

Quarterly Report to ASX

for the period

1 October to 31 December

2013

HIGHLIGHTS

- Optimisation and Environmental Effects Statement Studies in relation to the WIM150 mineral sand Project in western Victoria continued throughout the Quarter. Optimisation testwork is scheduled for completion in the March 2014 Quarter.
- Orient Zirconic Resources Australia Pty Ltd 'Orient Zirconic' elected to retain a 20% Participating Interest in the WIM150 Project rather than revert to a Nett Profit Interest. Participating interests in the WIM150 Joint Venture were thereby confirmed:

Australian Zircon NL 80% and Operator

Orient Zirconic 20%.

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1. OPERATIONS

WIM150 Joint Venture

- **Optimisation Study**

Mining optimisation and mine rescheduling were essentially completed and studies in relation to optimising ore-loading, slurring and pumping operations were progressed.

Mineral processing sighter testwork was well advanced at the end of the Quarter. A 2.6 tonne Optimisation bulk sample was treated at industrial scale through desliming, screening and spiral concentration steps. The resulting Heavy Mineral Concentrate will be used in planned Mineral Separation Plant Optimisation testwork.

Three investigation water bores were drilled to basement to evaluate a prospective source of low-quality water for use in Ore Processing. Adequate supplies of surface water have previously been secured for their purpose under the terms of a Memorandum of Understanding with the regional water regulatory authority.

- **Environmental Effects Statement**

Chapters from the draft Statement were provided to members of a Victorian Government Technical Review Group for comment.

Specialist studies – including further Flora and Fauna studies – proceeded throughout the Quarter to account for incremental changes in Project planned activities.

Public information sessions were held in Horsham and in the Project area to keep local stakeholders abreast of Project progress. A stakeholder engagement audit of the Project completed by the Victorian Government's Department of State Development and Business Innovation concluded that the WIM150 Joint Venture has fulfilled its obligations to this point.

2. PLANNED WORK

Optimisation Study testwork is scheduled to continue to completion in the March 2014 Quarter.

Work on the draft Environmental Effects Statement will continue throughout the March 2014 Quarter.

3. MINERAL TENEMENT acquisitions, disposals and status as at 31 December 2013

3.1 As at 31 December Australian Zircon owned the following beneficial interests in mineral tenement:

- An 80% participating interest in Retention Licence 2007, Victoria located as on the attached plan.
- An 80% participating interest in Exploration Licence 4521, Victoria that falls within the WIM150 Project area boundaries located as on the attached plan.
- A 100% participating interest in Exploration Licences 5460 and 5446, Victoria located as on the attached plan.

3.2 The Company did not acquire or dispose of any mineral tenement interests during the Quarter.

3.3 The Company held no beneficial interests in farmin or farmout agreements as at 31 December 2013.

3.4 The Company did not acquire or dispose of any beneficial interests in farmin or farmout agreements during the Quarter.

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4. FINANCE

The Company continues to enjoy the financial support of its major shareholder and sole secured creditor, DCM DECOmetal GmbH of Austria. As at 31 December 2013 the Company had A\$431,885 cash at bank.

5. CORPORATE

ASX

The Company's shares are listed on the Australian Securities Exchange (ASX) with the code AZC. Trading in the Company's shares is suspended for the time being pending a recapitalisation of the Company.

Corporate Information

Directors (all non-executive)

Jeremy Shervington	Chairman
Dr Gerhard Kornfeld	Director
Thomas Styblo	Director
Johann Jacobs	Director

ASX Announcements

The following ASX Announcements were released during the Quarter:

25 October 2013	Results of Annual General Meeting
25 October 2013	Amended Quarterly Activities and Cashflow report
25 October 2013	Quarterly Activities and Cashflow report
29 November 2013	Change of Address
04 December 2013	Joint Venture confirmed

Further Information

Visit www.auzircon.com.au or contact:

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Email:	info@auzircon.com.au

Company Secretary

Graham Seppelt

- Attachment:
- WIM150 Project Regional location and infrastructure
 - WIM150 Project Zircon (%) contained in ground in the mineralised horizon
 - Mineral Tenement Location Plan

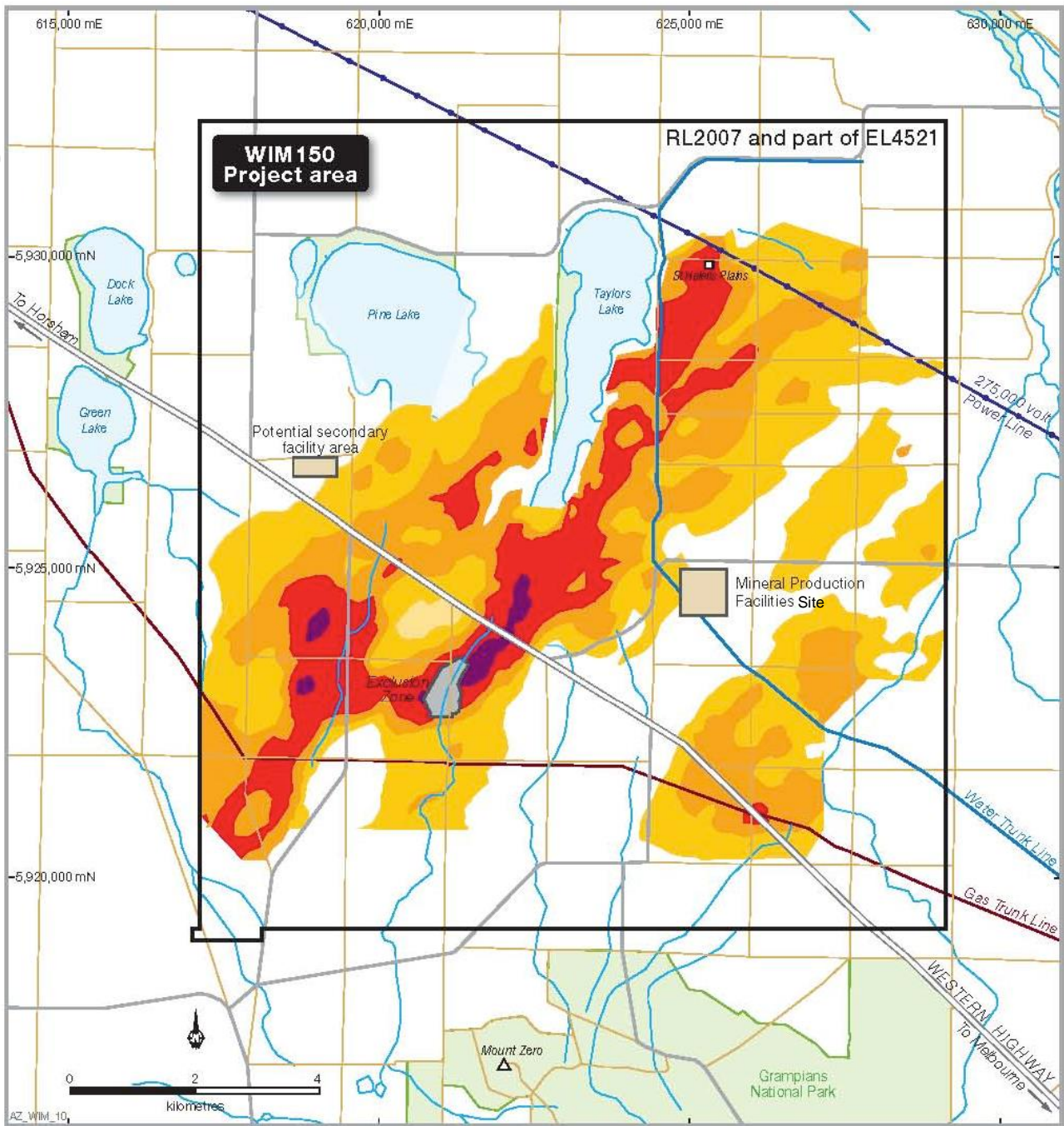
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WIM150 Project Regional location and infrastructure



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WIM150 Project Zircon (%) contained in ground in the mineralised horizon



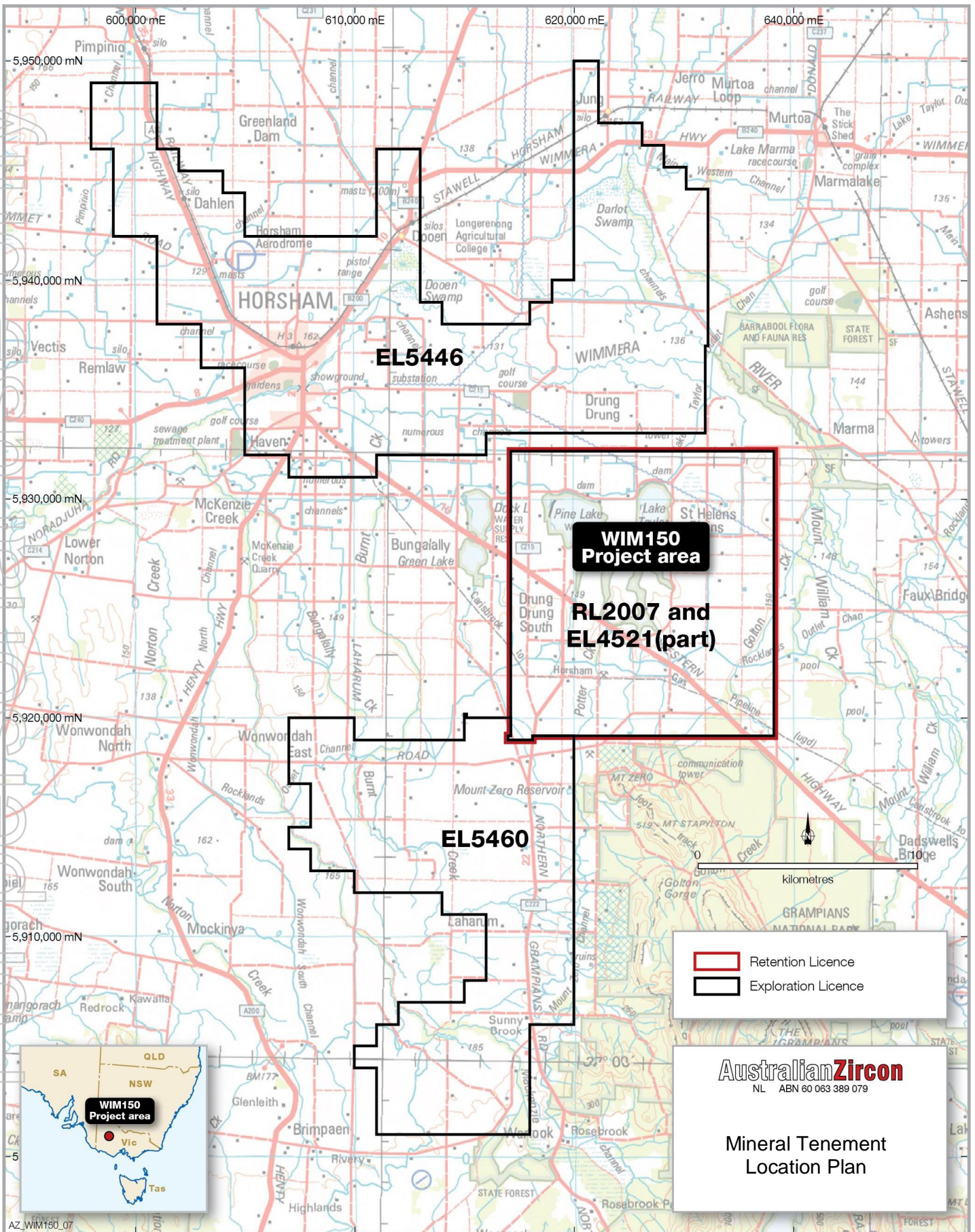
- National Park/Reserve
- River
- Lake
- Homestead
- Highway
- Major Road
- Gas Trunk Line
- 275,000 volt Power Line
- Water Authority Trunk Line

- Zircon %**
- >1.4
 - 1.0 - 1.4
 - 0.8 - 1.0
 - 0.6 - 0.8
 - <0.6

WIM150 PROJECT
Zircon (%) contained
inground in the
mineralised horizon

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Mineral Tenement Location Plan



**WIM150
Project area**

**RL2007 and
EL4521(part)**

EL5446

EL5460

- Retention Licence
- Exploration Licence

AustralianZircon
NL ABN 60 063 389 079

Mineral Tenement
Location Plan



AZ_WIM150_07

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 2013

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	(425)	(2,529)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(190)	(450)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(23)	165
Net Operating Cash Flows		(638)	(2,811)
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	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		-	-
1.13	Total operating and investing cash flows (carried forward)	(638)	(2,811)

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1.13	Total operating and investing cash flows (brought forward)	(638)	(2,811)
	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	860	2,860
1.17	Repayment of borrowings	-	(8)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(17)	(17)
	Net financing cash flows	843	2835
	Net increase (decrease) in cash held	205	24
1.20	Cash at beginning of quarter/ year to date	227	407
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	431	431

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	45
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.

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	(25)
4.2 Development	(968)
4.3 Production	
4.4 Administration	(242)
Total	(1,235)

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	431	227
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	431	227

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

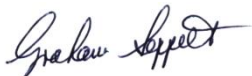
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		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.



Sign here:

Date: 28 January 2014
(~~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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