ABN 52 077 221 722

INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2015

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CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

John Traicos

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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

PricewaterhouseCoopers

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.

The Directors present the consolidated report of MZI Resources Ltd ("MZI" or the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2015.

1 Directors

The following individuals were directors of MZI during the whole of the half-year and up to the date of this report:

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

2 Operating and Financial Review

2.1 Operating Result

The net loss applicable to equity holders of the parent after income tax amounted to the following:

CONSOLIDATED	
31-Dec-15 $'000	31-Dec-14 $'000
(2,973)	(1,886)

2.2 Review of Operations

The following significant achievements occurred during the half-year:

- Construction of the Keysbrook project was completed and operations commenced ahead of schedule and within budget;
- First saleable zircon and leucoxene was produced at the Picton Mineral Separation Plant ("MSP");
- First shipment of zircon concentrate was exported to China in late December; and
- Capital structure significantly simplified through a $43 million capital raising to repay the Resource Capital Fund VI L.P. Bridge facilities.

Keysbrook

The mining fleet arrived in August 2015 and mining commenced in early October 2015. With the completion of construction of the Keysbrook Wet Concentration Plant ("WCP") and the Picton MSP, first ore was fed into the WCP to produce the first Heavy Mineral Concentrate ("HMC") in late October 2015. Following the start of commissioning of the Group's processing annexe at the MSP, the first batch of saleable zircon concentrate and leucoxene was produced in early November 2015.

Throughput commissioning of the WCP and the MSP was completed and practical completion granted to GR Engineering Services Limited during the period ending 31 December 2015. The project was delivered ahead of schedule and within budget.

Handover of the WCP and MSP occurred with the achievement of sustained operations at nameplate throughput in early December 2015. Following handover of the WCP and MSP, the Group is now focussed on ramping up operations to design parameters.

Performance has been in line with expectations. Operating statistics from the commencement of operations are included below. Performance in the period ending 31 December 2015 was primarily related to commissioning activities and ramp-up, and therefore these are not considered to be representative of steady-state operations.

		31 December 2015
Ore Mined	*Dry tonnes*	1,057,988
Ore Processed	*Dry tonnes*	599,369
HMC Production	*Dry tonnes*	16,087
HMC Processed	*Dry tonnes*	9,011
Zircon Concentrate Production	*Dry tonnes*	1,775
L70 Production	*Dry tonnes*	2,316
L88 Production	*Dry tonnes*	1,795

Costs and revenue have been capitalised up to 31 December 2015 as the operation is not as yet deemed to be in commercial production. Operating costs have been tracking at or below expectations, in part reflecting lower than budgeted energy consumption and lower fuel and power prices.

In late December 2015, the Group completed its first heavy minerals shipment from the Keysbrook project with the successful export of 1,008 tonnes of zircon concentrate from the Port of Fremantle to its major Chinese customer.

A schedule has been confirmed to commence leucoxene shipments to the Group's major North American Customer. The first shipment of leucoxene 70 is scheduled to occur in March 2016 with the first leucoxene 88 shipment scheduled for the following quarter.

A Letter of Intent and Cooperation with a Chinese chloride pigment producer for the potential supply of leucoxene 88 was also executed in the period ending 31 December 2015. Subject to satisfactory test work results from trial processing of an initial small shipment of the Keysbrook project's leucoxene 88, the parties intend to enter into commercial negotiations regarding a potential large scale offtake agreement.

Tiwi Islands

During the period ending 31 December 2015, all remaining mining plant and equipment was removed from the Lethbridge site. Re-usable equipment such as polyethylene pipe was taken to Keysbrook with the remainder scrapped in Darwin. The accommodation camp was donated to the Tiwi College.

Exploration

An update to the Resource Estimate for Keysbrook was completed in early August 2015, resulting in an increase of 11.4 million tonnes ("Mt") to 90.3Mt. A new deposit, Yangedi, was also identified and is located to the west of Keysbrook, with an additional 51.1Mt of Inferred Resource. The global resource for the Keysbrook project area increased 68% to 155Mt. The mineral assemblage of the expanded resource remains leucoxene and zircon with no lower grade ilmenite.

As a result of the upgrade to the resource inventory at Keysbrook and identification of a different mineralised horizon at Yangedi, an extensive area of Exploration Licences were applied for in the southern Perth Basin by the Group during the period, to allow exploration for similar-styled deposits.

A project to compile and assess the significant volume of historic exploration data for these newly acquired leases commenced during the period. The initial review of this data has identified the potential for further shallow dune style mineralisation similar to that identified at Keysbrook.

Corporate

During the period ending 31 December 2015, the Company announced a Placement and Share Purchase Plan ("SPP") to jointly raise up to $45 million capital to repay the Resource Capital Fund VI L.P. ("RCF") Bridge facilities and provide working capital. The Placement comprised the issue of 106,837,381 ordinary fully paid shares in the Company at an issue price of $0.40 to sophisticated investors and clients of Argonaut Securities Ltd and Bell Potter Securities Ltd and to the Company's major shareholder RCF.

The Placement consisted of 3 tranches of shares, with Tranche 1 comprising the issue of 8,723,203 shares completed on 27 October 2015 and Tranche 2, comprising the issue of 66,985,621 shares completed following approval by shareholders at the Company's AGM in November 2015. Tranche 3, which comprised 31,128,557 shares to RCF was completed on 24 February 2015.

The first two tranches of the Placement provided MZI with total proceeds of $22 million, of which $5 million was reserved for working capital and the remainder was committed to the repayment of the RCF Bridge facilities. The outstanding US$8.7 million was repaid following shareholder approval of Tranche 3 of the Placement in late February 2016.

3 Subsequent Events

On 7 January 2016, the Company issued 3,646,902 fully paid ordinary shares at a share price of $0.3588 in satisfaction of interest and commitment fees for the quarter ending 31 December 2015 pursuant to the terms of the Facility Agreement with RCF.

On 24 February 2016, the Company issued 31,128,557 fully paid ordinary shares at a share price of $0.40 for repayment of the outstanding US$8.7 million in respect of RCF's Bridge facilities.

On 24 February 2016 the Company announced that in light of the lower MZI share price and the recent softening in market conditions for most mineral commodities and resources equities, the Company has decided not to proceed with the previously proposed Share Purchase Plan which was intended to enable existing shareholders to purchase shares on the same terms as participants in the Placement.

On 24 February 2016, the Company issued 1,726,124 fully paid ordinary shares at a share price of $0.38 and 1,729,840 fully paid ordinary shares at a share price of $0.41 under the Employee Share Trust Plan.

On 2 March 2016, the Company issued 586,195 fully paid ordinary shares at a share price of $0.3090 in satisfaction of interest in respect of RCF's Bridge facilities.

4 Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is included on page 5 of this Financial Report and forms part of the Directors' Report.

5 Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/100. This Company is an entity to which the class order applies.

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

Trevor Matthews
Managing Director

10 March 2016

Auditor's Independence Declaration

As lead auditor for the review of MZI Resources Ltd for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MZI Resources Ltd and the entities it controlled during the period.

Ben Gargett
Partner

Perth
10 March 2016

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the half-year ended 31 December 2015

	Note	31-Dec-15 $'000	31-Dec-14 $'000
Other income		272	4,314
Depreciation and amortisation		(215)	(100)
Other operating costs		(54)	(619)
Corporate expenses		(4,177)	(3,363)
Other expenses		(616)	(56)
Net loss on foreign exchange		(6,679)	(1,393)
Fair value movements on financial liability derivatives		12,836	1,847
Profit before Finance and Tax		1,367	630
Finance income	**3**	11	20
Finance expenses	**3**	(4,351)	(2,536)
Net Finance Expense		(4,340)	(2,516)
Loss before Tax		(2,973)	(1,886)
Tax expense		-	-
Loss after Tax from Continuing Operations		**(2,973)**	**(1,886)**
Attributable to:			
Equity holders of the parent		(2,973)	(1,886)
Other comprehensive income:			
Effective portion of changes in fair value of cash flow hedges, net of tax		(875)	(1,214)
Total Comprehensive Loss for the Half-year		**(3,848)**	**(3,100)**
Attributable to:			
Equity holders of the parent		(3,848)	(3,100)
Basic and diluted loss per share (cents per share)		($0.03)	($2.67)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

	Note	31-Dec-15 $'000	30-Jun-15 $'000
Current Assets			
Cash and cash equivalents		4,662	33,790
Trade and other receivables		2,020	27
Inventories		4,124	66
Other current assets		351	549
Other financial assets		-	3,519
Total Current Assets		11,157	37,951
Non-Current Assets			
Trade and other receivables		682	653
Property, plant and equipment	**4**	89,437	59,638
Exploration and evaluation expenditure		2,104	1,639
Mine development expenditure	**5**	45,908	34,878
Total Non-Current Assets		138,131	96,808
Total Assets		149,288	134,759
Current Liabilities			
Trade and other payables		4,320	6,256
Provisions	**6**	997	1,614
Other financial liabilities	**7**	1,614	17,480
Borrowings	**8**	4,966	1,098
Total Current Liabilities		11,897	26,448
Non-Current Liabilities			
Provisions	**6**	5,998	2,329
Other financial liabilities	**7**	1,534	1,898
Borrowings	**8**	97,016	99,476
Total Non-Current Liabilities		104,548	103,703
Total Liabilities		116,445	130,151
Net Assets		**32,843**	**4,608**
Equity			
Share capital	**9**	98,114	66,604
Reserves		319	621
Accumulated losses		(65,590)	(62,617)
Total Equity		**32,843**	**4,608**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2015

	Share capital	Reserves					
	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 2014	63,715	-	(1,394)	2,129	-	(45,971)	18,479
Loss for the half-year	-	-	-	-	-	(1,886)	(1,886)
Other comprehensive loss	-	(1,214)	-	-	-	-	(1,214)
Total Comprehensive Loss for the Half-Year	-	(1,214)	-	-	-	(1,886)	(3,100)
Transactions with Owners in their Capacity as Owners:							
Shares issued (net of costs)	2,409	-	-	-	-	-	2,409
Options issued	-	-	-	134	-	-	134
Recognition of share-based payments	-	-	754	370	-	-	1,124
Balance at 31 December 2014	**66,124**	**(1,214)**	**(640)**	**2,633**	**-**	**(47,857)**	**19,046**
Balance at 1 July 2015	66,604	(1,453)	(540)	1,562	1,052	(62,617)	4,608
Loss for the half-year	-	-	-	-	-	(2,973)	(2,973)
Other comprehensive loss	-	(875)	-	-	-	-	(875)
Total Comprehensive Loss for the Half-Year	-	(875)	-	-	-	(2,973)	(3,848)
Transactions with Owners in their Capacity as Owners:							
Shares issued (net of costs)	31,337	-	-	-	-	-	31,337
Recognition of share-based payments	173	-	102	471	-	-	746
Balance at 31 December 2015	**98,114**	**(2,328)**	**(438)**	**2,033**	**1,052**	**(65,590)**	**32,843**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2015

	31-Dec-15 $'000	31-Dec-14 $'000
Cash Flows from Operating Activities		
Sundry income received	272	-
Payments to suppliers and employees	(3,589)	(5,066)
Interest received	136	9
Finance costs	(2,753)	(1,757)
Net Cash Flows from Operating Activities	(5,934)	(6,814)
Cash Flows from Investing Activities		
Receipt of security deposits	2	60
Receipt from sale of royalty	-	4,210
Receipt of Export Development Market Grants	-	104
Payments for exploration and evaluation expenditure	(556)	(219)
Payments for development expenditure	(7,238)	(8,478)
Payments for property, plant and equipment	(34,372)	(2,486)
Proceeds from sale of property, plant and equipment	1	-
Payment of bonds/guarantees	(30)	-
Net Cash Flows from Investing Activities	(42,193)	(6,809)
Cash Flows from Financing Activities		
Proceeds from issue of shares and other securities	22,004	134
Share issue costs	(1,710)	(42)
Proceeds from borrowings	16,726	43,933
Repayment of borrowings	(18,005)	(8,270)
Borrowing costs	-	(1,711)
Net Cash Flows from Financing Activities	19,015	34,044
Net (decrease)/increase in cash and cash equivalents	(29,112)	20,421
Effect of exchange rates on cash and cash equivalents	(16)	-
Cash and cash equivalents at the beginning of the year	33,790	1,106
Cash and Cash Equivalents at the half-year	4,662	21,527

The accompanying notes form part of these financial statements

Note 1: Corporate Information

The interim condensed consolidated financial statements of MZI Resources Ltd and its subsidiaries (collectively, the "Group") for the half-year ended 31 December 2015 were authorised for issue in accordance with a resolution of Directors on 10 March 2016.

MZI is a for-profit company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's principal activities are the exploration, development and production of heavy minerals.

Note 2: Summary of Significant Accounting Policies

(a) Basis of preparation

These interim condensed consolidated financial statements for the half-year ended 31 December 2015 have been prepared in accordance with AASB 134 Interim Financial Reporting.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2015.

(b) Going concern

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group held cash and cash equivalents as at 31 December 2015 of $4,662,000. As at 31 December 2015, the Group had a net working capital deficit, inclusive of provisions and financial instruments, of $738,000. For the half year ended 31 December 2015, the Group incurred a loss after tax of $2,973,000 and had net assets of $32,844,000. Cash flows from operations and investment activities were negative $48,127,000 which is attributable to the development of the Keysbrook project.

The Group has prepared a cash flow forecast to 31 March 2017. The forecast at the Keysbrook subsidiary level is based on assumptions relating to heavy mineral prices, meeting production output, and achieving predicted operating costs and sales volumes. The Group forecast demonstrates the need for additional funding at the Parent entity to provide the necessary working capital for the Company to continue to provide corporate services to the Group and pursue its corporate and strategic objectives, including the progression of expansion plans for the Keysbrook Project and the investigation of business development opportunities.

Permitted distributions from the Keysbrook subsidiary to the Parent entity are not expected to be available in the quantum required by the Parent within the next 12 months to enable it to sufficiently progress these activities.

As a result of these matters there is a material uncertainty related to conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding these matters, the Directors believe that the Parent will be able to secure funding sufficient to meet the requirements to continue as a going concern due to the following:

- the Group has successfully raised capital in the past, and is confident that the market will support future capital raising if required; and
- the Group has not fully drawn down all available finance facilities.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half-year ended 31 December 2015.

Note 2: Summary of Significant Accounting Policies (continued)

(d) Adoption of new and revised Accounting Standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2015, except for the adoption of new standards and interpretations noted below.

(e) New and amended standards adopted by the Group

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The Group is assessing the impact of adopting AASB 9 on its financial report which is mandatory for financial years commencing on or after 1 January 2018.

The AASB has issued a new standard (AASB 15) for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Group is currently assessing the impact of adopting AASB 15 on its financial report which is mandatory for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Note 3: Finance Expense

	31-Dec-15 $'000	31-Dec-14 $'000
Interest income	11	20
Finance income	11	20
Interest and fees on borrowings	(2,622)	(2,536)
Interest accretion	(1,729)	-
Finance expense	(4,351)	(2,536)
Net finance expense	(4,340)	(2,516)

Note 4: 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 2015 net of accumulated depreciation	12,175	106	373	391	46,593	59,638
Additions	2,710	62	20	12,761	15,000	30,553
Transfers between asset classes	-	-	162	-	(162)	-
Disposal	-	(2)	-	-	-	(2)
Impairment	-	(1)	-	-	-	(1)
Depreciation charge for the half-year	-	(26)	(85)	(640)	-	(751)
At 31 December 2015 net of accumulated depreciation	14,885	139	470	12,512	61,431	89,437
At 31 December 2015						
Cost	14,885	298	956	13,152	61,431	90,722
Accumulated depreciation	-	(159)	(486)	(640)	-	(1,285)
Net carrying amount	14,885	139	470	12,512	61,431	89,437
At 1 July 2014 net of accumulated depreciation	3,189	167	507	-	-	3,863
Additions	8,986	1	25	391	45,967	55,370
Transfers between asset classes	-	-	-	-	626	626
Impairment	-	(18)	-	-	-	(18)
Depreciation charge for the half-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

Note 5: Mine Development Expenditure

	Mine Development Keysbrook $'000
Opening balance as at 1 July 2015	34,878
Research and Development Incentive Program refund	(1,166)
Adjustments to rehabilitation and restoration provision	3,173
Capitalised borrowing costs	4,895
Additions	4,128
Closing Balance as at 31 December 2015	45,908
Opening balance as at 1 July 2014	24,141
Research and Development Incentive Program refund	(1,963)
Adjustments to rehabilitation and restoration provision	2,305
Capitalised borrowing costs	3,079
Additions	7,942
Transfer between asset classes	(626)
Closing Balance as at 30 June 2015	34,878

Note 6: Provisions

	31-Dec-15 $'000	30-Jun-15 $'000
Current		
Annual leave	645	344
Long service leave	228	211
Site restoration (a)	124	1,059
	997	1,614
Non-current		
Long service leave	27	24
Site restoration (a)	5,971	2,305
	5,998	2,329

	31-Dec-15 $'000	30-Jun-15 $'000
Opening balance	3,364	852
Provisions made during the half-year	3,789	2,512
Rehabilitation expended during the period	(1,058)	-
Closing balance	6,095	3,364

(a) Site restoration

During the half-year ended 31 December 2015, the Group recognised $3.789 million in additional scope for site restoration, relating to the Tiwi project (in care and maintenance) and the Keysbrook project. The Company recognised $0.616 million in the statement of comprehensive income for site restoration costs relating to the Tiwi project, which is in care and maintenance. The Group also recognised $3.173 million relating to site restoration costs for the Keysbrook project, which commenced operations during the period.

Note 7: Other Financial Liabilities

	31-Dec-15 $'000	30-Jun-15 $'000
Current		
Other financial liabilities	410	470
Cash flow hedges (a)	1,204	655
Embedded derivatives (b)	-	16,355
	1,614	17,480
Non-current		
Other financial liabilities	410	1,100
Cash flow hedges (a)	1,124	798
	1,534	1,898

(a) Cash flow hedges

During the half-year ended 31 December 2015, the Group entered into cash flow hedges for future sales in US dollars to convert into AU dollars to cover operating expenditure. In addition, the Group also has 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 half-year requiring recognition through profit or loss. A net unrealised loss of $0.875 million relating to the valuation of the hedging instruments at 31 December 2015 was included in Other Comprehensive Income.

The Group has entered into forward foreign currency contracts to sell US$33.240 million and buy AU$ at a weighted average rate of 0.7556 which has a fair value of $2.045 million.

The interest rate swap agreement entered into for a notional amount of US$30 million 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 31 December 2015 is $0.283 million.

(b) Embedded derivatives

During the half-year ended 31 December 2015, the Group repaid US$16.784 million of the US$25.5 million Bridge Finance facilities.

During the half-year ended 31 December 2015, subject to shareholder approval, RCF agreed to subscribe for 31,128,557 MZI shares at A$0.40 per share (Tranche 3) in consideration for the repayment of the remaining Bridge Finance facilities of US$8.716 million.

As a result, the option to convert the Bridge Finance facilities now has a fair value of zero. A fair value loss on financial liability derivatives of $2.619 million has been recognised in the Statement of Comprehensive Income to reflect this.

Subsequent to year end, shareholders approved the issue of shares to RCF (Tranche 3) in consideration for the repayment of the remaining Bridge Finance facilities of US$8.716 million.

In addition, during the half-year ended 31 December 2015, the option associated with the Convertible Loan facility expired and as a result the option now has a fair value of zero. A fair value gain on financial liability derivatives of $15.455 million has been recognised in the Statement of Comprehensive Income to reflect this.

Note 8: Borrowings

	31-Dec-15 $'000	30-Jun-15 $'000
Current		
Insurance premium funding	-	320
Hire purchase (a)	1,285	33
Other party loan	-	150
Other party settlement	625	595
Short term loan (b)	1,001	-
Working Capital facility (c)	2,055	-
	4,966	1,098
Non-current		
Bank loan	725	725
Other party loan 1	6,507	6,378
Other party loan 2 (d)	1,000	-
Bridge facility (e)	10,379	29,905
Convertible loan (e)	18,515	16,765
Senior facility	48,855	45,345
Hire purchase (a)	11,035	358
	97,016	99,476

(a) 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 has been 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. The balance of the hire purchase liability at 31 December 2015 is $3.260 million.

The Group has entered into an additional hire purchase agreement with Komatsu for the financing of the mining fleet for utilisation at the Keysbrook project. Monthly instalments are required under the terms of the contract which has varying expiry dates up to 31 July 2020. MZI has provided an unsecured Parent entity guarantee to Komatsu in relation to this finance facility. The balance of the hire purchase liability at 31 December 2015 is $7.918 million.

The Group has entered into a hire purchase agreement with Toyota Finance Australia Limited for the financing of vehicles for utilisation at the Keysbrook project. Monthly instalments are required under the terms of the contract which has varying expiry dates up to 31 July 2020. The balance of the hire purchase liability at 31 December 2015 is $0.461 million.

The Group has entered into a hire purchase agreement with Fleetwood Pty Ltd for the financing of the site offices at the Keysbrook project. Monthly instalments are required under the terms of the contract which expires on 30 June 2020. The balance of the hire purchase liability at 31 December 2015 is $0.321 million.

The Group has entered into a hire purchase agreement with SNF Australia Pty Ltd for the financing of the flocculant plant at the Keysbrook project. Monthly instalments are required under the terms of the contract which expires on 31 May 2021. The balance of the hire purchase liability at 31 December 2015 is $0.360 million.

Note 8: Borrowings (continued)

(b) Short term loan

On 16 September 2015, the Company entered into an agreement with Innovative Technology Funding Pty Ltd to finance its refundable tax offset under the Australian Taxation Office's Research and Development incentive program. Interest is incurred at a rate of 16% per annum and is capitalised in accordance with the agreement. The loan, including capitalised interest, is repayable on receipt of the refundable tax offset from the Australian Taxation Office.

This loan is secured over the refundable tax offset amount. The carrying amount of assets pledged as security for this loan is $1.166 million.

Subsequent to year end, the loan was repaid in full.

(c) Working capital facility

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

The terms of the Senior Facility Agreement remain consistent with those disclosed in the 30 June 2015 financial report.

On 23 December 2015, the Group received US$1.5 million under the Working Capital Debt facility, with US$1.5 million undrawn at 31 December 2015.

(d) Other party loan 2

On 9 October 2015, the Group entered into an agreement with a third party to purchase Lot 104 Westcott Road, Keysbrook WA. The loan is repayable in fixed instalments, with a final repayment date of 30 June 2020. Interest is charged at 5.00% per annum.

The loan is secured by a mortgage granted over Lot 104 Westcott Road, Keysbrook WA. The carrying amount of assets pledged as security for this loan is $2.410 million.

(e) Bridge finance facility and convertible loan

On 12 November 2014, the Group entered into a Facility Agreement with RCF. These facilities comprise a US$25.5 million in Bridge Finance facilities and US$21.0 million Convertible Loan facility.

On 1 December 2015, the Group repaid US$16.784 million of the Bridge Finance facilities.

(f) 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 in accordance with the Common Terms Agreement.

Note 9: Share Capital

	31-Dec-15 $'000	30-Jun-15 $'000
162,035,785 (2015: 79,030,110) ordinary fully paid shares	97,941	66,604

	No. of Shares	$'000
Issued shares:		
At 1 July 2014	69,664,970	63,715
Shares issued pursuant to a Facility Agreement	2,466,516	691
Shares issued pursuant to a Facility Agreement	3,910,011	1,743
Shares issued pursuant to a Facility Agreement	2,167,130	507
Shares issued in respect of Employee Performance Rights	821,280	-
Options exercised	203	-
Share issue costs	-	(52)
As at 30 June 2015	79,030,110	66,604
At 1 July 2015	79,030,110	66,604
Options exercised	1	-
Shares issued pursuant to a Facility Agreement (a)	4,937,923	1,972
Placement to sophisticated investors (b)	8,723,203	3,489
Placement to sophisticated investors (c)	66,985,621	26,794
Shares issued pursuant to an Employee Share Trust Plan	714,546	293
Shares issued pursuant to an Employee Share Trust Plan	218,315	105
Shares issued in respect of Employee Performance Rights	449,184	173
Shares issued pursuant to a Facility Agreement (a)	976,882	394
Share issue costs	-	(1,710)
As at 31 December 2015	162,035,785	98,114

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

(b) A placement to sophisticated investors was completed on 3 November 2015; and

(c) A further placement to sophisticated investors was completed on 1 December 2015.

Note 10: Statement of Cash Flows

The following non-cash financing activities occurred during the half-year ended 31 December 2015:

- On 6 October 2015, 4,937,923 fully paid ordinary shares were issued at $0.3993 per share to RCF for satisfaction of interest and commitment fees due for the September 2015 quarter associated with the Keysbrook finance facilities;
- On 1 December 2015, 20,700,000 fully paid ordinary shares were issued at $0.40 per share to RCF for partial repayment of the bridge finance facility; and
- On 8 December 2015, 976,882 fully paid ordinary shares were issued at $0.4037 per share to RCF for satisfaction of interest due in respect of a bridge finance facility.

Note 11: Share-based Payments

(a) Options issued

At a General Meeting held on 24 November 2015, shareholders approved the issue of 2,800,000 options with an exercise price of $0.65 to motivate and reward the performance of Directors and employees (Series 13 and 14).

On 23 December 2015, the Company granted 1,000,000 options with an exercise price of $0.50 to a consultant in consideration for services in relation to a capital raising (Series 15).

These options may be exercised at any time from the date of vesting to the date of expiry. 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 fair value of these options has been disclosed as share-based payments.

The following table lists the key inputs for options issued in the half-year ended 31 December 2015:

	Series 13	Series 14	Series 15
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	99.70%	99.70%	99.70%
Risk-free interest rate (%)	2.21%	2.21%	2.04%
Expected life of options (years)	4.000	4.000	2.436
Exercise price (cents)	65.0	65.0	50.0
Grant date share price (cents)	38.5	38.5	36.0
Grant Date	1 Dec 2015	1 Dec 2015	23 Dec 2015
Expiry Date	1 Dec 2019	1 Dec 2019	30 May 2018
Number	1,100,000	1,700,000	1,000,000
Fair value at grant date	$0.2344	$0.2344	$0.1806

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.

(b) Rights over shares issued under the Employee Share Trust Plan (“Plan B”)

During the half-year ended 31 December 2015, 932,861 rights over shares were granted to Employees under the Employee Share Trust Plan. The fair value of the performance rights at grant date was $0.398 million.

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 employees on their performance rights during the vesting period.

(c) Performance rights issued under the Employee Incentive Plan (“Plan C”)

During the half-year ended 31 December 2015, 449,184 performance rights were granted to employees under the Employee Incentive Plan. The fair value of the performance rights at grant date was $0.173 million.

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.

Note 12: Contingent Assets and Liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2015.

Note 13: Operating Segments

31-Dec-15	Tiwi Island Projects $'000	Keysbrook Project $'000	Unallocated Corporate / Other $'000	Consolidated $'000
Other income	272	-	-	272
Finance income			11	11
Finance expenses	-	(1,588)	(2,763)	(4,351)
Segment results	272	(7,106)	3,861	(2,973)
Segment assets	2,131	144,408	2,749	149,288
Segment liabilities	1,433	113,079	1,932	116,444

31-Dec-14	Tiwi Island Projects $'000	Keysbrook Project $'000	Unallocated Corporate / Other $'000	Consolidated $'000
Other revenue	-	-	20	20
Other income	-	4,314	-	4,314
Finance expenses	(106)	(1,749)	(681)	(2,536)
Segment results	(287)	2,936	(4,535)	(1,886)
Segment assets	2,107	63,678	9,159	74,944
Segment liabilities	877	37,704	17,317	55,898

Note 14: Capital Commitments

The Group had $0.815 million (June 2015: $24.209 million) in capital commitments due within one year as at 31 December 2015 in relation to the construction and development of the Keysbrook project.

Note 15: Subsequent Events

On 7 January 2016, the Company issued 3,646,902 fully paid ordinary shares at a share price of $0.3588 in satisfaction of interest and commitment fees for the quarter ending 31 December 2015 pursuant to the terms of the Facility Agreement with Resource Capital Fund VI L.P.

On 18 January 2016, the Company repaid the short term loan facility in full.

On 28 January 2016, the Group received US$1.5 million under the Working Capital Debt facility.

On 24 February 2016, the Company issued 31,128,557 fully paid ordinary shares at a share price of $0.40 for repayment of the outstanding US$8.7 million in respect of RCF's Bridge facilities.

On 24 February 2016, the Company issued 1,726,124 fully paid ordinary shares at a share price of $0.38 and 1,729,840 fully paid ordinary shares at a share price of $0.41 under the Employee Share Trust Plan.

On 2 March 2016, the Company issued 586,195 fully paid ordinary shares at a share price of $0.3090 in satisfaction of interest in respect of RCF's Bridge facilities.

Declaration by Directors

In the Directors' opinion:

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

   (a) complying with 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 31 December 2015 and of its performance for the half-year ended on that date; and

2. 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.

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

Trevor Matthews
Managing Director

10 March 2016

Independent auditor's review report to the members of MZI Resources Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MZI Resources Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the MZI Resources Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MZI Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Independent auditor's review report to the members of MZI Resources Ltd (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MZI Resources Ltd is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2(b) in the half-year financial report, which indicates the need for the consolidated entity to raise additional funding to meet ongoing expenditure and existing commitments. This condition, along with other matters set out in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

Ben Gargett
Partner

Perth
10 March 2016