operating Officer to 7 April 2015. Mr Gazzard remains employed by the Company and is still considered a KMP. Amounts shown above include all Mr Gazzard's remuneration during the reporting period.

(v) Mr Vuleta resigned from the position of Finance Director on 15 December 2014 and remained as the Group's Chief Financial Officer to 7 April 2015. Mr Vuleta resigned on 7 April 2015. Amounts shown above include all Mr Vuleta's remuneration, including termination benefits during the reporting period.

	Short-term benefits		Post-employment benefits	Share-based payments		
2014	**Salary & fees $**	**Non-monetary benefits $**	**Super-annuation $**	**Options $**	**Rights over shares $**	**Performance Related %**
Executive Directors						
P Gazzard	348,624	5,175	32,248	-	597	0%
K Vuleta	355,872	5,175	25,000	-	597	0%
Non-Executive Directors						
M Randall	90,000	-	8,325	20,942	-	18%
CT Wong	87,500	-	-	12,565	-	13%
Other Key Management Personnel						
T Matthews	450,551	5,175	30,551	-	81,573	14%
J Wright	318,318	5,175	25,000	-	29,433	8%
Total	1,650,865	20,700	121,124	33,507	112,200	-

Details of shareholdings of Key Management Personnel are as follows:

2015	**Balance at the start of the year**	**Received on vesting of rights over shares**	**Net change other (i)**	**Balance at the end of the year**
Executive Directors				
T Matthews	-	767,080	159,000	926,080
Non-Executive Directors				
M Randall	181,250	-	318,750	500,000
CT Wong	2,870,602	-	-	2,870,602
S Ward	-	-	90,000	90,000
R Baxter	-	-	-	-
M Arnason	-	-	-	-
Other Key Management Personnel				
J Wright	-	357,940	-	357,940
J Westdorp	-	-	4,750	4,750
M Ferraro	-	-	-	-
P Gazzard	238,697	407,547	-	646,244
K Vuleta (ii)	78,935	457,547	(536,482)	-

(i) Net change other refers to shares purchased on market.

(ii) Refers to Mr Vuleta's resignation on 7 April 2015.

Details of shareholdings of Key Management Personnel are as follows:

2014	Balance at the start of the year	Net change other (i)	Balance at the end of the year
Executive Directors			
P Gazzard	179,025	59,672	238,697
K Vuleta	50,000	28,935	78,935
Non-Executive Directors			
M Randall	142,500	38,750	181,250
CT Wong	2,841,667	28,935	2,870,602
Other KMP			
T Matthews	-	-	-
J Wright	-	-	-

(i) Net change other refers to shares purchased on market and shares issued pursuant to a disclosure document.

End of Audited Remuneration Report.

11 Options Granted Over Unissued Shares

At the date of this report, 8,304,833 ordinary fully paid shares (post share consolidation), which are subject to options, were unissued. The terms of these options are as follows:

	Number
exercisable at $0.80 each on or before 30 October 2015	3,354,833
exercisable at $1.60 each on or before 31 December 2015	500,000
exercisable at $0.80 each on or before 3 July 2016	112,500
exercisable at $0.64 each on or before 5 December 2016	1,250,000
exercisable at $3.00 each on or before 30 June 2016	125,000
exercisable at $0.6592 each on or before 2 July 2017	1,987,500
exercisable at $0.80 each on or before 27 June 2017	200,000
exercisable at $0.34 each on or before 19 November 2017	775,000
Total	8,304,833

One share has been issued by the Company since the end of the financial year as a result of the exercise of an option.

12 Non Audit Services

Non-audit services were provided by the entity's auditor, HLB Mann Judd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

13 Indemnification and Insurance of Directors and Officers

The Company has taken out an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim bought by a third party against the Company or its current or former Directors or Officers and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company indemnifies each of the Directors and Officers of the Company. Under its Constitution, the Company will indemnify those Directors or Officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as Directors or Officers of the Company or any related entities.

14 Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which this class order applies.

15 Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is included on page 18 of this financial report.

Signed in accordance with a resolution of the Board of Directors:

T Matthews

Managing Director

Perth, Western Australia

23 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of MZI Resources Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia	**D I Buckley**
23 September 2015	**Partner**

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

	Note	2015 $'000	2014 $'000
Continuing Operations			
Revenue from sales		-	-
Costs of production	3	-	-
Gross Profit before Depreciation, Amortisation and Other Operating Costs		-	-
Depreciation and amortisation	3	(203)	(202)
Other operating costs	3	(686)	(715)
Gross (Loss)/Profit		(889)	(917)
Other revenue	3	74	38
Other income	3	4,316	263
Corporate expenses	3	(6,273)	(5,342)
Other expenses	3	(391)	(1,535)
Treasury - realised gains/(losses)	3	(1,073)	-
Treasury - unrealised gains/(losses)	3	(7,114)	250
Loss before Finance and Tax		(11,350)	(7,243)
Finance expenses	3	(5,296)	(1,063)
Loss before Tax		(16,646)	(8,306)
Tax expense		-	-
Loss after Tax from Continuing Operations		(16,646)	(8,306)
Attributable to:			
Equity holders of the Parent		(16,646)	(8,306)
Other Comprehensive Income, net of income tax:			
Items that may be reclassified to profit or loss:			
Effective portion of changes in fair value of cash flow hedges, net of tax		(1,453)	-
Total Comprehensive Loss for the Year		**(18,099)**	**(8,306)**
Attributable to:			
Equity holders of the Parent		(18,099)	(8,306)
Basic and diluted loss per share	20	($0.22)	($0.14)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	2015 $'000	2014 $'000
Current Assets			
Cash and cash equivalents	**5**	33,790	1,106
Trade and other receivables	**6**	27	-
Inventories	**7**	66	-
Other current assets	**8**	549	745
Other financial assets	**9**	3,519	-
Total Current Assets		37,951	1,851
Non-Current Assets			
Trade and other receivables	**6**	653	673
Property, plant and equipment	**10**	59,638	3,863
Exploration and evaluation expenditure	**11**	1,639	1,488
Mine development expenditure	**12**	34,878	24,141
Total Non-Current Assets		96,808	30,165
Total Assets		134,759	32,016
Current Liabilities			
Trade and other payables	**13**	6,256	4,485
Provisions	**14**	1,614	1,225
Other financial liabilities	**15**	17,480	1,000
Borrowings	**16**	1,098	5,734
Total Current Liabilities		26,448	12,444
Non-Current Liabilities			
Trade and other payables	**13**	-	417
Provisions	**14**	2,329	127
Other financial liabilities	**15**	1,898	480
Borrowings	**16**	99,476	69
Total Non-Current Liabilities		103,703	1,093
Total Liabilities		130,151	13,537
Net Assets		**4,608**	**18,479**
Equity			
Share capital	**17**	66,604	63,715
Reserves	**18**	621	735
Accumulated losses		(62,617)	(45,971)
Total Equity		**4,608**	**18,479**

The accompanying notes form part of these financial statements.

	Ordinary Shares $'000	Cash Flow Hedge Reserve $'000	Employee Share Trust Reserve $'000	Share-based Payments Reserve $'000	Option Reserve $'000	Accumulated Losses $'000	Total $'000
Balance at 1 July 2013	54,413	-	-	459	918	(37,665)	18,125
Loss for the year	-	-	-	-	-	(8,306)	(8,306)
Other comprehensive income	-	-	-	-	-	-	-
Total Comprehensive Loss for the Year	-		-	-	-	(8,306)	(8,306)
Transactions with Owners in their Capacity as Owners:							
Shares issued (net of costs)	7,797	-	-	-	-	-	7,797
Unissued shares	1,505	-	(1,505)	-	-	-	-
Recognition of share-based payments	-	-	111	752	-	-	863
Balance at 30 June 2014	**63,715**	**-**	**(1,394)**	**1,211**	**918**	**(45,971)**	**18,479**
Loss for the year	-	-	-	-	-	(16,646)	(16,646)
Other comprehensive income	-	(1,453)	-	-	-	-	(1,453)
Total Comprehensive Loss for the Year	-	(1,453)	-	-	-	(16,646)	(18,099)
Transactions with Owners in their Capacity as Owners:							
Shares issued (net of costs)	2,889	-	-	-	-	-	2,889
Options issued	-	-	-	-	134	-	134
Recognition of share-based payments	-	-	854	351	-	-	1,205
Balance at 30 June 2015	**66,604**	**(1,453)**	**(540)**	**1,562**	**1,052**	**(62,617)**	**4,608**

The accompanying notes form part of these financial statements.

	Note	2015 $'000	2014 $'000
Cash Flows from Operating Activities			
Receipts from customers		-	-
Interest received		197	38
Payments to suppliers and employees		(8,235)	(6,958)
Finance costs		(7,161)	(109)
Net Cash Flows from Operating Activities	**26**	(15,199)	(7,029)
Cash Flows from Investing Activities			
Receipt of security deposits		60	17
Receipt of Research and Development Incentive Program refund		1,963	-
Receipt from sale of royalty		4,210	-
Receipt of Export Development Grants		104	-
Proceeds from sale of property, plant and equipment		-	988
Payments for exploration and evaluation		(338)	(511)
Payments for development		(8,423)	(6,476)
Payments for property, plant and equipment		(43,793)	(129)
Net Cash Flows from Investing Activities		(46,217)	(6,111)
Cash Flows from Financing Activities			
Proceeds from issue of shares and other securities		134	10,049
Share issue costs		(52)	(413)
Proceeds from borrowings		106,123	5,538
Repayment of borrowings		(8,795)	(630)
Borrowing costs		(3,310)	(428)
Net Cash Flows from Financing Activities		94,100	14,116
Net increase in cash and cash equivalents		32,684	976
Cash and cash equivalents at the beginning of the year		1,106	130
Cash and Cash Equivalents at the End of the Year	**5**	33,790	1,106

The accompanying notes form part of these financial statements.

Note 1: Corporate Information

The consolidated financial report of MZI Resources Ltd for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 23 September 2015.

MZI Resources Ltd (the "Company" or "MZI") is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The registered office and principal place of business of the Company is Level 2, 100 Royal Street, East Perth, WA 6004.

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

Note 2: Summary of Significant Accounting Policies

(a) Basis of Preparation

This financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, and Interpretations and complies with other requirements of law. The financial statements are prepared on a historical cost and going concern basis.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS"). The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. When required by Australian Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(b) New Accounting Standards and Interpretations

In the year ended 30 June 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore no material change is necessary to Group accounting policies.

(c) Basis of Consolidation

The consolidated financial statements comprise the separate financial statements of MZI Resources Ltd and its subsidiaries (including structured entities) as at 30 June each year (the "Group"). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss of retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Foreign Currency Translation

Functional and presentation currency

Both the functional and presentation currency of MZI is Australian Dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that currency.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at balance date.

All translation differences relating to transactions and balances denominated in foreign currency are taken to the Consolidated Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Translation of financial reports of foreign operations

The assets and liabilities of subsidiary companies are translated to the Group presentation currency at the exchange rates ruling at balance date. Income and expense items are translated at average exchange rates for the year. Any exchange differences are taken directly to the foreign exchange translation reserve. On disposal of a foreign entity, cumulative deferred exchange differences are recognised in the Consolidated Statement of Comprehensive Income as part of the profit or loss on sale.

(e) Trade and Other Receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for uncollectible debts. An estimate of the allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(f) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration expenditure for each area of interest is written off as incurred, except that it may be carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration activities in the area of interest have not, at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Exploration expenditure which no longer satisfies the above policy is written off. In addition, an impairment allowance is raised against any exploration expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the impairment allowance is charged against the Consolidated Statement of Comprehensive Income for the year.

When an area of interest is abandoned, any expenditure carried forward in respect of that area of interest is written off in the year in which the decision to abandon is made.

Expenditure is not carried forward in respect of any area of interest unless the Group's right of tenure to that area of interest are current.

(g) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

Rehabilitation and site restoration

The Group is required to decommission and rehabilitate mines and processing sites, to the extent that an environmental disturbance has occurred, to a condition acceptable to the relevant authorities.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

The amount of the provision for future rehabilitation costs is capitalised and is depreciated in accordance with the policy set out in Note 2(r). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(h) Share-Based Payment Transactions

The Company provides benefits to employees (including Directors) in the form of share-based payments whereby employees render services in exchange for shares or rights over shares ("share-based payments" or "equity-settled transactions").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of MZI ("market conditions") if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Comprehensive Income charge or credit for the period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification as measured at the date of modification.

Where an equity-settled award is cancelled (other than cancellation when a vesting condition is not satisfied), it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings per share.

(i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues using the effective interest rate method (which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Revenue

Revenue from the sale of product is recognised when the product is suitable for delivery, has been despatched to the customer and is no longer under the physical control of the Group.

(j) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment loss. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Depreciation is provided on a straight line or units of production basis on all plant and equipment. Major depreciation periods are:

- Plant and equipment 1-12 years
- Motor vehicles 3-5 years
- Production assets units of production basis

Land represents lots at Keysbrook which the Group has acquired. Once production commences at Keysbrook, the land (less the residual value of the land) will be amortised on a units of production basis over the estimated economic life of the mine.

Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(k) Impairment of Non-Financial Assets

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash generating unit.

(l) Non-Current Assets Held For Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised once they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Statement of Comprehensive Income.

(m) Taxation

Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences or losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Tax consolidation legislation

MZI Resources Ltd and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as at 1 July 2013.

The head entity, MZI Resources Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Earnings/Loss per Share

Basic earnings/loss per share is determined by dividing net profit or loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares by the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

(p) Cash and Cash Equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks, as defined above (and money market investments readily convertible to cash on hand), net of outstanding bank overdrafts.

(q) Issued Capital

Issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised, net of tax, directly in equity as a reduction of the share proceeds received.

(r) Mine Development Costs

Mine development expenditure represents the costs incurred in preparing mines for commissioning and production, and also includes other directly attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining project. Once production commences, these costs are amortised over the estimated economic life of the mine on a units of production basis. The development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

(s) Inventories

Stores and spares, product on hand and in circuit are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and a proportion of indirect overhead expenditure allocated on the basis of relevant operating capacity.

Costs are assigned to individual items of inventory on the basis of weighed average cost. Costs of purchased inventory are determined after deducting applicable rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and to make the sale.

(t) Interest-Bearing Loans and Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) Other Financial Assets

Classification

The Group classifies its financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement in the following categories: financial assets at fair value through profit or loss and loans and receivables. Management determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transactions costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Consolidated Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(v) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(w) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

(x) Segment Reporting

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

(y) Derivative Financial Instruments

Derivative financial instruments are recorded at fair value on the consolidated statement of financial position and classified based on contractual maturity. Derivative instruments are classified as either hedges of the fair value of recognised assets or liabilities or of firm commitments ("fair value hedges"), hedges of highly probable forecast transactions ("cash flow hedges") or non-hedge derivatives. Derivatives designated as either a fair value or cash flow hedge that are expected to be highly effective in achieving offsetting changes in fair value or cash flows are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability or firm commitment that is attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised in profit or loss. Amounts accumulated in equity are transferred to profit or loss in the period when the forecasted transaction impacts earnings.

When the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability. When a derivative designated as a cash flow hedge expires or is sold and the forecast transaction is still expected to occur, any cumulative gain or loss relating to the derivative that is recorded in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to profit or loss.

Non-hedge derivative

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit or loss.

(z) R&D Incentive Rebate

Any rebate received for eligible Research and Development activities are offset against the area where the costs were initially incurred. For R&D expenditure that has been capitalised, any claim received will be offset against "Mine development expenditure" in the Consolidated Statement of Financial Position.

(aa) Significant Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following significant accounting judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provision for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM "Australian Code for Reporting of Identified Mineral Resources and Ore Reserves". The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

(bb) Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved and probable reserves and measured, indicated and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related area of interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if rights to tenure of the area of interest are current and activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to the value of property, plant and equipment. Any resulting impairment losses recognised could in turn impact future financial results.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using the Black-Scholes valuation method, taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in Note 19. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period, but may affect expenses and equity.

Recovery of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise net deferred tax assets could be impacted. Additionally, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods.

The Group has unrecognised deferred tax assets arising from tax losses and other temporary differences. The ability of the Group to utilise its tax losses is subject to meeting the relevant statutory tests.

The income tax expense has been estimated and calculated based on management's best knowledge of current income tax legislation. There may be differences with the treatment of individual jurisdiction provisions but these are not expected to have any material impact on the amounts as reported.

Rehabilitation and site restoration provision

Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable.

These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from amounts currently provided.

Fair value of financial derivative instruments

The Group assesses the fair value of its derivative instruments in accordance with the accounting policy stated at Note 2(y). When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques, such as Monte Carlo simulations, Black-Scholes valuation models and discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include consideration of inputs such as market price volatility and foreign exchange volatility. Changes in these assumptions could affect the reported fair value of financial instruments. Refer Note 15 for the assumptions applicable to the Group's financial derivative instruments.

Borrowing costs denominated in a foreign currency

Significant assumptions are made in determining the level of foreign currency gains or losses that are capitalised in accordance with the Group's policy on borrowing costs. The amount of borrowing costs, including foreign currency gains or losses, that are capitalised are capped to the hypothetical interest rate that the Group would have received had the borrowing been denominated in the functional currency of the Group. This hypothetical interest rate on the US dollar denominated borrowings is calculated at 10.19%.

(cc) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2015. These are outlined in the table below:

Reference	Title	Summary of Change	Application Date of Standard	Application Date for Group
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and 138)	AASB 116 and 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.	1 Jan 2016	1 Jul 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 Jan 2016	1 Jul 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	The subjects of the principal amendments to the Standards are set out below: AASB 119 Employee Benefits: ▪ Discount rate: regional market issue – clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 Interim Financial Reporting ▪ Disclosure of information 'elsewhere in the interim financial report' amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 Jan 2016	1 Jul 2016

Reference	Title	Summary of Change	Application Date of Standard	Application Date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit and loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Where the fair value option used for financial liabilities the change in fair value is to be accounted for as follows: a) The change attributable to changes in credit risk are presented in other comprehensive income. b) The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in the profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2018	1 Jul 2018

Reference	Title	Summary of Change	Application Date of Standard	Application Date for Group
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 Jul 2015	1 Jul 2016

The Directors have reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2015. As a result of this review the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

Note 3: Revenue and Expenses

	2015 $'000	2014 $'000
Depreciation and amortisation		
Depreciation	203	202
	203	202
Other operating costs		
Care and maintenance	180	674
Royalties and landowner payments	506	41
	686	715
Other revenue		
Interest income	74	38
	74	38
Other income		
Sundry income	104	-
Royalty income	4,212	-
Profit on sale of assets	-	263
	4,316	263
Corporate expenses		
Audit and review fees	94	109
Consulting fees	770	1,453
Travel and accommodation	148	36
Occupancy costs	340	411
Share-based payments - employee benefits	1,050	154
Salaries and wages	2,783	2,356
Other	889	663
Directors' fees	199	160
	6,273	5,342
Other expenses		
Rehabilitation - non operating minesites	141	852
Impairment expense	250	683
	391	1,535
Treasury - realised losses		
Realised foreign exchange loss	284	-
Realised loss on currency hedges	789	-
	1,073	-
Treasury - unrealised losses/(gains)		
Fair value movement on derivatives	628	-
Unrealised foreign exchange loss/(gain)	6,486	(250)
	7,114	(250)
Finance expenses		
Interest and fees on borrowings	5,296	1,063
	5,296	1,063

Note 4: Income Tax

The prima facie income tax expense on pre-tax accounting losses from continuing operations reconciles to the income tax expense in the financial statements as follows:

	2015 $'000	2014 $'000
Loss before income tax	(16,646)	(8,306)
Income tax benefit calculated at 30%	(4,994)	(2,492)
Tax effect of:		
Non-deductible expenses	556	49
Temporary differences movement	42	315
Assessable income not included in accounting profit	-	1,974
Exploration expenditure write offs	70	154
Other deferred tax assets and deferred tax liabilities not recognised	4,326	-
Income tax expense/(benefit) attributable to loss before tax	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

Unrecognised deferred tax assets

Deferred tax assets comprise:

	2015 $'000	2014 $'000
Tax losses carried forward (i)	4,777	3,658
Capital losses carried forward	-	2,242
Provision for site restoration	1,009	256
Employee provisions	174	-
Depreciable assets	2	-
Accrued expenses	46	240
Borrowing costs	1,658	166
Unrealised gains/losses	2,134	-
Share issue/business related costs	109	165
Unrealised loss in Other Comprehensive Income	436	-
	10,345	6,727

(i) The Company has not undertaken a Continuity of Ownership or Same Business Test to determine whether the income tax losses can be utilised in the future.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits thereof.

Deferred tax liabilities comprise:

	2015 $'000	2014 $'000
Unrealised foreign exchange gains/(losses)	-	72
Unearned interest income	1	-
Prepayments	39	-
Capitalised exploration costs	492	449
Depreciable assets	-	35
Mining assets	5,244	2,962
Capital work in progress	1,428	-
Treasury shares	162	-
	7,366	3,518

Income tax expense not brought to account in equity

	2015 $'000	2014 $'000
Share issue costs	15	109

Tax consolidation

MZI Resources Ltd and its wholly owned Australian controlled entities implemented the tax consolidated legislation on 1 July 2013. On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement, which limits the joint and several liability of the wholly owned entities in the case of default by the head entity, MZI Resources Ltd.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate MZI Resources Ltd for any current tax payable assumed and are compensated by MZI Resources Ltd for any current tax receivable. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities financial statements. The head entity and controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Note 5: Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash at bank	33,790	1,106

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 6: Trade and Other Receivables

	2015 $'000	2014 $'000
Current		
Other receivables	27	-
Non-current		
Security deposits (i)	653	673

(i) Security deposits of $0.536m have been lodged with the Department of Mines and Energy, Northern Territory and are unsecured and accrue no interest (2014: $0.596m).

The aging analysis of current other receivables are as follows:

	2015 $'000	2014 $'000
0-30 days	27	-

Note 7: Inventories

	2015 $'000	2014 $'000
Concentrate on hand - at NRV	66	-

Inventories relate to concentrate from the Lethbridge South operation located on the Tiwi Islands.

Note 8: Other Current Assets

	2015 $'000	2014 $'000
Prepayments	549	106
Transaction costs (i)	-	639
	549	745

(i) The amount relates to transaction costs that are directly attributable to the establishment of the funding facilities negotiated for the Keysbrook Project. The amount has been reclassified to borrowings on drawdown of the facilities.

Note 9: Other Financial Assets

	2015 $'000	2014 $'000
Embedded derivatives (i)	3,519	-

(i) Refer to Note 15 for details of embedded derivatives.

Note 10: Property Plant and Equipment

	Land $'000	Site Plant & Equipment $'000	Office Equipment $'000	Plant & Equipment under Lease $'000	Work in Progress $'000	Total $'000
At 1 July 2014 net of accumulated depreciation	3,189	167	507	-	-	3,863
Additions	8,986	1	25	391	45,967	55,370
Transfer between asset classes	-	-	-	-	626	626
Impairment	-	(18)	-	-	-	(18)
Depreciation charge for the year	-	(44)	(159)	-	-	(203)
At 30 June 2015 net of accumulated depreciation	12,175	106	373	391	46,593	59,638
At 30 June 2015						
Cost	12,175	242	774	391	46,593	60,175
Accumulated depreciation	-	(136)	(401)	-	-	(537)
Net carrying amount	12,175	106	373	391	46,593	59,638

	Land $'000	Site Plant & Equipment $'000	Office Equipment $'000	Total $'000
At 1 July 2013 net of accumulated depreciation	3,189	207	603	3,999
Additions	-	51	58	109
Disposal	-	(43)	-	(43)
Depreciation charge for the year	-	(48)	(154)	(202)
At 30 June 2014 net of accumulated depreciation	3,189	167	507	3,863
At 30 June 2014				
Cost	3,189	260	748	4,197
Accumulated depreciation	-	(93)	(241)	(334)
Net carrying amount	3,189	167	507	3,863

Refer to Note 16 for details of assets held as security.

Note 11: Exploration & Evaluation Expenditure

Exploration and evaluation phase:

	2015 $'000	2014 $'000
Opening balance	1,488	1,588
Exploration expenditure incurred	383	410
Impairment loss	(232)	(510)
Closing balance	1,639	1,488

The ultimate recoupment of costs carried forward for areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation, or sale, of the respective areas of interest. For areas which do not meet the criteria of the accounting policy per Note 2(f), those amounts are charged to the Consolidated Statement of Comprehensive Income.

Note 12: Mine Development Expenditure

	Mine Development Tiwi Islands $'000	Mine Development Keysbrook $'000	Total $'000
Opening balance as at 1 July 2014	-	24,141	24,141
Research and Development Incentive Program refund	-	(1,963)	(1,963)
Adjustments to rehabilitation and restoration provision	-	2,305	2,305
Capitalised borrowing costs	-	3,079	3,079
Additions	-	7,942	7,942
Transfer between asset classes	-	(626)	(626)
Closing Balance as at 30 June 2015	-	34,878	34,878
Opening balance as at 1 July 2013	13	16,126	16,139
Additions	11	8,015	8,026
Impairment	(24)	-	(24)
Closing Balance as at 30 June 2014	-	24,141	24,141

Note 13: Trade and Other Payables

	2015 $'000	2014 $'000
Current		
Trade payables	532	2,614
Other payables	5,724	1,871
	6,256	4,485
Non-current		
Other payables	-	417

Trade creditors, accruals and sundry payables are non-interest bearing and normally settled on 30 day terms.

Note 14: Provisions

	2015 $'000	2014 $'000
Current		
Annual leave	344	234
Long service leave	211	139
Site restoration (i)	1,059	852
	1,614	1,225
Non-current		
Long service leave	24	127
Site restoration (i)	2,305	-
	2,329	127

(i) Site restoration

	2015 $'000	2014 $'000
Opening balance	852	-
Change in scope of restoration provision	2,512	852
Closing balance	3,364	852

The nature of restoration activities includes dismantling and removing plant structures, rehabilitating remaining mined areas including restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

Note 15: Other Financial Liabilities

	2015 $'000	2014 $'000
Current		
Other financial liabilities (i)	470	1,000
Cash flow hedges (ii)	655	-
Embedded derivatives (iii)	16,355	-
	17,480	1,000
Non-current		
Other financial liabilities (i)	1,100	480
Cash flow hedges (ii)	798	-
	1,898	480

(i) **Other financial liabilities**

These amounts attract interest at 4.5% per annum and are subject to contractual payment dates.

(ii) **Cash flow hedges**

During the year ended 30 June 2015, the Group entered into cash flow hedges of forecast loan drawdowns and future sales in US dollars. In addition, the Group entered into a cash flow hedge of variability in the amount of the highly probable interest payments due to anticipated movements in the underlying interest rates relating to the US dollar denominated debt obligations.

The terms of the cash flow hedges match the terms of the expected highly probable forecast transactions. As a result, no hedge ineffectiveness arises during the year, requiring recognition through profit or loss. A net unrealised loss of $1.072m relating to the valuation of the hedging instruments at 30 June 2015 was included in other comprehensive income. A realised loss of $0.789k was included in the Statement of Comprehensive Income in relation to a timing difference between a scheduled loan drawdown and hedge contract settlement.

The following table details the forward foreign currency contracts to sell US dollars forward outstanding at reporting date:

Sell USD Forwards	Notional amounts US$		Weighted average A$:US$ exchange rate		Fair Value	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
1 - 2 years	20,498	-	0.7871	-	(1,072)	-
	20,498	-	-	-	(1,072)	-

The interest rate swap agreement entered into for a notional amount of US$22.886m allows the Group to receive a fixed rate of 1.39% and pays interest at a variable rate equal to the US dollar LIBOR BBA rate. The interest rate swap settles on a quarterly basis. The fair value of the interest rate swap in place at 30 June 2015 is $0.381m.

(iii) **Embedded Derivatives**

During the year ended 30 June 2015, the Group entered into a facility agreement with Resource Capital Fund VI L.P. ("RCF"). Included within the facility agreement are a conversion price option on the Convertible Loan facility and option to convert the Bridge Finance facilities to a new convertible loan. Refer to Note 16 for the terms and conditions of the RCF facilities.

At execution of the facility agreement, the fair value of the embedded derivatives associated with the facilities was $12.207m.

At 30 June 2015, the fair value of the embedded derivative associated with the facilities was $12.836m.

Fair value

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurements hierarchy:

- Level 1 – the fair value is calculated using quoted prices in an active market.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The following table represent the Group's financial liabilities measured and recognised at fair value at 30 June 2015 on a recurring basis:

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Embedded derivative associated with Bridge Finance facilities	-	3,519	-	3,519
Financial liabilities				
Foreign currency hedging contracts	-	1,072	-	1,072
Embedded derivative associated with Convertible Loan	-	16,355	-	16,355
Interest rate swap	-	381	-	381

Valuation techniques used to derive level 2 and level 3 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices for similar instruments;
- The fair value of the foreign currency forwards and interest rate swaps is determined using forward exchange rate and interest rates at the balance sheet date; and
- Other techniques, such as Black-Scholes and Monte Carlo valuation models.

The fair value of the embedded derivatives associated with the Convertible Loan facility and Bridge Finance facility are valued using a Black-Scholes option pricing model that takes into account the exercise price, term of the facilities, non-tradeable nature of the facilities, the share price at drawdown date and expected share price volatility of the underlying share, the expected dividend yield, the risk-free rate for the term of the facilities.

The table below summarises the model inputs for the embedded derivatives as at 30 June 2015.

	Convertible Loan facility	Bridge Finance facility A	Bridge Finance facility B
Dividend yield	0.00%	0.00%	0.00%
Expected volatility of Company's shares	100.00%	100.00%	100.00%
Risk-free rate	2.47%	2.01%	2.01%
Term remaining (years)	3.91	4.50	4.27
Conversion price (cents)	$0.40	$0.47	$0.47
Underlying security spot price at valuation date (cents)	$0.405	$0.405	$0.405
Valuation date	30 Jun 2015	30 Jun 2015	30 Jun 2015
Black-Scholes valuation per share	$0.281	$0.301	$0.293

Note 16: Loans and Borrowings

	2015 $'000	2014 $'000
Current		
Insurance premium funding	320	69
Bank loan (i)	-	725
Other party loan (ii)	-	3,940
Major shareholder settlement (iii)	-	1,000
Hire purchase (iv)	33	-
Other party settlement (v)	595	-
Other party loan (vi)	150	
	1,098	5,734
Non-current		
Other party settlement (v)	-	69
Bank loan (i)	725	-
Other party loan (vi)	6,378	-
Bridge facility (vii)	29,905	-
Convertible loan (vii)	16,765	-
Senior facility (viii)	45,345	-
Hire purchase (iv)	358	-
	99,476	69

(i) **Bank loan**

On 12 November 2014, the Company entered into an agreement with National Australia Bank to extend the repayment date of the flexible interest rate bank loan facility to 30 November 2019. The loan is interest only to 31 October 2016 with principal repayments commencing thereafter for a period of 36 months. The current interest rate is 6.345% per annum.

This loan is secured by a mortgage over Lot 112 Westcott Road, Keysbrook WA. The carrying amount of assets pledged as security for this bank loan is $0.825m.

(ii) **Other party loan**

This loan was repaid on 5 December 2014.

(iii) **Major shareholder settlement**

Settlement occurred on 9 December 2014.

(iv) **Hire purchase**

The Group has entered into a hire purchase agreement with Komatsu Australia Corporate Finance Pty Limited ("Komatsu") for the financing of the mining feed unit which is being constructed for utilisation at the Keysbrook Project. Monthly instalments are required under the terms of the contract which expires on 30 September 2019. MZI has provided an unsecured Parent entity guarantee to Komatsu in relation to this finance facility.

(v) **Other party settlement**

Amounts comprising this sales debt are unsecured and non-interest bearing. This amount is subject to a binding agreement which requires repayment at 5% of the value of each shipment of zircon concentrate produced from the Keysbrook Project and by no later than 31 March 2016.

(vi) **Other party loan**

On 5 November 2014, the Group entered into an agreement with a third party to purchase Lot 62 Hopeland Road, North Dandalup WA. The loan is repayable in fixed instalments, with a final repayment date of 5 November 2019. Interest is charged at 4.5% per annum.

The loan is secured by a mortgage granted over Lot 62 Hopeland Road, North Dandalup WA. The carrying amount of assets pledged as security for this loan is $9.986m.

(vii) **Bridge facility and convertible loan**

On 12 November 2014, the Group entered into a Facility Agreement with Resource Capital Fund VI L.P. ("RCF"). These facilities comprise a US$21.0m Convertible Loan facility and US$33.5m in Bridge Finance facilities. The key terms are as follows:

Convertible Loan facility

- Interest at 10% per annum, payable quarterly in arrears, in either cash or shares at the Group's election;
- Final repayment date of 26 May 2019; and
- Convertible at RCF's election any time before the final repayment date on a conversion formula.

Bridge Finance facilities

- Interest at 10% per annum, payable quarterly in arrears, in either cash or shares at the Group's election;
- Repayable within 1 year of draw down or automatically converted to a convertible loan facility; and
- The convertible loan facility has a final repayment date of 5 June 2020 and is convertible at RCF's election at any time before the final repayment date on a conversion formula.

As at 30 June 2015, the Convertible Loan facility, Project Development and Working Capital Bridge facilities were fully drawn. The Debt Service Reserve Account of US$4m and Cost Overrun of US$4m Bridge facilities remain undrawn.

A reconciliation of the Convertible Loan facility and Bridge Finance facilities at inception is as follows:

	Inception $'000
Embedded derivatives	12,207
Bridge facility	29,434
Convertible loan	15,132
Proceeds	56,773

(viii) **Senior facility**

On 12 November 2014, the Group entered into a Senior Facility Agreement with RMB Resources Limited ("RMB"). These facilities comprise a US$37.5m Senior Debt facility, a US$3.0m Working Capital Debt facility and a $11.5m Bank Guarantee facility. The key terms are as follows:

Senior Debt facility

- Interest at a margin of 4.75% per annum above the US$ LIBOR rate pre Keysbrook Project completion and a margin of 4.25% post Keysbrook Project completion, payable quarterly in arrears;
- Repayments are required quarterly on fixed repayment profile;
- A mandatory prepayment of the principal outstanding at each quarter end of 70% of free cash is required until the Senior Debt facility is reduced to zero; and
- Terminates on 30 September 2019.

Working Capital Debt facility

- Interest at a margin of 4.00% per annum above the US$ LIBOR rate, payable quarterly in arrears;
- Available from the commencement of mining ore and production of heavy mineral concentrate from the wet concentrator plant at Keysbrook;
- Revolving facility repayable on the second quarter end after first drawdown and able to be drawn down on the next business day following the second quarter end; and
- Terminates on 30 September 2019.

Bank Guarantee facility

- Fee payable at 3.00% per annum on the value drawn down, payable quarterly in arrears;
- Available for the West Australian Environmental Protection Agency approvals, landowner agreements and the Western Power connection agreement; and
- Terminates on 30 September 2019.

As at 30 June 2015, the Senior Debt facility was fully drawn, $3.938m was drawn under the Bank Guarantee facility and the Working Capital Debt facility remains undrawn.

(ix) **Security on RMB and RCF facilities**

The RMB and RCF facilities are secured under a Security Trust arrangement and a Priority Deed exists between the parties. The details of the security are below:

- Fixed and floating charge over all the Group's assets other than Lot 112 Westcott Road, Keysbrook WA and Lot 62 Hopeland Road, North Dandalup WA;
- Mortgage granted by the Company over Lot 202 Elliot Road, Keysbrook WA; and
- Share mortgage granted by the Company over all its shares in Keysbrook Leucoxene Pty Ltd and NT Exploration Pty Ltd.

The carrying amount of assets pledged as security for these facilities is $124.149m.

(x) **Compliance with RCF and RMB loan covenants**

A Common Terms Agreement governs the RMB and RCF facilities and includes financial covenants that the Group must comply with. All such financial covenants have been complied with in accordance with the Common Terms Agreement.

(xi) **Financial liabilities carried at amortised cost**

The fair value of financial liabilities carried at amortised cost approximates their carrying values.

Note 17: Share Capital

Share consolidation

The Company completed a forty to one share consolidation in December 2014, following approval by shareholders in November 2014. The share consolidation involved the conversion of every forty fully paid ordinary shares on issue into one fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fractional entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation on 9 December 2014, the number shares on issue reduced from 2,885,242,323 shares to 72,131,486 shares as at that date.

All disclosures in relation to ordinary shares have been restated for the forty to one share consolidation, completed in December 2014.

Ordinary shares

	2015 $'000	2014 $'000
79,030,110 (2014: 69,664,970) ordinary fully paid shares	66,604	63,715

Movements in ordinary share capital

	No. of Shares	$'000
Issued shares:		
At 1 July 2013	42,545,030	46,413
Share placements (i), (ii)	13,563,960	7,044
Share purchase plan	5,787,040	3,000
Shares issued pursuant to a Deed of Settlement (iii)	1,967,944	5,000
Shares issued pursuant to an Employee Share Trust Plan (iv)	3,134,600	1,505
Shares issued pursuant to a Facility Agreement (v)	2,666,396	1,183
Share issue costs	-	(430)
As at 30 June 2014	69,664,970	63,715
At 1 July 2014	69,664,970	63,715
Shares issued pursuant to a Facility Agreement (vi)	2,466,516	691
Shares issued pursuant to a Facility Agreement (vii)	3,910,011	1,743
Shares issued pursuant to a Facility Agreement (viii)	2,167,130	507
Shares issued in respect of Employee Performance Rights (ix)	821,280	-
Options exercised	203	-
Share issue costs	-	(52)
As at 30 June 2015	79,030,110	66,604
Unissued shares:		
At 1 July 2013	7,754,982	8,000
Share placement	(7,754,982)	(8,000)
As at 30 June 2014	-	-
Total share capital 30 June 2014	69,664,970	63,715
Total share capital 30 June 2015	79,030,110	66,604

(i) A placement agreement was executed on 30 June 2013 and 5,787,037 shares were issued on 23 July 2013;

(ii) A placement agreement was executed on 31 October 2013 and 7,776,923 shares were issued on 8 November 2013;

(iii) Shares issued to Stirling Zircon Pty Ltd under a Deed of Settlement as consideration for the acquisition of exploration and plant and equipment assets. The Deed of Settlement was executed on 22 October 2013 and the shares were issued 29 April 2014;

(iv) Shares issued pursuant to an Employee Share Trust Plan approved by shareholders at a general meeting on 26 November 2013;

(v) Shares issued pursuant to a Facility Agreement as consideration for a US$1.000m loan repayment and US$0.105m loan fee;

(vi) Shares issued pursuant to a Facility Agreement as consideration for a US$0.516m loan repayment and a US$0.105m loan fee;

(vii) Shares issued pursuant to a Facility Agreement as consideration for establishment fees;

(viii) Shares issued pursuant to a Facility Agreement as consideration for interest and commitment fees; and

(ix) Shares issued pursuant to an Employee Incentive Plan, approved by shareholders at a general meeting on 12 November 2012.

Terms and conditions

Ordinary shares entitle the holder to participate in dividends in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

Employee share schemes

Refer to Note 19 for details of the employee share schemes.

Capital risk management

When managing capital, management's objective is to safeguard the Company's ability to continue as a going concern as well as to maintain an optimum return to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

Management constantly adjusts the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors its capital through monthly Board reporting including management accounts and forecasts combined with appropriate external financial, corporate and legal advice when required. To a lesser extent, gearing ratios are also used to monitor capital. Appropriate capital levels are maintained to ensure that all approved expenditure programs are adequately funded. This funding is derived from a combination of debt and equity.

The gearing ratio is calculated as net debt divided by total capital. Net debt is defined as loans and borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the Consolidated Statement of Financial Position plus net debt.

	2015	2014
Gearing ratio	93.5%	20.3%

The Group is not subject to any externally imposed capital restrictions.

Note 18: Reserves

Nature and purpose of reserves

The share-based payments reserve represents the value of equity benefits provided to Directors and employees as part of their remuneration and the value of services provided to the Group paid for by the issue of equity.

The employee share trust reserve consists of shares held in trust for employees of the Group.

The cash flow hedge reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in Note 15. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Note 19: Share-Based Payments

All disclosures in relation to options, rights over shares and performance rights have been restated for the forty to one share consolidation, completed in December 2014.

Options issued under the Employee Share Option Plan ("Plan A")

Plan A was established where Directors, senior management and members of staff of the Group may be issued with options over ordinary shares of MZI. The options, issued for nil consideration, are issued in accordance with the terms and conditions of the shareholder approved Plan A and performance guidelines established by the Directors of MZI.

Employees do not possess any rights to participate in Plan A as participation is solely determined by the Board. Options may be exercised at any time from the date of vesting to the date of expiry. The exercise price for employee options granted under Plan A will be fixed by the Board prior to the grant of the employee option. Each employee share option converts to one ordinary share in MZI. The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

The objective of Plan A is to assist in the recruitment, reward, retention and motivation of the employees of the Group.

A total of 250,000 options over ordinary shares under Plan A were in place during the year. As at 30 June 2015, 125,000 options (Series 5) lapsed and 125,000 options (Series 6) are fully vested.

Options issued to Directors

At a General Meeting held on 31 August 2012, shareholders approved the issue of 500,000 options over ordinary shares to Non-Executive Directors (Series 7). These options may be exercised at any time from the date of vesting to the date of expiry. The exercise price for these options granted to Executive and Non-Executive Directors is $1.60. Each option converts to one ordinary share in MZI. The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

A further 200,000 options over ordinary shares were granted on 27 June 2014 following approval at a General Meeting held on that date (Series 10). These options may be exercised at any time from the date of vesting to the date of expiry. The exercise price for these options granted to Non-Executive Directors is $0.80. Each option converts to one ordinary share in MZI. The options do not provide any dividend or voting rights. The options are not quoted on the ASX.

The primary purpose of the above grants is to motivate and reward the performance of Non-Executive Directors in their respective roles.

These options over ordinary shares were in place during the year and as at 30 June 2015.

Options issued in consideration for services

On 21 June 2013, the Company granted 112,500 options with an exercise price of $0.80 to a consultant in consideration for services in relation to a capital raising (Series 8). There are no voting rights attached to the options and they may be exercised at any time on or before 3 July 2016.

The fair value of these options has been disclosed as consultant costs in a prior year.

On 5 December 2013, the Company granted 1,250,000 options with an exercise price of $0.64 to a consultant in consideration for corporate advisory services (Series 9). There are no voting rights attached to the options and they may be exercised at any time on or before 5 December 2016.

The fair value of these options has been disclosed as consultant costs in the prior year.

On 27 June 2014, the Company granted 1,987,500 options with an exercise price of $0.6592 to Resource Capital Fund VI L.P. ("RCF") in consideration for the acceptance fees for the finance facilities to develop the Keysbrook Project (Series 11). There are no voting rights attached to the options and they may be exercised at any time on or before 3 July 2017.

The fair value of these options has been disclosed as transaction costs included in other current assets in the prior year.

On 19 November 2014, the Company granted 775,000 options with an exercise price of $0.34 to RCF in consideration for the acceptance fees for the finance facilities to develop the Keysbrook Project (Series 12). There are no voting rights attached to the options and they may be exercised at any time on or before 19 November 2017.

The fair value of these options has been disclosed as transactions costs associated with the Bridge Facilities.

These options over ordinary shares were in place during the year and as at 30 June 2015.

Movements in options

This table illustrates the number and weighted average exercise prices of and movements in unlisted options issued during the year:

	2015		2014	
	Options No.	Weighted average exercise price	Options No.	Weighted average exercise price
Outstanding at the beginning of the year	4,300,000	$0.8686	862,500	$1.6986
Granted during the year	775,000	$0.3400	3,437,500	$0.6604
Expired during the year	(125,000)	($1.6000)	-	$0.0000
	4,950,000	$0.7674	4,300,000	$0.8686

The weighted average remaining contractual life of the share options as at 30 June 2015 is 1.72 years (2014: 2.57 years).

The weighted average fair value of options granted during the year was $0.1974 (2014: $0.216).

The following table lists the inputs to the model for options in place as at 30 June 2015:

	Series 6	Series 7	Series 8	Series 9	Series 10	Series 11	Series 12
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility (%)	80.00%	80.00%	99.50%	99.40%	99.40%	99.40%	100.00%
Risk-free interest rate (%)	4.50%	4.50%	2.50%	3.10%	2.70%	2.70%	2.57%
Expected life of options (years)	4.132	3.633	3.000	3.000	3.000	3.016	3.000
Exercise price (cents)	300.0	160.0	80.0	64.0	80.0	65.9	34.0
Grant date share price (cents)	80.0	80.0	56.0	48.0	36.0	36.0	32.0
Grant Date	27 Apr 2012	31 Aug 2012	21 Jun 2013	5 Dec 2013	27 Jun 2014	27 Jun 2014	19 Nov 2014
Expiry Date	30 Jun 2016	31 Dec 2015	3 Jul 2016	5 Dec 2016	27 Jun 2017	02 Jul 2017	19 Nov 2017
Number	125,000	500,000	112,500	1,250,000	200,000	1,987,500	775,000
Fair value at grant date	$0.2800	$0.3480	$0.3120	$0.2760	$0.1680	$0.1840	$0.1974

The expected life of the option is based on historical data and is not necessarily indicative of exercise payments that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the options is measured at grant date using the Black-Scholes option valuation method taking into account the terms and conditions upon which the instruments were granted. The services received and liabilities to pay for those services are recognised over the expected vesting period.

Rights over shares issued under the Employee Share Trust Plan ("Plan B")

Plan B was established where Key Management Personnel ("KMP") of the Group may be issued with rights over fully paid ordinary shares of MZI. The rights over shares, issued for nil consideration, are issued in accordance with the terms and conditions as approved at a General Meeting by shareholders and performance guidelines established by the Directors of MZI.

KMP do not possess any rights to participate in Plan B as participation is solely determined by the Board. Rights over shares convert to one fully paid ordinary share in MZI at an exercise price of nil upon meeting certain non-market based performance conditions. The rights over shares do not provide any dividend or voting rights. These rights over shares are not quoted on the ASX. If a KMP ceases to be employed by the Group within the period, the unvested rights will be forfeited.

The objective of Plan B is to assist in the recruitment, reward, retention and motivation of the KMP of the Group.

During the year ended 30 June 2014, 3,134,600 rights over shares were granted with the following performance conditions:

- 30% of the rights over shares will vest upon a positive final investment decision by 30 June 2014. The rights over shares were forfeited with no expense recognised in the Statement of Comprehensive Income in the prior year;
- 35% of the rights over shares will vest upon a positive final investment decision in the Keysbrook Project within two years of grant date; and
- 35% of the rights over shares will vest upon first shipment of product from the Keysbrook Project within two years of grant date.

During the year ended 30 June 2015, a further 844,188 rights over shares were granted with the following performance condition:

- 100% of the rights over shares will vest upon a positive final investment decision by 31 December 2014.

The rights over shares are administered by the MZI Resources Ltd Employee Share Trust. The shares were issued at market price on grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the trust deed, MZI is required to provide the trust with the necessary funding for the acquisition of the shares at the time of the grant of the right.

Movements in rights over shares

This table illustrates the number and weighted average fair value of rights over shares and movements in rights over shares issued during the year:

	2015		2014	
	Rights over shares No.	Weighted average fair value	Rights over shares No.	Weighted average fair value
Outstanding at beginning of year	2,191,850	$0.4358	-	$0.0000
Granted during the year	844,188	$0.2500	3,134,600	$0.4317
Vested during the year	(1,990,113)	($0.3551)	-	$0.0000
Forfeited during the year	(152,017)	($0.3600)	(942,750)	($0.4224)
	893,908	$0.4529	2,191,850	$0.4358

The fair value of the rights over shares at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the KMP on their rights over shares during the vesting period.

The weighted average remaining contractual life of the rights over shares as at 30 June 2015 is 0.74 years (2014: 1.79 years).

Performance rights issued under the Employee Incentive Plan ("Plan C")

Plan C was established where employees of the Group may be issued with performance rights entitling each participant to a fully paid ordinary share. The performance rights, issued for nil consideration, are issued in accordance with the terms and conditions as approved at a General Meeting by shareholders and performance guidelines established by the Directors of MZI.

Employees do not possess any rights to participate in Plan C as participation is solely determined by the Board. Performance rights convert to one fully paid ordinary share in MZI at an exercise price of nil upon meeting certain non-market based performance conditions. The performance rights do not provide any dividend or voting rights. These performance rights are not quoted on the ASX. If an employee ceases to be employed by the Group within the period, the unvested performance rights will be forfeited.

The objective of Plan C is to assist in the recruitment, reward, retention and motivation of the KMP of the Group.

During the year ended 30 June 2014, 886,280 performance rights were granted with the following performance conditions:

- 92% of the performance rights will vest upon a positive final investment decision by 30 June 2014. The performance rights were forfeited with no expense recognised in the Statement of Comprehensive Income in the prior year; and
- 8% of the performance rights will vest upon a successful commissioning of the Keysbrook Project by 30 June 2015. These performance rights have subsequently been forfeited with no expense recognised in the Statement of Comprehensive Income.

During the year ended 30 June 2015, 821,280 performance rights were granted with the following performance condition:

- 100% of the performance rights will vest upon a positive final investment decision by 31 December 2014.

Movements in performance rights

This table illustrates the number and weighted average fair value of performance rights and movements in performance rights issued during the year:

	2015		2014	
	Performance rights No.	Weighted average fair value	Performance rights No.	Weighted average fair value
Outstanding at beginning of year	65,000	$0.4800	-	$0.0000
Granted during the year	821,280	$0.2500	819,962	$0.4800
Vested during the year	(821,280)	($0.2500)	-	$0.0000
Forfeited during the year	(65,000)	($0.4800)	(754,962)	($0.4800)
	-	$0.0000	65,000	$0.4800

The fair value of the performance rights at grant date was estimated by taking the market price of the Company's shares on that date less the present value of expected dividends that will not be received by the employees on their performance rights during the vesting period.

The weighted average contractual life of the performance rights as at 30 June 2015 is nil (2014: 1.00 year).

There were no cash settled share-based payments during the year (2014: $nil).

Note 20: Loss per Share

The comparative information in relation to the weighted average number of ordinary shares has been restated for the forty to one share consolidation, completed in December 2014.

	2015 $'000	2014 $'000
Loss used in calculating basic and diluted loss per share	(16,646)	(8,306)
Loss used in calculating basic and diluted loss per share from continuing operations	(16,646)	(8,306)

	2015 No.	2014 No.
Weighted average number of ordinary shares used in the calculation of basic & diluted loss per share	75,093,109	58,185,642

Note 21: Segment Reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the projects with the Group. Discrete financial information about each of these operating businesses is reported to the Board of Directors on a monthly basis.

Description of projects

Tiwi Island Projects

This project consists of all the Group's projects located on the Tiwi Islands in the Northern Territory, including Lethbridge South, Lethbridge West and Kilimiraka. The project's only customer was Tricoastal Minerals (Holdings) Company Limited.

Keysbrook Project

This project consists of the Keysbrook Project, located in the south-west of Western Australia. The project has not commenced production or shipments for customers at this stage.

Unallocated items

Part of the following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- corporate expenses; and
- share-based payment expense.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 to the financial statements and in the prior period except as noted below.

Inter-segment revenues are eliminated upon consolidation and reflected in the adjustments and eliminations column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent.

2015	Tiwi Island Projects $'000	Keysbrook Project $'000	Unallocated Corporate / Other $'000	Consolidated $'000
Other revenue	-	1	73	74
Other income	-	4,212	104	4,316
Depreciation and amortisation	(52)	-	(151)	(203)
Other operating costs	(180)	(506)	-	(686)
Corporate expenses	-	(409)	(5,864)	(6,273)
Other expenses	(141)	(169)	(81)	(391)
Treasury - realised gains/(losses)	-	(885)	(188)	(1,073)
Treasury - unrealised gains/(losses)	-	(8,765)	1,651	(7,114)
Finance expenses	-	(3,038)	(2,258)	(5,296)
Segment results	(373)	(9,559)	(6,714)	(16,646)
Tax (expense)/benefit				-
Net loss after tax				(16,646)
Share-based payments	-	-	1,050	1,050
Segment assets	2,144	122,792	9,823	134,759
Segment liabilities	1,654	117,848	10,649	130,151
Capital expenditure	-	63,286	26	63,312

2014	Tiwi Island Projects $'000	Keysbrook Project $'000	Unallocated Corporate / Other $'000	Consolidated $'000
Other revenue	-	-	38	38
Other income	260	-	3	263
Depreciation and amortisation	(12)	-	(190)	(202)
Other operating costs	(715)	-	-	(715)
Corporate expenses	-	(354)	(4,738)	(5,092)
Other expenses	(1,303)	-	(232)	(1,535)
Finance expenses	(133)	(301)	(629)	(1,063)
Segment results	(1,903)	(655)	(5,748)	(8,306)
Tax (expense)/benefit				-
Net profit after tax				(8,306)
Share-based payments	-	-	2,047	2,047
Segment assets	2,092	25,183	4,741	32,016
Segment liabilities	957	3,383	9,197	13,537
Capital expenditure	205	8,074	266	8,545

Note 22: Remuneration of Auditors

	2015 $	2014 $
Amounts paid or due and payable to the auditors:		
Auditing and reviewing of financial reports	89,000	105,040
Other audit services related to the Group	4,790	4,200
	93,790	109,240

Note 23: Related Parties

Subsidiaries

The consolidated financial statements include the financial statements of MZI Resources Ltd and the subsidiaries listed in the following table:

Name of entity	Incorporation Country	Equity holding % 2015	Equity holding % 2014
Keysbrook Leucoxene Pty Ltd (i)	Australia	100%	100%
NT Exploration Pty Ltd (i)	Australia	100%	100%

(i) These entities are not required to be separately audited. An audit of the entity's results and position is performed for the purpose of inclusion in the consolidated financial statements.

Ultimate Parent

MZI Resources Ltd is the ultimate Australian Parent entity and ultimate Parent of the Group.

Loans to subsidiaries

Loans between entities in the wholly owned Group are non-interest bearing, unsecured and are payable upon reasonable notice having regard to the financial situation of the entity.

Transactions with related parties

The following transactions were undertaken between any Group company and the following Director-related parties during the years ended 30 June 2015 and 30 June 2014:

- Tricoastal Minerals (Holdings) Company Limited, a company in which Mr CT Wong has a beneficial interest, was paid Director's fees of $0.070m (2014: $0.088m). At 30 June 2015, an amount of $0.018m (2014: $0.018m) was owed to Tricoastal Minerals (Holdings) Company Limited.
- During the year ended 30 June 2013, the Company sold production from its Tiwi Islands Lethbridge South project to Tricoastal Minerals (Holdings) Company Limited. This was based on a sales agreement signed in 2010. The terms of sale are based on market prices at the time of sale.

  From the sale proceeds amounts have been repaid against a loan received in a prior year from Tricoastal Minerals (Holdings) Company Limited. There is a balance of US$0.457m outstanding at 30 June 2015 (2014: US$0.457m). This is now the subject of a settlement deed, refer Note 16 for details.

Compensation of Directors and Key Management Personnel

The aggregate compensation made to Directors and other Key Management Personnel of the Group is set out below:

	2015 $'000	2014 $'000
Short-term	1,692	1,672
Long-term	184	121
Share-based payments	853	146
	2,729	1,939

Note 24: Capital and Other Commitments

Operating lease commitments

During the year ended 30 June 2013, the Company entered into a commercial lease to rent office space. The lease has a fixed term with an option to renew for a further 3 years at the Company's discretion included in the contract. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under the non-cancellable operating leases as at 30 June are as follows:

	2015 $'000	2014 $'000
Not later than one year	269	258
Later than one year but not later than five years	279	548
Aggregate lease expenditure contracted for at balance date but not provided for	548	806

Finance lease commitments

The Group has entered into a funding arrangement to fund the Group's mining feed unit and insurance premiums.

Future minimum required payments under this funding arrangement as at 30 June are as follows:

	2015 $'000	2014 $'000
Not later than one year	384	73
Later than one year but not later than five years	390	-
Total minimum lease payments	774	73
Less finance charges	(63)	(4)
Present value of minimum lease payments	711	69

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various State and Territory Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in this financial report.

The level of exploration expenditure expected in the year ending 30 June 2016 for the Group is approximately $2.116m. This includes the minimum amounts required to retain tenure. These obligations are expected to be fulfilled in the normal course of operations. Commitments beyond 2016 are dependent upon whether existing rights of tenure are renewed or new rights of tenure are acquired.

Capital commitments

The Group has $24.209m in capital commitments due within one year as at 30 June 2015 (2014: $nil) in relation to the construction and development of the Keysbrook Project.

Note 25: Parent Entity Disclosures

	2015 $'000	2014 $'000
Current assets	11,048	9,544
Non-current assets	23,740	19,777
Total assets	34,788	29,321
Current liabilities	2,695	9,573
Non-current liabilities	15,988	613
Total liabilities	18,683	10,186
Issued capital	66,604	63,715
Reserves	2,074	735
Accumulated losses	(52,573)	(45,315)
	16,105	19,135
Loss for the year	(7,257)	(7,650)
Total comprehensive loss for the year	(7,257)	(7,650)

The Company has no material contingent liabilities; however it has contractual obligations in the form of leases to rent office space. Refer to Note 24 for further details of commitments.

Note 26: Statement of Cash Flows

Reconciliation of loss after income tax for the year to net cash flows from operations:

	2015 $'000	2014 $'000
Loss after tax	(16,646)	(8,306)
Depreciation and amortisation	203	202
Foreign currency loss/(gain)	8,118	(257)
Non cash borrowing costs	(1,949)	258
Rehabilitation - non operating minesites	141	852
Impairment of non-current assets	250	683
Share-based payments	1,087	497
Sundry income	(4,314)	-
Sale of assets	-	(263)
Changes in operating asset and liabilities:		
(Increase)/decrease in receivables	(67)	11
Decrease/(increase) in inventories	-	40
(Increase)/decrease in prepayments	(443)	21
(Decrease)/increase in trade and other payables	(1,667)	(864)
Increase/(decrease) in provisions	88	97
Net cash flows from operating activities	(15,199)	(7,029)

Non-cash financing and investing activities

All disclosures in relation to ordinary shares and options have been restated for the forty to one share consolidation, completed in December 2014.

During the year ended 30 June 2015, the following non cash financing transactions occurred:

- On 15 September 2014, the Company issued 2,466,516 fully paid ordinary shares at an issue price of $0.28 to Resource Capital Fund VI L.P. ("RCF") for repayment of US$0.516m associated with the short-term loan facility and for payment of extension fees of US$0.105m associated with the short-term loan facility;
- On 19 November 2014, the Company issued 775,000 options over ordinary shares at an exercise price of $0.34 for payment of establishment fees associated with the Keysbrook finance facilities;
- On 11 December 2014, the Company issued 2,209,182 and 1,709,829 fully paid ordinary shares at an issue price of $0.5492 and $0.3116 respectively for payment of establishment fees associated with the Keysbrook finance facilities; and
- On 8 January 2015, the Company issued 2,167,130 fully paid ordinary shares at an issue price of $0.2338 to RCF for payment of interest and commitment fees, totalling US$0.412m for the December 2014 quarter, associated with the Keysbrook finance facilities.

During the year ended 30 June 2014, the following non cash financing transactions occurred:

- On 27 June 2014, the Company issued 2,429,166 fully paid ordinary shares at an issue price of $0.44 to Resource Capital Fund VI L.P. ("RCF") for repayment of US$1.000m associated with the short-term loan facility;
- On 27 June 2014, the Company issued 237,230 fully paid ordinary shares at an issue price of $0.48 to RCF for payment of extension fees associated with the short-term loan facility; and
- On 27 June 2014, the Company issued 1,987,500 options over ordinary shares at an exercise price of $0.6592 to RCF for payment of acceptance fees associated with the Keysbrook Project finance facilities.

Note 27: Financial Instruments

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, receivables, payables, loans and hedging instruments.

The Group monitors and manages its exposure to key financial risks in accordance with the Group's financial management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Primary responsibility for identification and control of financial risks, as identified below, is borne between the Board and senior management.

Interest rate risk

The Group's exposure to market risk for changes in interest rates arise from variable interest rate exposure on cash, fixed deposits and interest bearing liabilities.

The Group's policy is to manage its exposure to interest rate risk by holding cash in short-term, fixed rate and variable rate deposits with reputable high credit quality financial institutions. With interest bearing liabilities, consideration is also given to the potential renewal of existing positions, alternative financing and the mix of fixed and variable interest rates.

Interest rate swaps

Under the Group's interest rate swap contract, the Group agrees to exchange the difference between floating and fixed rate interest amounts calculated on an agreed notional principal amount of the Senior Facility. The contract enables the Group to mitigate the risk of changing interest rates on the fair value of the issued floating rate Senior Facility and the cash flow exposures on the variable interest rate. The fair value of interest rate swap at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period. Refer to Note 15(ii) for details of the Group's cash flow hedges.

The following table summarises the financial assets and liabilities of the Group, together with the effective interest rates as at the balance date.

2015	Floating interest rate $'000	Fixed interest rate maturing in: < 1 year $'000	1 to 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total $'000	Average interest rate: Floating %	Fixed %
Financial assets								
Cash and cash equivalents	33,790	-	-	-	-	33,790	1.3	-
Trade and other receivables	-	-	-	-	680	680	-	-
Other financial assets	-	-	-	-	3,519	3,519	-	-
Financial liabilities								
Trade and other payables	-	-	-	-	6,256	6,256	-	-
Other financial liabilities	-	470	1,100	-	17,808	19,378	-	4.5
Loans and borrowings	725	353	98,751	-	595	100,424	6.3	7.8

2014	Floating interest rate $'000	Fixed interest rate maturing in: < 1 year $'000	1 to 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total $'000	Average interest rate: Floating %	Fixed %
Financial assets								
Cash and cash equivalents	1,106	-	-	-	-	1,106	0.5	-
Trade and other receivables	-	-	-	-	673	673	-	-
Financial liabilities								
Trade and other payables	-	-	-	-	4,902	4,902	-	-
Other financial liabilities	-	1,000	480	-	-	1,480	-	4.5
Loans and borrowings	725	5,009	-	-	69	5,803	7.0	9.9

At 30 June 2015, if interest rates had moved by the points shown below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss		Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
+ 1% (100 basis points)	(2,529)	4	2,529	(4)
- 0.50% (50 basis points)	2,468	(2)	(2,468)	2

The movements in loss after income tax are due to higher/lower interest costs from fixed and variable rate debt and cash balances during the relevant year. Reasonably possible movements in interest rates were determined based on observations of historical movements in the past two years.

The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments. Exposure at balance date is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties and as such, collateral is not requested nor is it the Group's policy to securitise its receivables. Receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

The credit quality of the Group's financial assets as at 30 June 2015 is as follows:

2015	AA- $'000	Aa1 $'000	Internally rated $'000	Total $'000
Financial assets				
Cash and cash equivalents	33,789	-	1	33,790
Trade and other receivables	144	536	-	680
Other financial assets	-	-	3,519	3,519

2014	AA- $'000	Aa1 $'000	Internally rated $'000	Total $'000
Financial assets				
Cash and cash equivalents	1,106	-	-	1,106
Trade and other receivables	77	596	-	673

The equivalent S&P and Moody's rating of the financial assets represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

Internally rated, no default customers are customers with whom the Group has traded and have no history of default.

Liquidity risk

The Group's objective is to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group's treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Sensitivity analysis is conducted to ensure that the Group has the ability to meet commitments.

Non-derivative financial liabilities

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as at 30 June. For the other obligations the respective undiscounted cash flows for the respective upcoming financial years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. However, where the counterparty has a choice when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Loan and borrowing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant, equipment and investments in working capital (e.g., inventories and trade receivables). Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

2015	< 1 year $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Financial assets				
Cash and cash equivalents	33,790	-	-	33,790
Trade and other receivables	27	653	-	680
Other financial assets	3,519	-	-	3,519
Financial liabilities				
Trade and other payables	(6,256)	-	-	(6,256)
Other financial liabilities	(17,507)	(1,925)	-	(19,432)
Loans and borrowings	(8,031)	(134,690)	-	(142,721)
Net inflow/(outflow)	5,542	(135,962)	-	(130,420)

2014	< 1 year $'000	1 to 5 years $'000	> 5 years $'000	Total $'000
Financial assets				
Cash and cash equivalents	1,106	-	-	1,106
Trade and other receivables	-	673	-	673
Financial liabilities				
Trade and other payables	(4,485)	(417)	-	(4,902)
Other financial liabilities	(1,000)	(480)	-	(1,480)
Loans and borrowings	(5,734)	(69)	-	(5,803)
Net inflow/(outflow)	(10,113)	(293)	-	(10,406)

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in US$. Foreign currency is monitored at Board level but there are currently no formal hedging policies in place.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts over a rolling quarterly period to cover 100% of the following two quarter's operating expenditure with cover decreasing to 25% of quarter eight's forecast operating expenditure.

Refer to Note 15(ii) for details of the Group's cash flow hedges.

At reporting date, the Group has the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	2015 A$'000	2014 A$'000
Sundry payables	-	417
Loans and borrowings	105,446	4,008
	105,446	4,425

At 30 June 2015, if the United States dollar strengthened or weakened against the Australian dollar by the percentage shown below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss		Equity	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
+ 10%	9,586	404	(9,586)	(404)
- 10%	(11,716)	(489)	11,716	489

Reasonably possible movements in exchange rates were determined based on observations of historical movements in the past two years.

The reasonably possible movement was calculated by taking the USD spot rate as at balance, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the new spot rate.

The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

As at 30 June 2015, the AUD:USD exchange rate is A$1:US$0.7680 and the year to date average AUD:USD exchange rate is A$1:US$0.8369. The Group uses exchange rates provided by the Reserve Bank of Australia.

Fair value estimation

The fair value of financial assets and financial liabilities is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair value of financial assets and liabilities approximate their carrying values, unless otherwise specified.

Note 28: Contingent Liabilities

There are no material contingent liabilities of the Company or Group at the reporting date.

Note 29: Subsequent Events

There are no subsequent events post the reporting period.

DIRECTORS' DECLARATION
For the year ended 30 June 2015

In the opinion of the Directors:

1. the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    (b) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;

2. the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board; and

3. at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

T Matthews

Managing Director

Perth, Western Australia

23 September 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of MZI Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of MZI Resources Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of MZI Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of MZI Resources Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

D I Buckley
Partner

Perth, Western Australia
23 September 2015