

Titleholder	Stirling Zircon Pty Ltd
Operator (if different from above)	MZI Resources Ltd
Tenement Manager/Agent	Austwide Mining Title Management Pty Ltd
Titles/Tenements	EL24328
Mine/Project Name	Puwanapi
Report title including type of report and reporting period including a date	Eighth Annual and Final Report. Period starting 01.04.2012 and ending 11.09.12
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Corporate author(s)	MZI Resources Ltd
Company reference number	EL24328_2012_S
Target Commodity or Commodities	Mineral sands
Date of report	12.12.2012
Datum/Zone	52
250 000 K mapsheet	Melville Island Special
100 000 K mapsheet	Bathurst Island
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1. ABSTRACT

This final report covers EL24328 (local area Puwanapi) located on the west coast of Bathurst Island in the Northern Territory. During the reporting period no mineral sand exploration work was conducted on the EL because it was considered to be in an environmentally sensitive beach and mangrove area.

The last report relevant to the EL was the Annual Combined Report 2012 (Hutt) covering the period 01.04.2011 to 31.03.2012. The only work done has been a management discussion on prospectivity and a desktop review of the surrender paperwork. No field work has been done in the period since the last annual report. Surrender was accepted by the DME on the 11 October 2012.

This report summarises the location, title history, access to the area, physiography and geology. A reserves table contains data extracted from the Annual Combined Report 2010 (Baxter & McCrum). The tenement is being surrendered because the fore-dune mineralisation is mainly within a beach buffer of 200 metres and a mangrove buffer of 50 metres. The remaining ore is not able to be mined economically.

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2. LOCATION, TITLE HISTORY AND ACCESS

The tenement is located on the west coast of Melville Island in the area defined as the Tiwi Islands approximately 50km north of Darwin. The islands are wholly within the Tiwi Island Aboriginal Land Trust administered by the Tiwi Land Council ("TLC"). MZI Resources Ltd (previous name Matilda Zircon and before that Olympia Resources obtained the title from Stirling Resources who in turn purchased the title from Matilda Minerals who had signed an agreement with the TLC on 19 December 2003 which set conditions for the exploration and mining development activity and MZI has worked under the agreement since it acquired the tenement.

The first tenement owner Matilda Minerals Ltd ("Matilda") was admitted to the Australian Stock Exchange on 15 September 2004. Matilda's objective was to explore and mine small to medium sized heavy mineral deposits which are rich in zircon and rutile, have low clay content, little or no overburden, a small environmental footprint and require low capital expenditure to develop. The potential deposits on the Tiwi Islands met these criteria.

The tenement was granted on the 24th January 2005. Initial exploration work is described in table 1 below.

Table 1. Initial Exploration Work

Exploration activity – 2005	Comments
Ground magnetic mapping	Puwanapi
Air core drilling	Puwanapi – 310 holes; 1596m

During September 2008 the previous tenement holder Matilda Minerals Ltd was placed into administration due to cash flow problems coupled with a collapsed wharf at Garden Point. In July 2009, Stirling Resources purchased the Tiwi Island assets from the administrators of Matilda Minerals and then onsold the assets to Olympia Resources Ltd (renamed Matilda Zircon and October 2012 renamed to MZI Resources Limited).

Since acquiring the project in July 2009 MZI has reviewed the resources within EL24328 and conducted an environmental audit resulting in the conclusion the area would be uneconomic to mine (based on the resource available) once environmental buffers are subtracted from the mineralised area.

3. TENURE

This report covers EL24328 and details are contained in table 2. The location of EL24328 is shown in figure 1.

Table 2: Title Summary

Tenement number	Date granted	Date Surrendered	Area	Report due
EL24328	24/01/2005	11/10/12	9 Blocks	12 December



Figure 1 EL24328 (Puwanapi) location Tiwi Islands

4. EXPLORATION

EL24328 (Puwanapi Deposit) is bounded along its two main borders by the sea and a small mangrove backwater making it a narrow sand body. Exploration in previous years has tested the complete area of the coastal sand and there are no exploration targets remaining to be tested.

The Puwanapi deposit is a thin string of strand line on the western side of Bathurst Island. The resource is mainly located in the fore-dune immediately behind the modern beach and is sandwiched to the east by an extensive mangrove system. The location of the mineralisation at the Puwanapi deposit is shown in Figure 2 below and as can be seen most is in the fore-dune immediately behind the modern beach with mangroves immediately on the inland side to the east.

The Puwanapi ore block model (2% cutoff) and wireframe has been completed for the Annual Combined Report 2010 (Baxter & McCrum) and an extract is reproduced here in Table 3.

Table 3: Puwanapi Resource south of 8702820N

Puwanapi OBM Grade Breakdown						
From HM %	To HM%	Tonnes	ISBD	HMPct%	CumTonnes	HMPct%
20	50	871	1.7	22.95	871	22.95
5	20	602,098	1.7	8.73	602,969	8.75
4	5	51,786	1.7	4.57	654,755	8.42
3	4	27,604	1.7	3.51	682,359	8.22
2	3	15,300	1.7	2.70	697,659	8.10
1	2	489	1.7	1.89	698,148	8.10
0.5	1	-	0	0.00	698,148	8.10
0	0.5	-	0	0.00	698,148	8.10

It is noted that the deposit contains a far less attractive mineral suite than that observed at Andranangoo and Lethbridge. The mineral suite (Table 4) north of 8702800N degrades considerably with modal analysis suggesting the suite to drop from an average of 21.7% zircon and 77.9% VHM (valuable heavy mineral) to 8.4% zircon and 33.5% VHM. Due to this the previous reviews assumed no potentially economic and mineable mineralisation to be present north of 8702820 .

Table 4 Puwanapi Mineralogy Summary

Bulk Number	PW 870 1000	PW 870 1200	PW 870 1500	PW 870 2600	PW 870 2700	PW 870 2800 I	
HS Ilmenite	5.7	5.2	5.7	5.5	6.0	5.4	
Ilmenite Mag 1	16.7	14.4	13.7	13.6	13.9	11.1	
Ilmenite Mag 2	27.6	18.4	25.4	23.0	17.3	17.9	
Mag Leucoxen	6.0	2.8	3.7	4.7	5.0	8.5	
Rutile	9.0	9.5	8.5	8.4	10.7	6.3	
Non Mag Leuc o	1.8	1.0	0.9	1.2	1.8	1.2	
Zircon	25.5	20.7	27.8	19.9	18.5	17.5	
Total VHM	92.3	72.0	85.7	76.3	73.2	68.0	
PW870 2900NI	W 870 3000	PW 870 3200	PW3600	PW4000	PW4400	PW4800	PW5200
4.9	3.9	6.1	3.5	3.8	3.4	2.3	4.7
11.6	9.2	12.0	0.2	0.7	0.2	0.2	0.9
24.6	16.3	16.5	65	31.5	0.9	8.4	23
8.4	6.5	6.7	1.1	7.4	1	1.3	1.9
7.8	4.3	7.4	1.7	3.3	0.6	0.8	4.7
2.1	0.9	0.9	1.6	1.7	0.9	0.5	1
16.6	10.5	15.6	5	6.7	1.5	2.2	14.6
76.0	51.6	65.2	78.1	55.1	8.5	15.7	50.8

In the 2009 Annual Combined Report for EL23862, 24328, 24329, Appendix 6, p6 the company's environmental consultants EcOz concluded:

"The vast majority of the Puwanapi resource is located within either the 50 metre mangrove buffer zone or the 200 metre beach buffer zone and changes to the environmental conditions for mining would be necessary for the Puwanapi resource to be realised."

On this basis exploration has been suspended since 2010 pending a surrender review.

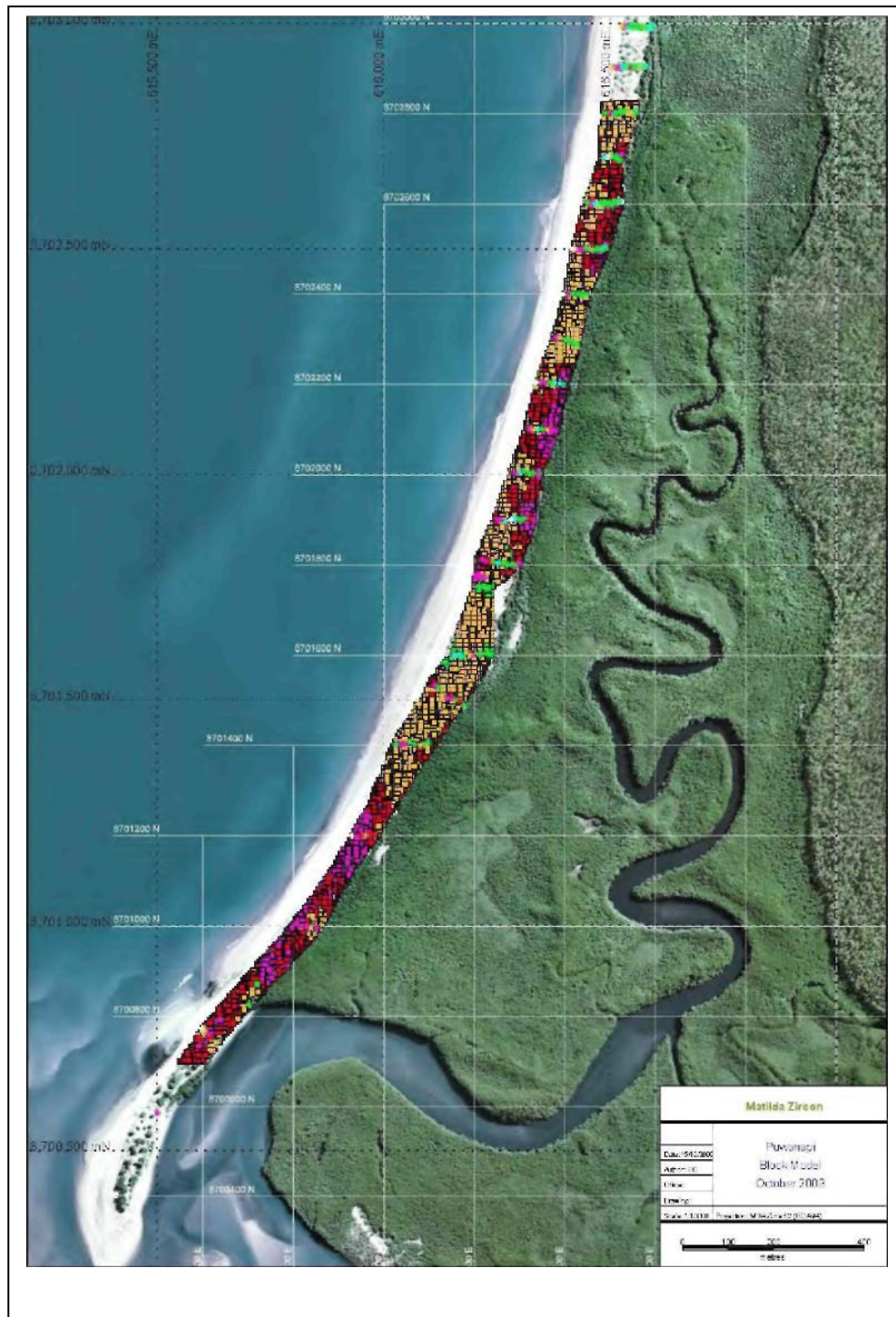


Figure 2: Puwanapi mineralised foredune (Baxter & McCrum 2010)

5. EXPLORATION - 2012

No field exploration was conducted in the period. The only work conducted was a management discussion, a desktop review of the surrender paperwork and the final report.

6. EXPENDITURE

An amount of \$1150.00 expenditure is claimed relating to the geologists review of the last reports and preparation of the surrender paperwork and the final report. The expenditure covenant was not met because the area was considered to be fully investigated and unlikely to be acceptable on environmental grounds for mining in the foreseeable future.

7. CONCLUSION

The mineral sand deposits contained in EL 34328 (Puwanapi) are in an environmentally sensitive foredune area and are not able to be mined given the current requirement for buffer zones of 200m from the beach and 50m from the mangroves. On this basis the decision to surrender the EL was made.

8. REFERENCES

Baxter, J. & McCrum, L. Annual Combined Report for Exploration Licences 23862, 24328, 24329 Tiwi Islands Northern Territory for period ending 31 March 2010.

Hutt, P.L. Annual Combined Report for Exploration Licences 23862, 24328, 24329 Tiwi Islands Northern Territory for period ending 31 March 2012.