

30 April 2012

QUARTERLY REPORT TO THE ASX
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2012

HIGHLIGHTS

- Significant progress on the WIM150 Bankable Feasibility Study.
- Mindarie mine advances towards resumption of mining.
- Mr Giga Bedineishvili resigns from the board of directors.
- Mr Thomas Styblo, an executive of Australian Zircon's largest shareholder, DCM DECOMetal GmbH ("DCM"), joins the Australian Zircon board of directors.

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1 OPERATIONS

1.1 WIM150

Australian Zircon can earn an 80% interest in the WIM150 heavy mineral sands project in western Victoria by the completion of a Bankable Feasibility Study ("BFS"). The company has engaged a number of consultants to assist in the preparation of the BFS, including CPG - Mineral Technologies, AMC Consultants and Coffey Environments.

Work conducted during the quarter included:

Hydrogeology:

- Groundwater evaluation work is well advanced with an extended (14 day) groundwater pump test completed on the Renmark aquifer.

Resource Assessment:

- Work on a resource update continued. It is being updated to include monazite.

Environmental Studies:

- The Victorian Minister for Planning determined that an Environmental Effects Statement ("EES") was required for the project.
- An EPBC referral was accepted by the Federal Government and communication with DSEWPaC is ongoing.
- Specialist environmental studies for the WIM150 BFS/EES were completed and draft reports are under review for:

- | | |
|-------------------------------|--|
| - Fauna and Flora | - Geology and Geochemistry |
| - Traffic and Transport | - Rehabilitation |
| - Groundwater & Surface Water | - Cultural Heritage |
| - Visual and Landscape | - Air quality and Greenhouse Gas Emissions |
| - Socio-economic | - Land use and Planning |
| | - Radiation |
| | - Noise |

Stakeholder Consultation:

- One-on-one landowner meetings took place for 95% of landowners in the project area.
- Dialogue with other key stakeholders continued including DSEWPaC, DPCD, DPI, EPA, VicRoads, HRCC, GWM Water and registered aboriginal groups.

Mineral Processing:

- WCP (wet concentrator plant) BFS testwork was completed which included the production of approximately 300kg of HMC.
- MSP (mineral separation plant) BFS testwork commenced.

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Mine Planning:

- The BFS geotechnical work was completed.
- A potential mine area was defined showing infrastructure, process plant and geographic features, and a draft mine schedule completed.
- Characterisation of sand & slimes was completed for the tailings study and a potential location of a Tailings Storage Facility selected.

Infrastructure

- Contact with power utilities is well advanced with the objective of determining the cost to connect to the state electricity grid.
- A power supply study is underway which will compare the cost of grid power to on-site generation using natural gas.

Marketing:

- Contact has been made with potential customers for WIM150 products to give feedback on preliminary product specifications and guide future final product development.

1.2 MINDARIE

Australian Zircon NL has a 35% shareholding in Murray Zircon Pty Ltd (see www.murrayzircon.com.au).

Murray Zircon continued preparations to resume mining at Mindarie. The department of MITRE was considering the company's Programme for Environmental Protection and Rehabilitation prior to final approval to proceed.

2 EXPLORATION

Exploration tenements held in the name of Australian Zircon and Steiner Holdings were in the process of being transferred to Murray Zircon Ltd. This is expected to be finalised during the June quarter.

Transfer of the Pine Valley Joint Venture to Murray Zircon Pty Ltd was completed pending the issue of shares in Murray Zircon Pty Ltd to Australian Zircon NL. This is expected to be finalised in the June quarter.

3 FINANCE

3.1 FINANCIAL REPORTS

The Company released financial reports for the years 2009, 2010, and 2011 during the quarter.

3.2 SUPPORT FROM DCM

The Company's major shareholder, DCM, continues to provide funding for the ongoing operations of Australian Zircon.

3.3 CASH POSITION

At the end of the quarter, the Company had cash at bank of \$2.206M.

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4 CORPORATE

4.1 ANNUAL GENERAL MEETING

The Company is preparing to send out notices of an Annual General Meeting to consider:

- The financial reports released during the quarter.
- The re/election of directors.
- The remuneration report.
- An amendment to the constitution regarding a quorum for board meetings

4.2 ASX

Australian Zircon shares are listed on the Australian Stock Exchange (ASX) with the code **AZC**. Trading in the shares, however, is currently suspended. The Company's balance sheet reflects a substantial negative equity position, and resolution of this matter with DCM is required before consideration can be given to resumption of trading. The situation is constantly under review.

4.3 CHANGES IN DIRECTORS/MANAGEMENT

The following changes occurred during the quarter:

- Mr Giga Bedineishvili resigned from the board of directors.
- Mr Thomas Styblo, an executive of Australian Zircon's largest shareholder, DCM, joined the Australian Zircon board of directors.
- The Company's Chief Financial Officer, Mr Steve McEwen, resigned to take up a position with Murray Zircon Pty Ltd.

4.4 CORPORATE INFORMATION

Directors

Jeremy Shervington	Non-Executive Chairman
Thomas Styblo	Non-Executive Director
Marty Adams	Executive Director
Graham Seppelt	Company Secretary

Senior Management

Marty Adams	Chief Executive Officer
Andrew Reeves	WIM150 Project Manager

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Company Website

Australian Zircon has redesigned and updated its website. The website address is unchanged - www.auzircon.com.au

ASX Announcements

The following ASX announcements were released during the quarter:

- | | |
|------------|---|
| 11/01/2012 | Change of Address and Contact Details |
| 17/01/2012 | Resignation of Director |
| 22/02/2012 | Appointment of Director |
| 23/02/2012 | Clarification of Role upon Appointment of Director |
| 05/04/2012 | Release of Financial Report for the years 2009, 2010 & 2011 |

Further Information

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