

25 October 2013

Quarterly Report to ASX

for the period

1 July to 30 September 2013

AMENDED RELEASE

Australian Zircon NL, 'Australian Zircon' wishes to release this improved report which now includes a high level and detailed map of the location of its WIM150 Mineral Sand Project in western Victoria so that investors and other interested parties have a better understanding of the location of the project.

HIGHLIGHTS

During the Quarter Australian Zircon made the following announcements to ASX in respect of the WIM150 Mineral Sand Project in western Victoria:-

- **Determination of Ore Reserves**
Ore Reserves expert Optiro Pty Ltd delivered its opinion that the previously defined WIM150 Mineral Resources contain Proved and Probable Reserves of
552 million tonnes containing 4.3% total heavy mineral.
- **Completion and Independent Endorsement of Bankable Feasibility Study**
Independent Experts delivered a joint opinion to advise that the Study completed by Australian Zircon on 26 July constitutes a Bankable Feasibility Study.
- **Australian Zircon earns 80% Project Interest, WIM150 Joint Venture formed**
Coincident with delivery of the Independent Experts' opinion Australian Zircon perfected its earning of an 80% interest in the WIM150 Project. Ownership of the Project therewith vested in the unincorporated WIM150 Joint Venture, owned as to 80% by Australian Zircon and as to 20% by Orient Zirconic Resources (Australia) Pty Ltd 'Orient Zirconic'.

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1. OPERATIONS

WIM150

Formation of the WIM150 Joint Venture

Independent Experts - Chris Tonkin and John Dunlop - (appointed earlier this year by Australian Zircon and Orient Zirconic respectively) 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 Farmin Agreement.

The Bankable Feasibility Study contemplates the 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 Farmin 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 3 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 'NPI'. This election would leave Australian Zircon with a 100% participating interest in the Project, subject to payment of the NPI.

WIM150 Project Status

Australian Zircon reported to the ASX (26 July 2013) that Proved and Probable Ore Reserves of 552 million tonnes of 4.3% total heavy mineral had been defined at WIM150. 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 the 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 its Ore Reserve studies, expert Optiro Pty Ltd determined that the 552 million tonne WIM150 Ore Reserve carries a waste:ore ratio, after removal of soil and subsoil, of 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.

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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.

Planned work

The WIM150 Joint Venture Management Committee met on 17 October and resolved to accept Operator's recommendations to progress:

- the Project Environment Effects Statement and
- Project Optimisation Studies

This work is presently underway.

2. EXPLORATION

No field work was conducted during the Quarter other than within the WIM150 Project Area.

3. FINANCE

Support from DCM

The Company's major shareholder - DCM DECOMetal GmbH '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 \$226,670.

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

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.

Corporate Information

Directors

Jeremy Shervington	Non-Executive Chairman
Dr Gerhard Kornfeld	Non-Executive Director
Thomas Styblo	Non-Executive Director
Johann Jacobs	Non-Executive Director

Company Secretary

Graham Seppelt

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Senior Management

Martin Adams	Chief Executive Officer
David Clarke	WIM150 Project Coordinator
Andrew Reeves	WIM150 Project Manager

ASX Announcements

The following ASX Announcements were released during the Quarter:

24/9/2013	Expiry of Unlisted Options
23/9/2013	Notice of Annual General Meeting/Proxy Form
18/9/2013	Becoming a substantial shareholder
13/9/2013	Annual Report to shareholders
6/9/2013	Completion of Bankable Feasibility Study; Formation of WIM150 Joint Venture
26/7/2013	WIM150 Ore Reserve Statement
18/7/2013	Quarterly Activities and Cashflow Report

Further Information

Visit www.auzircon.com.au

or contact:

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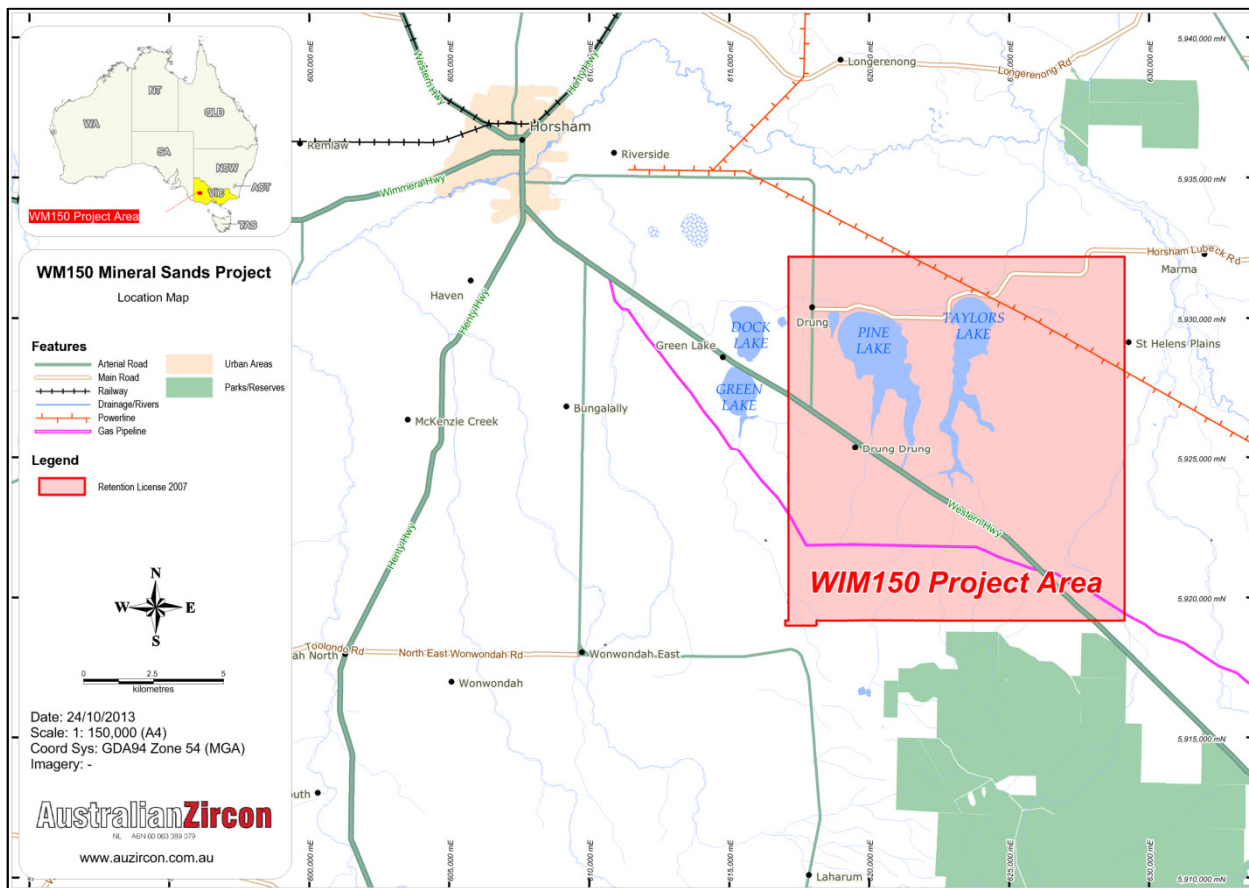
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Enquiries

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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 2013

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	-	-
1.2	Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(2,103) - - (259)	(2,103) - - (259)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	187	187
Net Operating Cash Flows		(2,172)	(2,172)
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)	(2,172)	(2,172)

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	Current quarter \$A'000	Year to date (3 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(2,172)	(2,172)
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	2,000	2,000
1.17 Repayment of borrowings	(8)	(8)
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
Net financing cash flows	1,992	1,992
Net increase (decrease) in cash held	(180)	(180)
1.20 Cash at beginning of quarter/ year to date	407	407
1.21 Exchange rate adjustments to item 1.20		
1.22 Cash at end of quarter	227	227

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	(36)
4.2 Development	(2,246)
4.3 Production	
4.4 Administration	(341)
Total	(2,623)

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	227	407
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	227	407

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

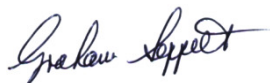
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		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	1,474,715,12 1 Fully Paid			5 cents paid per partly paid security
		7,363,026 Partly Paid			
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	39,000,000			
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: 25 October 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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