

16 April 2013

## QUARTERLY REPORT TO THE ASX FOR THE PERIOD 1 JANUARY TO 31 MARCH 2013

### HIGHLIGHTS

- Finalisation of Environment Effects Statement specialist study reports for the WIM150 project.
- Completion of extensive drilling programme to upgrade the WIM150 resource.
- Appointment of WIM150 Project Coordinator - Mr David Clarke.
- Granting of exploration tenement EL 5446.

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

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## 1 OPERATIONS

### 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 to upgrade approximately half of the WIM150 resource from an indicated to a measured resource was completed during the quarter. Results of sample assays from this programme are expected during the June quarter.
- A bulk density evaluation drilling programme was undertaken.

#### **Tenements:**

- The Company was granted EL 5446 in the Horsham region, to the north of WIM150.
- Orient Zircon Resources (Australia) Pty Ltd, the Company's Farm-In partner and holder of EL4521 (the tenement on which the WIM150 project area is situated) re-submitted the Retention Licence application for the WIM150 project area.

#### **Resource:**

- Work continued on upgrading the WIM150 mineral resource to include the 20-38 micron component, within which a significant amount of Valuable Heavy Mineral is contained. Results from the drilling programme mentioned above will be used in this work.

#### **Environmental Studies:**

- Further field studies were undertaken to finalise the EES specialists' reports.
- Consultation with the Technical Reference Group continued during the quarter.
- Public information sessions were held to communicate project progress to stakeholders.

#### **Mineral Processing:**

- Mining Unit Plant and Wet Concentrator Plant cost engineering continued.
- Mineral Separation Plant design work progressed during the quarter.

#### **Mine Planning:**

- An updated pit optimisation was carried out to advance mine planning and scheduling work for the project.

## 2 EXPLORATION

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

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### 3 FINANCE

#### SUPPORT FROM DCM

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

#### CASH POSITION

At the end of the quarter, the Company had cash at bank of \$224,666.

### 4 CORPORATE

#### ASX

The Company's shares are listed on the Australian Securities 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, the major creditor, is required before consideration can be given to resumption of trading. Discussion with DCM on this matter is continuing.

#### CHANGES IN MANAGEMENT

The following change occurred during the quarter:

- Mr George Widelski ceased as the Project Director for the WIM150 Bankable Feasibility Study.
- Mr David Clarke commenced as the Project Coordinator for the WIM150 Bankable Feasibility Study.

#### 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
David Clarke	WIM150 Project Coordinator
Andrew Reeves	WIM150 Project Manager

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**ASX Announcements**

The following ASX announcements were released during the quarter:

17/1/2013      Quarterly report to the ASX  
5/3/2013      Half-yearly report to the ASX

**Further Information**

Visit [www.auzircon.com.au](http://www.auzircon.com.au) or contact:

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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 March 2013

#### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date(9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(1,855) - - (396)	(3,915) - - (877)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	7	29
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(184)	(36)
<b>Net Operating Cash Flows</b>		<b>(2,428)</b>	<b>(4,799)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - -	- (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)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>11,040</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(2,428)</b>	<b>6,241</b>

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1.13	Total operating and investing cash flows (brought forward)	(2,428)	6,241
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,800	2,200
1.17	Repayment of borrowings	(2)	(9,008)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>1,798</b>	<b>(6,808)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(630)</b>	<b>(567)</b>
1.20	Cash at beginning of quarter/year to date	855	792
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>225</b>	<b>225</b>

**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	26
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

Loan liability is increasing as interest is not currently being paid.

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

	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	(3,308)
4.2 Development	
4.3 Production	
4.4 Administration	(300)
<b>Total</b>	<b>(3,608)</b>

## 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	225	855
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>225</b>	<b>855</b>

## 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	EL5446 (Vic.)	AZC 100%	Nil	100%

### 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 <b>Preference + securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	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 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <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 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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.



Sign here: ..... Date: 16 April 2013  
(~~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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