

25 July 2012

QUARTERLY REPORT TO THE ASX FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2012

HIGHLIGHTS

- Progress on the WIM150 Bankable Feasibility Study.
- Technical Reference Group convened by the Victorian government to consider the WIM150 Environment Effect Statement reports.
- South Australian government approval of the Mindarie mine environmental plan granted.
- Majority of exploration tenements transferred to Murray Zircon Pty Ltd.
- Annual General Meeting held on 29th June.

For personal use only

1 OPERATIONS

1.1 WIM150

Australian Zircon NL ("The Company") 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 Victorian Minister for Planning has determined that an Environment Effects Statement ("EES") is required for the project.

Work conducted on the BFS and EES during the quarter included:

Hydrogeology:

- The hydrogeological model was updated to incorporate the results from the extended pump test in the Renmark aquifer.

Environmental Studies:

- The first Technical Reference Group meeting, comprising representatives of Victorian government departments, was held in Horsham on 30th May to consider the EES reports.

Stakeholder Consultation:

- The project team addressed the Horsham Rural City Council elected body on 28th May.
- Three public information sessions were held in Horsham in mid-June.

Mineral Processing:

- MSP (mineral separation plant) testwork continued through the quarter with the completion of the zircon sighter flotation testwork.

Mine Planning:

- Mine planning activities focused on fine tuning the mining sequence, including developing the materials balance and stockpile locations.

1.2 MINDARIE

The Company has a 35% shareholding in Murray Zircon Pty Ltd (see www.murrayzircon.com.au), which is working to commence operations at the Mindarie zircon mine in the second half of 2012.

The department of MITRE approved Murray Zircon's Programme for Environmental Protection and Rehabilitation for the Mindarie mine during the quarter.

2 EXPLORATION

Confirmation was received from DMITRE during the quarter that the majority of the exploration tenements held by Australian Zircon NL and Steiner Holdings Pty Ltd have been transferred to Murray Zircon Pty Ltd. The transfer of the four remaining tenements is being processed by DMITRE.

Transfer of the Pine Valley Joint Venture interest to Murray Zircon Pty Ltd was completed during the quarter.

3 FINANCE

3.1 SUPPORT FROM DCM

The Company's major shareholder, DCM DECOMetal ("DCM"), continues to provide funding for the Company's ongoing operations.

3.2 CASH POSITION

At the end of the quarter, the Company had cash at bank of \$792k.

4 CORPORATE

4.1 ANNUAL GENERAL MEETING

The Company's Annual General Meeting was held on 29th June. All resolutions set out in the Notice of Meeting were passed. These related to:

- 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

The Company's 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. Discussion with DCM on this matter is continuing.

4.3 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 BFS Project Manager

For personal use only

ASX Announcements

The following ASX announcements were released during the quarter:

5/04/2012	Advice of Release of Financial Results
5/04/2012	Release of Financial Reports for the years 2009, 2010 & 2011
3/05/2012	Quarterly Cashflow Report
3/05/2012	Quarterly Activities Report
9/05/2012	Notice of Annual General Meeting
29/06/2012	Results of Annual General Meeting

Further Information

Visit www.auzircon.com.au or contact:

Mail: PO Box 8242, Station Arcade SA 5000
Tel: +61 8 7325 6500
Fax: +61 8 8212 6818
Email: info@auzircon.com.au

Enquiries:

M. P. Adams
Chief Executive Officer
Telephone: (08) 7325 6500

For personal use only