

16 October 2012

QUARTERLY REPORT TO THE ASX
FOR THE PERIOD 1 JULY TO 30 SEPTEMBER 2012

HIGHLIGHTS

- Sale of Australian Zircon's shares in Murray Zircon Pty Ltd.
- WIM150 Bankable Feasibility Study progressed.
- Appointment of Directors – Dr Gerhard Kornfeld and Mr Johann Jacobs.
- Resignation of Director – Mr Martin Adams.

All references to dollars in this report relate to Australian dollars unless otherwise stated.

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1 OPERATIONS

1.1 WIM150

In an agreement entered into in 2004, Australian Zircon NL ("The Company") is entitled to 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:

Tenements:

- The Company's Farm-in Agreement partner, Austpac Resources NL, applied for a Retention Licence over the WIM150 area.

Environmental Studies:

- Draft Scoping Requirements for the WIM150 EES were released for public comment during the quarter.
- Two meetings of the Technical Reference Group were held during the quarter to consider EES specialists' reports prepared for the project.

Mineral Processing:

- Zircon and Monazite bulk flotation testwork was completed.
- MUP and WCP engineering progressed to Capex and Opex estimation stage.
- The external Tailings Storage Facility design was completed.

Mine Planning:

- An experienced in-house mineral sands mining engineer was employed by the Company.
- Snowden was engaged as mining consultant to review the mine planning and scheduling work for the project.

Infrastructure:

- Powercor Australia Ltd was engaged to cost grid connection to the project.
- SMEC Australia Pty Ltd was engaged to review Grampians Wimmera Mallee Water channel relocation costs.

1.2 MINDARIE

The Company sold its 35% shareholding in Murray Zircon Pty Ltd during the quarter for a consideration of \$11,500,000.

2 EXPLORATION

The transfer of the four remaining tenements held by Australian Zircon NL and Steiner Holdings Pty Ltd, that were subject to the Murray Zircon joint venture, were transferred to Murray Zircon Pty Ltd during the quarter.

An exploration licence was applied for by Australian Zircon NL on ground to the north of WIM150 in Victoria.

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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. \$9,000,000 was repaid to DCM as a secured creditor during the quarter.

3.2 CASH POSITION

At the end of the quarter, the Company had cash at bank of \$2,329,000.

4 CORPORATE

4.1 ANNUAL GENERAL MEETING

The Company's Annual General Meeting is to be held on 26th October to consider:

- The annual financial report released during the quarter.
- The re/election of directors.
- The remuneration report.

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 CHANGES IN DIRECTORS/MANAGEMENT

The following changes occurred during the quarter:

- Mr Gerhard Kornfeld, CEO of Australian Zircon's largest shareholder - DCM, joined the board of directors as a non-executive director.
- Mr Johann Jacobs joined the Australian Zircon board as an independent non-executive director.
- Mr Martin Adams resigned as a director of the Company, however continues as the CEO of the Company.

4.4 CORPORATE INFORMATION

Directors

Jeremy Shervington	Non-Executive Chairman
Thomas Styblo	Non-Executive Director
Gerhard Kornfeld	Non-Executive Director
Johann Jacobs	Non-Executive Director
Graham Seppelt	Company Secretary

Senior Management

Marty Adams	Chief Executive Officer
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ASX Announcements

The following ASX announcements were released during the quarter:

26/07/2012	Quarterly Cashflow Report
26/07/2012	Quarterly Activities Report
15/08/2012	Conditional Sale of Shares
16/08/2012	Non Consent to transfer of EL4521
21/08/2012	Update re WIM150 Option Dispute
24/08/2012	Appointment of Director
20/09/2012	Annual Report to Shareholders
20/09/2012	Changes of Directors
21/09/2012	Notice of Annual General Meeting
27/09/2012	Sale of Shares in Murray Zircon Pty Ltd

Further Information

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Chief Executive Officer
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Appendix 5B

MINING EXPLORATION ENTITY QUARTERLY REPORT

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Australian Zircon NL

ABN

60 063 389 079

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date(3 months) \$A'000
1.1	Receipts from product sales and related debtors	30	30
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(687)	(687)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	7	7
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)	53	53
	Net Operating Cash Flows	(903)	(903)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	11,500	11,500
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)	(460)	(460)
	Net investing cash flows	11,040	11,040
1.13	Total operating and investing cash flows (carried forward)	10,137	10,137

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1.13	Total operating and investing cash flows (brought forward)	10,137	10,137
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	400	400
1.17	Repayment of borrowings	(9,000)	(9,000)
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	(8,600)	(8,600)
	Net increase (decrease) in cash held	1,537	1,537
1.20	Cash at beginning of quarter/year to date	792	792
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	2,329	2,329

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	21
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Directors' fees paid to Directors

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		

3.2	Credit standby arrangements		
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Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	(1,983)
4.2	Development	
4.3	Production	
4.4	Administration	(179)
Total		(2,162)

RECONCILIATION OF CASH

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,329	792
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	2,329	792

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements relinquished, reduced or lapsed	EL 4819, EL4820, EL4867, EL4855 (SA)	Transfer to Murray Zircon P/L	100%	0%
6.2	Interests in mining tenements acquired or increased				

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Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,474,715,121 Fully Paid 7,363,026 Partly Paid			5 cents paid per partly paid security
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

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COMPLIANCE STATEMENT

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does ~~not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 16 October 2012
(~~Director~~/Company secretary)

Print name: Graham Seppelt

NOTES

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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