

17 January 2013

QUARTERLY REPORT TO THE ASX
FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2012

HIGHLIGHTS

- Agreement reached with Orient Zirconic Resources (Australia) Pty Ltd regarding the transfer of EL4521.
- Annual General Meeting held – all resolutions carried.
- Appointment of WIM150 Project Director – Mr George Widelski.

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:

Drilling:

- A drilling programme commenced towards the end of the quarter in order to upgrade approximately half of the WIM150 resource from an indicated to a measured resource.

Tenements:

- The Company's Farm-in Agreement partner, Austpac Resources NL, transferred EL4521, the tenement on which the WIM150 project area is situated, to Orient Zircon Resources (Australia) Pty Ltd ("OZR").
- A new Farm -In Agreement was signed for the WIM150 project with OZR.

Resource:

- Work was conducted on upgrading the WIM150 mineral resource to include the 20-38 micron component, within which a significant amount of Valuable Heavy Mineral is contained.

Environmental Studies:

- The final two meetings of the Technical Reference Group were held during the quarter to consider EES specialists' reports prepared for the project.
- The Scoping Requirements for the WIM150 EES were finalised and released by the Victorian Department of Primary Industries ("DPI") towards the end of the quarter.

Mineral Processing:

- Zircon beneficiation testwork was undertaken.
- Mining Unit Plant and Wet Concentrator Plant engineering Capex and Opex estimation continued.
- Mineral Separation Plant design work commenced.

Mine Planning:

- Snowden progressed the mine planning and scheduling work for the project.

2 EXPLORATION

No exploration work, outside the WIM150 area, was conducted during the quarter.

The exploration licence application for ground to the north of WIM150 in Victoria remains under consideration by the Victorian DPI.

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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.

3.2 CASH POSITION

At the end of the quarter, the Company had cash at bank of \$855,078.

4 CORPORATE

4.1 ANNUAL GENERAL MEETING

The Company's Annual General Meeting was held on 26th October and the following resolutions were carried unanimously:

- Re-election of Mr Thomas Styblo as a director.
- Election of Dr Gerhard Kornfeld as a director.
- Adoption of the 2012 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 MANAGEMENT

The following change occurred during the quarter:

- Mr George Widelski was appointed as the Project Director for the WIM150 Bankable Feasibility Study.

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
George Widelski	WIM150 Project Director

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ASX Announcements

The following ASX announcements were released during the quarter:

26/10/2012 Results of Annual General Meeting
26/10/2012 Retirement and Reappointment of Director
15/11/2012 WIM150 Update

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

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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")

31 December 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date(6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,375) - - (248)	(2,060) - - (481)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	137	148
Net Operating Cash Flows	(1,471)	(2,371)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - (1)	- - (1)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	- - -	11,041 - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(1)	11,040
1.13 Total operating and investing cash flows (carried forward)	(1,472)	8,669

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1.13	Total operating and investing cash flows (brought forward)	(1,472)	8,669
	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
1.17	Repayment of borrowings	(2)	(9,006)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	(2)	(8,606)
	Net increase (decrease) in cash held	(1,474)	63
1.20	Cash at beginning of quarter/year to date	2,329	792
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	855	855

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	24
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Director's fees paid.

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

A review of the DCM DECOMetal loan interest rate resulted in an interest increase of approximately \$2.5 million.

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		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	(2,250)
4.2 Development	
4.3 Production	
4.4 Administration	(255)
Total	(2,505)

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	855	2,329
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	855	2,329

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			
6.2	Interests in mining tenements acquired or increased			

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 <i>(description)</i>				
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 <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<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 <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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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 / does not* (delete one) give a true and fair view of the matters disclosed.



17/01/13

Sign here: Date:

(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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