

INVESTMENT HIGHLIGHTS

WIM150 Project

- 1.6 billion tonnes of Inferred, Indicated and Measured Mineral Resources.
- 552 million tonnes of Probable and Proved Reserves at 4.3% HM.
- Strong joint venture partner in Orient Zirconic.
- Offtakes for 50% of product secured with Chinese joint venture partner.
- Bankable Feasibility Study completed.
- Optimisation Study completed.
- Initial 60 year mine life, with 55 years underpinned by reserves.
- Low strip ratio of 0.5:1.
- Excellent infrastructure, with existing access to grid power, water, major roads, freight terminals, airport and workforce.
- Security of tenure over Project.
- Victoria is a safe jurisdiction with low sovereign risk.
- Located in proven mineral sands province.
- High quality product suite.
- Attractive economics.
- Low risk: simple and low cost. Processing well understood and developed by industry leaders. Engineering off the shelf.
- Directors and Management with extensive and successful experience in exploration, mining, project development and corporate activities.

ISSUED CAPITAL

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.

DIRECTORS

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

COMPANY SECRETARY

Graham Seppelt

SENIOR MANAGEMENT

Andrew Reeves	Project Manager
Emma Vogel	Development Manager
Darren Klingner	Technical Services Manager

FURTHER INFORMATION

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AustralianZircon

ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 DECEMBER 2014

WIM150 Project, Victoria

Australian Zircon: 80% owner and operator

- Completion of project technical work
- Finalisation of project cost estimate
- Confirmation of zircon quality by independent testwork
- Finalisation of zircon upgrade testing by CSIRO
- Completion of federally listed species surveys

Australian Zircon is 80% owner and manager of the WIM150 Joint Venture, with JV partner Orient Zirconic Resources (Australia) Pty Ltd. The WIM150 deposit, is one of the largest known mineral sands deposits in the world, with JORC compliant resources of over 1.6 billion tonnes.

The Project is situated within the world-class Murray Basin mineral sands province with access to existing infrastructure and a skilled labour force. A favourable mineral assemblage, high in zircon, low strip ratio, and exceptional mine life, make the project a world class, tier 1 mineral sands development.

The Project consists of a wet concentrator and mineral separation plant, to separate and upgrade valuable heavy minerals to saleable quality. Located adjacent to the deposit, the proposed plants are planned to process 10 Mtpa of ore, over an initial 60 year mine life, producing an average of 74 ktpa of high quality premium zircon flour and a variety of titanium products.



Australian Zircon NL Registered Office

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The company is currently focussing on:

- Securing key permits, licences and approvals required to develop and operate the Project.
- Advancing project finance arrangements across debt, equity and other options.
- Securing binding offtakes for the remaining product.
- Securing a suitable EPC contractor.
- Continuing engagement with key stakeholders including government regulators, authorities, local communities and other stakeholder groups.

Quarterly Activities

The December quarter saw high levels of activities across all of the key project development areas. These included but are not limited to:

- **Undertaking and finalising** pilot-scale metallurgical test work with Mineral Technologies and the CSIRO, demonstrating the viability of the planned Zircon Upgrade Plant to achieve a high quality, low impurity zircon flour.
- **Successful completion** of federally listed species surveys, including the striped legless lizard. Surveys undertaken in accordance with Federal survey procedures, did not locate the species on the project area.
- **Progressed** environmental permitting in particular commencing the Cultural Heritage Management Plan, and finalisation of the Environment Effects Statement.
- **Working** with environmental groups, ecological consultants and regulators to develop a native vegetation offset strategy that meets the company's regulatory requirements whilst maximising benefit to the local environment and community.
- **Further evaluation** of the Project's transport requirements including road and rail options to the Ports of Adelaide and Melbourne.
- **Finalisation** of the economic parameters of the project, and analysis of the economic gain to the local community and state.
- **Completed** flowsheet design, equipment sizing and specifications, plant and site layouts.
- **Advanced discussions** with debt and equity financing organisations.
- **Advanced negotiations** with interested offtake parties to secure binding offtake agreements for AZC's share of the product from the project.
- **Initiating** discussions with potential EPC contractors.

Next quarter

In the March 2015 quarter the company intends to:

- **Finalise** the project environmental and social impact studies in preparation for public exhibition and comment.
- **Finalise** offtake agreements with customers.
- **Shortlist** potential EPC contractors.
- **Progress** financing activities with debt and equity participants.

Resources and Reserves

The WIM150 Project contains an estimated 1.6 billion tonne of 2012 JORC compliant Inferred, Indicated and Measured Resources, at a head grade of 3.7% HM, calculated at a 1% cut-off grade as reported to the ASX release on 18 June 2013. There was no change to the Project's resource estimation during the quarter.

Project proved and probable reserves, calculated at a variable cut-off, are estimated to be 552 million tonnes at 4.3% HM (as reported to the ASX on 26 July 2013). The current reserve base underpins a mine-life of 55 years. There was no change to the Project's reserves during the quarter.

Corporate

Financing

The company continues to work with corporate advisor Gresham Advisory Partners Limited to secure funding to develop the WIM150 project.

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 \$47,603.

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

Yours sincerely,

Jeremy D Shervington

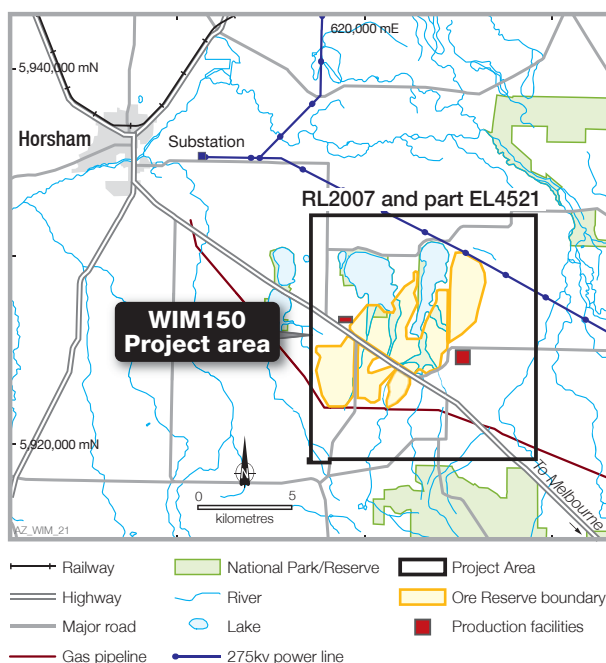
Chairman

for and on behalf of Australian Zircon NL

27 January 2015

About the WIM150 Project

As previously reported to ASX, Australian Zircon "the Company" holds an entitlement to 80% of the WIM150 Project, in accordance with the WIM150 Joint Venture agreement.



Financial outcomes of the WIM150 Project's Optimised Bankable Feasibility Study are as below – as reported to the ASX on 1 October 2014.

AZC 80% interest, assuming 50/50 debt: equity funding.	
Nett present value (10%)	\$657 million
Internal rate of return	26.5%
Gross operating margin	59% (life-of-mine average)
Payback period	3.25 years
AZC 80% share of construction costs (real 2014, AUD).	
Base construction cost	\$338.4 million
Contingency	\$27.1 million
Working capital	\$39.9 million
Key metrics (life of mine average, 100% project).	
Total site operating costs pa	\$94 million
Total site revenue pa	\$233 million
Gross operating margin pa	59%
Inflation	2.5%
AUD/USD exchange rate	0.875
Royalties (% of net market value)	2.75%
Discount rate	10%

Optiro Pty Limited, completed an analysis in 2013, announced to the ASX on 26 July 2013, which quantifies the economically viable mineralisation which has been defined within the 1.65 billion tonnes of WIM150 Mineral Resource announced to ASX on 18 June 2013.

The 1.65 billion tonne Mineral Resource was based upon the following drill data:

- CRA Exploration Pty Limited 1982-1992
- Australian Zircon 2006-2007
- Australian Zircon 2011
- Australian Zircon 2012-2013

The Mineral Resource used a cut-off grade of 1% total heavy mineral recoverable in the range 20-75 microns. Grain size recoverability criteria were determined by an extensive program of bulk sample mineral processing testwork. The estimated Mineral Resources excludes areas of restricted access around waterways and the Western Highway.

Proved and Probable Ore Reserves have been estimated by reference to both mine design and physical modifying parameters and economic parameters. Mineralisation excluded from the Ore Reserve in the estimation is:

- stand off from roads, including the Western Highway and Northern Grampians Road
- gas pipelines
- selected water pipelines
- a power line / fibre optic link
- areas external to Australian Zircon's ongoing Environment Effects Statement studies.

There is no known technical, social or environmental impediments to development of the project, and there is strong support from key stakeholders including investors, joint venture partners, government and the surrounding community. The project benefits from excellent existing infrastructure, a well known regulatory system, low sovereign risk, and an existing skilled workforce.

About the WIM150 Project

Mineral Resources

The current resource model estimates a Mineral Resource of 1,650 Mt at 3.7% total heavy minerals in the 20 µm to 75 µm size fraction and with a 1% total heavy mineral cut off. The Mineral Resource lies within tenement boundaries, and excludes areas with restricted access around selected water bodies and the Western Highway. WIM150's Mineral Resources are tabulated below.

WIM150 Mineral Resources

Classification	Million tonnes	% total heavy minerals (-75 +20 µm)	Slimes (-20 µm)	Particle classification % within -75+20 µm total heavy minerals					
				Zircon	Rutile	Ilmenite	Leucoxene	Monazite*	Xenotime*
St Helens									
Measured	415	4.3	18.0	21.7	11.5	32.2	5.8	2.3	0.41
Indicated	485	4.0	17.0	21.0	11.6	30.8	6.0	2.2	0.40
Inferred	410	2.9	21.1	20.9	11.9	30.9	6.1	2.2	0.39
Subtotal	1,310	3.8	18.6	21.2	11.6	31.3	6.0	2.2	0.40
Danube									
Measured	–	–	–	–	–	–	–	–	–
Indicated	95	4.1	25.6	17.2	11.7	31.7	6.4	1.3	0.26
Inferred	245	3.3	23.1	18.9	11.7	31.4	6.3	1.5	0.30
Subtotal	340	3.6	23.8	18.3	11.7	31.5	6.3	1.5	0.28
Total									
Measured	415	4.3	18.1	21.7	11.5	32.2	5.8	2.3	0.41
Indicated	580	4.0	18.4	20.4	11.6	31.0	6.1	2.0	0.37
Inferred	655	3.1	21.9	20.1	11.8	31.1	6.2	1.9	0.35
Total	1,650	3.7	19.6	20.7	11.7	31.4	6.0	2.1	0.38

* Rare earth minerals

Ore Reserves

AZC commissioned Optiro Pty Ltd (Optiro) to provide an independent Ore Reserve estimate for the Project and to determine a feasible mining method and mining sequence.

The Ore Reserve estimate was created under the supervision of Andrew Law, a Competent Person as defined in the JORC Code (2012) and was subjected to an economic evaluation.

Measured and Indicated Mineral Resources were converted to Proven and Probable Ore Reserves, subject to mine designs, physical modifying factors, and an economic evaluation. Material excised from the Mineral Resource model to generate the Ore Reserve model includes stand-offs from roads, including the Western Highway and Northern Grampians Road, gas pipeline, water mains, and power line corridor. The Mineral Resource model was clipped to the project footprint. The Ore Reserve has been calculated at a variable cut-off grade.

The current WIM150 Ore Reserve estimate is shown in the table below.

About the WIM150 Project

WIM150 Ore Reserves

Category	Ore (Mt)	In situ HM (Mt)	% THM (-75+20 µm)	HM mineral assemblage (%)					
				Zircon	Rutile	Ilmenite	Leucoxene	Monazite*	Xenotime*
Proved	268	12.0	4.5	22.0	11.7	32.7	5.9	2.4	0.4
Probable	283	12.0	4.2	21.3	11.6	30.8	5.9	2.2	0.4
Total	551	24.0	4.3	21.6	11.7	31.7	5.9	2.3	0.4

* Rare earth minerals

Notes accompanying the Ore Reserves statement are as follows:

- Ore Reserves are based upon a variable cut-off grade calculated by assessing the revenue of each block.
- Ore Reserves are based on a state royalty of 2.75%.
- Mineral Resources have been reported inclusive of Ore Reserves.
- Total Heavy Minerals is assessed on the +20 µm –75 µm size fraction.
- Total Heavy Minerals grade is reported as a percentage of in situ ore.
- Leucoxene includes altered leucoxene.
- The HM assemblage grades (zircon, ilmenite, and so on) are reported as a percentage of Total Heavy Minerals contained in the ore.
- Tonnes are reported to four significant figures and grades to two significant figures. Discrepancies in summations are due to rounding.
- The Ore Reserve statement was compiled in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012).

Competent Persons' Statements

The information in this ASX release that relates to Mineral Resources, is a summary table of the WIM150 Resource Statement issued to the ASX on 18 June 2013. There has been no subsequent change to this Mineral Resource Statement. The information included in the mineral resource statement is based upon information compiled by Mrs Christine Standing, who is a Member of the Australasian Institute of Mining and Metallurgy, and a member of the Australian Institute of Geoscientists. Mrs Standing is an employee of Optiro Pty Ltd and has sufficient experience in the style of mineralisation and type of deposit under consideration to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian code of Reporting of exploration results, mineral resources and ore reserves.

The Ore Reserves statement was compiled by Mr Andrew Law of Optiro, Fellow of The Australasian Institute of Mining and Metallurgy. Mr Law has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012).

The information above that relates to Ore Reserves is a summary table and information released to the ASX on 26 July 2013 entitled 'Ore Reserve Statement'. There has been no subsequent change to this Ore Reserve Statement.

Forward-Looking Statement

This release contains forward-looking information. Such forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend", and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved, and other similar expressions. In providing the forward-looking information in this news release, the Company has made numerous assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) that the results of the feasibility study continue to be positive; and (iv) that future exploration results are as anticipated. Management believes that these assumptions are reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-looking information. Forward-looking information is based on estimates and opinions of management at the date the statements are made.

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 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 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	- (339) - (167)	- (1,064) - (436)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	(2)	7
Net Operating Cash Flows		(507)	(1,491)
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)	(507)	(1,491)

1.13	Total operating and investing cash flows (brought forward)	(507)	(1,491)
	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	532	1,182
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	532	1,182
	Net increase (decrease) in cash held	25	(309)
1.20	Cash at beginning of quarter/ year to date	23	357
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	48	48

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	55
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 accruing.

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

Financing facilities available

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		

3.2 Credit standby arrangements

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Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	(229)
4.3 Production	
4.4 Administration	(189)
Total	(418)

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	48	23
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	48	23

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 (description)			
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		0.5 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 (description)			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			
7.7	Options (description and conversion factor)	6,000,000 Employee Incentives	Exercise price 0.00	Expiry date 19 December 2019
7.8	Issued during quarter	6,000,000 Employee Incentives	Exercise price 0.00	Expiry date 19 December 2019
7.9	Exercised during quarter			
7.10	Expired during quarter			
7.11	Debentures (totals only)			
7.12	Unsecured notes (totals only)			

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: 27 January 2015
 (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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