

AustralianZircon

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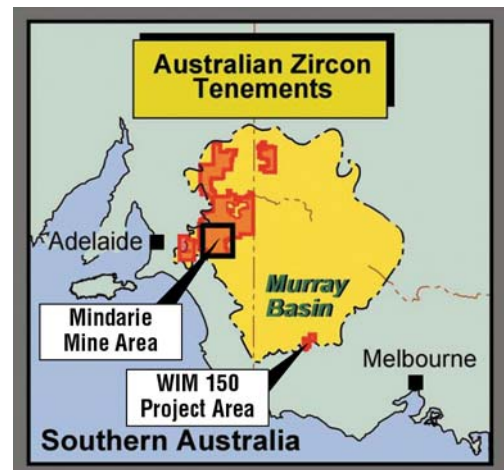
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28 April 2008

The Manager
Company Announcements
Australian Stock Exchange Limited

Dear Sir,



Quarterly Report Period ending 31 March 2008

Please find attached a report on the Company's operations for the period, current as at today's date. This report together with a report from brokers Taylor Collison Ltd will be sent to shareholders this week.

Australian Zircon is a producer of **zircon and titanium mineral products** from its mine and processing facilities at Mindarie in the western Murray Basin.

Yours faithfully,

A White

Company Secretary

2.2 WIM150 Resource (continued)

The Bankable Feasibility Study will examine the Company's options for further treatment of the HMC, including the option of transporting HMC to the Company's existing Mineral Separation Plant at Mindarie.

WIM150 is one of the world's largest deposits of recoverable zircon with useful coproduct and byproduct credits and Australian Zircon's commitment to the Bankable Feasibility Study marks the beginning of a new and significant phase in the Company's growth.

2.3 Mineral Product Markets

Demand for each of the Company's zircon and titanium mineral products continues to be robust.

3 WORK PLANNED

3.1 Mindarie

- Ore throughput will be maintained at Steady State #1 (600 tonnes per hour, 85% availability).
- Adjustments and modifications to the mineral process circuit will be made to optimize mineral recoveries.
- Critical reviews will be undertaken to determine how all operations – from stockpiling soils ahead of the pit to loading sea containers of product at Port Adelaide – should be changed to optimize both safety and efficiency of the Company's operations.



3.2 WIM150 Project

Stage One of the Bankable Feasibility Study will commence and will comprise:

- A detailed review of the applicable regulatory regime. A programme of work will be agreed with our joint venture partner and with local authorities which, on completion, will ensure that the Project complies during each phase of its life with all relevant regulatory requirements.
- Plans will be prepared for Pilot Plant scale mineral recovery testwork. The results of this work will be used to further refine flowsheet design at each stage of mineral processing. Particular attention will be given to slimes thickening and disposal of tailings.

Yours Faithfully

John G Branson
Chairman



Laboratory Technician Michelle Bradtke



Logistics Coordinator Lynn Hand



28 April 2008

Dear Shareholder,

I am delighted to advise that your Company's rampup of ore throughput at its Mindarie Mine has recently reached the project's planned Steady State rate of 600 tonnes per hour and 85% availability.

This is an achievement with which we can all feel well pleased, and we are working towards a consistent achievement of this level.

Your Company has reserves and resources capable of supporting its operations in the Mindarie district of the Western Murray Basin for many years. 178 million tonnes of resources have been defined to date, including more than 55 million tonnes of reserves.

I am equally delighted to announce that Australian Zircon has received a positive recommendation from the Convenor of its WIM150 Prefeasibility Study Group. Accordingly, your Company has committed to Stage One of a Bankable Feasibility Study of the viability of developing this mammoth 753 million tonne resource. Upon completion of this work AZC will become entitled to an 80% participating interest.

Your Company's strategy for growth is centred upon the Murray Basin and the Mindarie and WIM150 projects in particular. These projects are based on mineralisation which is well located with respect to infrastructure and on mineralisation which is, in revenue terms, zircon dominant. Market demand for Australian Zircon's products continues to be strong and directors consider that your Company's strategy for growth is soundly based.

I attach for your interest a copy of your Company's recent Quarterly Report and I also attach a copy of a research paper prepared by the stockbroking firm Taylor Collison Limited. You will note that, in Taylor Collison's view, the shares in your Company will prove to be worth a good deal more than recent trading would indicate!

Your Company is committed to taking its place as a major producer of zircon and associated mineral products. On behalf of the board I wish to thank Jim Wilton and the exceptional team which he has assembled, for bringing Australian Zircon to Steady State production and I thank shareholders for their continued support as we grow stronger.

Yours sincerely

John G Branson
Chairman

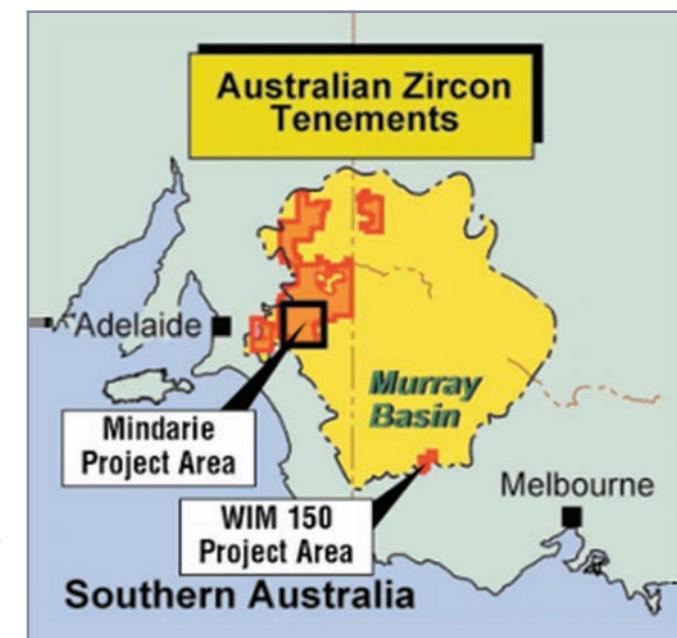
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Chief Executive Officer Jim Wilton



... Mine Manager Shaun Cresswell, General Manager Ken Donaldson, Maintenance Manager Garth Murray, and Finance and Administration Manager Cecilia Fischer

Quarterly Report Period Ending 31 March 2008

1 SUMMARY

• Mindarie Mine & Processing Facilities

(Western Murray Basin, Australian Zircon 100%)

• Steady State production rate achieved

Over the last week the mine and processing plant have run at an ore feed rate of **600 tonnes per hour** with 85% availability (Steady State production rate #1).

The Company plans that Mindarie throughput will now be maintained at this rate for several months while mineral recoveries are optimised and improvements in operational efficiency are pursued.

A series of modifications are planned for the end of the June Quarter to enable a second rampup of throughput rate from **600 tonnes per hour** to **750 tonnes per hour**.

• Zircon Recoveries improved at Primary Concentrator

Modifications undertaken on the Primary Concentrator during the Quarter have resulted in zircon recoveries through the Primary Concentrator being increased in percentage terms from the high 80s to the mid 90s. Work planned for later this month is expected to improve these recoveries further.

• WIM150 Resource

(Southern Murray Basin, Australian Zircon right to earn 80%)

• Bankable Feasibility Study

The preliminary results of the Company's Prefeasibility Study into developing the WIM150 zircon and titanium mineral resource were received and the Company has committed to proceed with the first stage of a Bankable Feasibility Study.

Testwork has shown that conventional feed preparation techniques (scrubber trommel and cyclones) and special (fine grain size) spirals will successfully recover 85 – 90% of raw feed zircon to an acceptable grade Heavy Mineral Concentrate (HMC).

2 WORK COMPLETED

2.1 Mindarie Mine & Processing Facilities

(Western Murray Basin, Australian Zircon 100%)

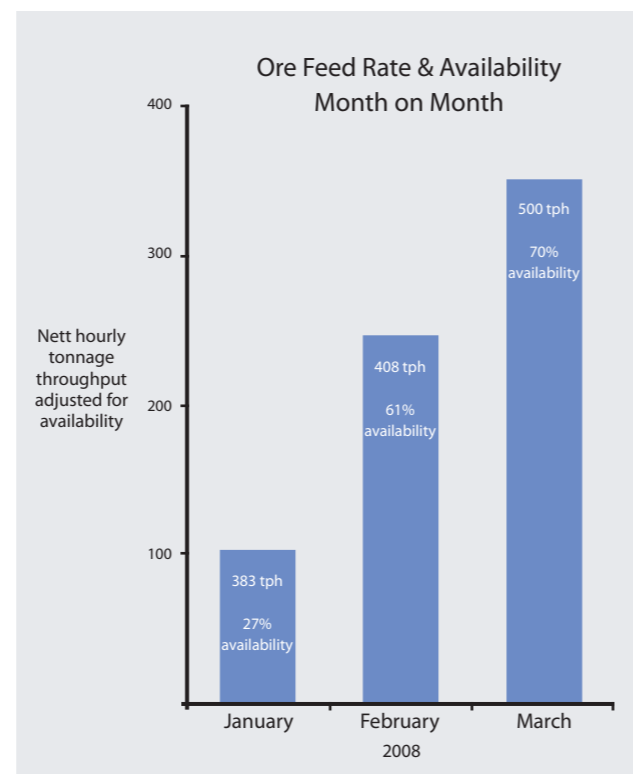
Measured and Indicated Resources of 178 million tonnes containing 3.3% Heavy Mineral

During the Quarter ore throughput (a combination of ore feed rate and plant availability) was ramped up as illustrated opposite.

At the time of writing this report throughput was stable at 600 tonnes per hour and 85% availability. Throughput will be maintained at this level for the next several months as **Steady State production rate #1**.

Over the next several weeks adjustments will be made at several points in the production circuit to optimize recoveries at the Steady State throughput rate.

Modifications undertaken in the Primary Concentrator during the Quarter have resulted in zircon recoveries through the Primary Concentrator being improved in percentage terms from the high 80s to the mid 90s. Work planned for later this month is expected to improve these recoveries further.

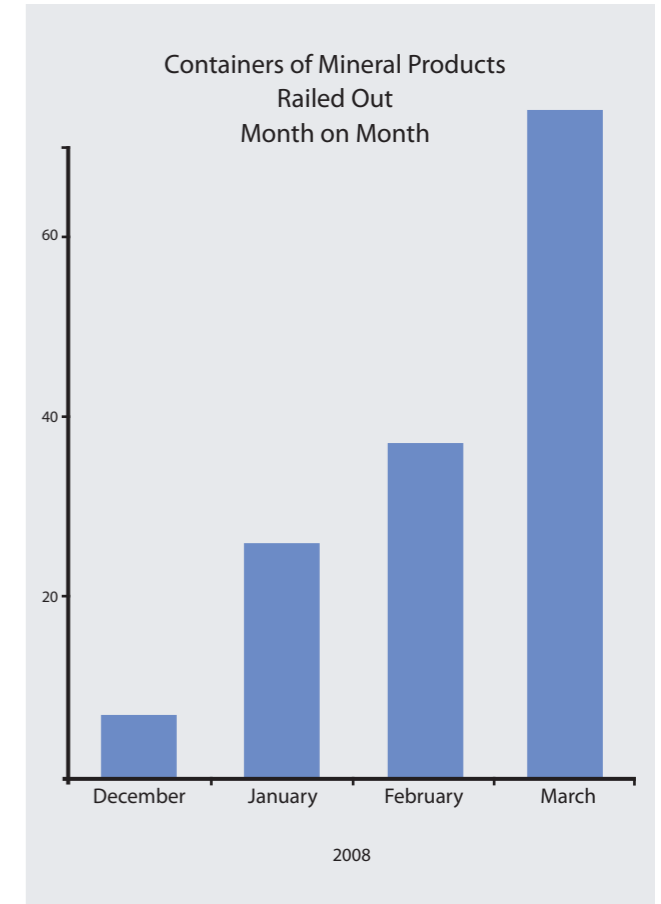


2.1 Mindarie Mine & Processing Facilities (continued)

Australian Zircon is planning to undertake a series of modifications to the Primary Concentrator later in the year to enable a second rampup of throughput rate from **600 tonnes per hour** to **750 tonnes per hour**.

Railout of the Company's mineral products has ramped up as ore throughput has ramped up. The illustration to the right represents the number of sea containers of mineral product railed out from Mindarie and shipped to the Company's customers ex Port Adelaide month by month through the Quarter.

The Company's projections indicate that at **600 tonnes per hour**, on an annualised basis, operations of the Mindarie mine can be expected to generate EBITDA of around A\$21 million.



2.2 WIM150 Resource

(Southern Murray Basin, Australian Zircon right to earn 80%)

Defined Mineralisation – 753 million tonnes containing 4% Heavy Mineral

The preliminary results of the Company's Prefeasibility Study into developing the WIM150 zircon and titanium mineral resource recommended in favour of the Company proceeding with the first stage of a Bankable Feasibility Study.

Testwork has shown that conventional feed preparation techniques (scrubber trommel and cyclones) and special (fine grain size) spirals **will successfully recover 85 – 90% of raw feed zircon** to an acceptable grade Heavy Mineral Concentrate (HMC).

More detailed mineral recovery testwork to be undertaken as part of the Bankable Feasibility Study is expected to result in further improvements to the flowsheet and to improvements in mineral recoveries.

Conventional mining methods such as those in use at Mindarie (bulldozer, truck, and shovel) will be applicable at WIM150. No extraordinary requirements for either mining or tails disposal have been identified and the final methodology will be determined as part of the Bankable Feasibility Study.

The Bankable Feasibility Study will be based on a mobile PCP/Feed Preparation layout. This is presently viewed as preferable to a static establishment for the following reasons, all of which relate to the large areal extent of the WIM150 mineralisation:

- Ore slurry pumping distances will be minimised;
- Tails pumping distances will be minimised;
- Groundwater requirements at any one PCP location will be modest.