

6 September 2013

The Manager (Companies)
ASX Limited
Perth Western Australia 9000

Dear Manager,

The WIM150 Zircon/Titanium Project, Victoria, Australia

Completion of Bankable Feasibility Study Formation of the WIM150 Joint Venture

WIM150 JOINT VENTURE

Independent Experts Chris Tonkin and John Dunlop (appointed earlier this year by Australian Zircon NL and Australian Zircon and Orient Zircon Resources (Australia) Pty Ltd and Orient Zircon respectively), have delivered a joint opinion to advise that the Study into the economic and technical viability of commencing and conducting mining operations on the WIM150 Project Area - completed by Australian Zircon on 26 July 2013 but subject to Independent Expert review - constitutes a Bankable Feasibility Study as defined in and for the purposes of the Orient Zirconic / Australian Zircon Farm-in Agreement.

The Bankable Feasibility Study contemplates mining and processing of 10 million tonnes of WIM150 ore annually to produce a range of high quality **zircon** products for use in the ceramics industry. **Titanium** minerals - commonly used in the manufacture of pigments for use in paints - and **rare earth minerals** - used in the electronics industry - will be co-products.

Pursuant to the provisions of the Farm-in Agreement, the WIM150 Joint Venture came into being on 3 September 2013 with execution of the Experts opinion. Joint Venture owners are Australian Zircon (80% equity interest) and Orient Zirconic (20% equity interest). Australian Zircon is Operator for the Joint Venture.

Within 90 days of 03 September 2013 Orient Zirconic may elect either:

- to continue to hold a 20% participating interest in the Joint Venture or
- to convert its participating interest into a 10% Nett Profit Interest. This election would leave Australian Zircon with a 100% participating interest in the Project, subject to payment of the Nett Profit Interest.

PROJECT

As previously reported to ASX (26 July 2013), the WIM150 Mineral Sand Project has Proved and Probable Ore Reserves of **552 million tonnes of 4.3% total heavy mineral**. This Ore Reserve is included in a Measured, Indicated and Inferred Mineral Resource base of **1,650 million tonnes of 3.7% total heavy mineral** as reported to ASX on the 18 June 2013.

Both the Ore Reserve and Mineral Resource estimates quoted in this announcement should be read as summaries of the original announcements. Australian Zircon confirms that the data contained in this release complies with the requirements of ASX Listing Rule 5.23.2 *"The +entity confirms in the subsequent public report that it is not aware of any new information or data that materially affects the information included in the relevant market announcement and, in the case of estimates of +mineral resources or +ore reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed."*

The Project has an Ore Reserve Minelife of **60 years** and a Mineral Resource Minelife of more than **160 years** at the planned rate of production.

Drilling has established a total contained Project Resource of **25 million tonnes** of zircon plus rutile plus leucoxene.

In the course of their Ore Reserve studies, Optiro determined that the 552 million tonne WIM150 Ore Reserve carries a waste ore ratio, after removal of soil and subsoil, **0.51 : 1**. This ratio compares well with other zircon/titanium mineral producers.

The WIM150 Orebody is well located with respect to infrastructure.

State Electricity Victoria mains power, a Gas Pipeline Victoria trunkline, a Grampian Wimmera Mallee water trunkline, the Melbourne - Adelaide standard gauge rail line and the Melbourne . Adelaide Western Highway all pass adjacent to the centre of the planned development.

A range of social and industrial amenities, including permanent and temporary accommodation, health care, schooling, skilled labour and engineering facilities are available in the nearby regional centre of Horsham.

WORK PROGRAMME

The Joint Venturers will shortly appoint members to the WIM150 Joint Venture Management Committee. Members will, inter alia, consider Operators' recommendations with respect to:

- early completion of the Project's Environmental Effects Statement
- expedited implementation of Value Engineering / Optimisation Studies and
- assessment of Project finance options.

Yours sincerely,

Jeremy D Shervington
Chairman

for and on behalf of
Australian Zircon NL