AustralianZircon

NL ABN 60 063 389 079

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Half Year results

Ramp up at Mindarie project continues

High grade zircon producer Australian Zircon NL (ASX:AZC) today announced its half year result, which included an underlying loss of $16.37 million, as the Company completes commissioning and ramps up production at its flagship mineral sands project at Mindarie in South Australia.

The results for the half year ended 31 December 2008 reflect the increase in production activity at the Company's Mindarie zircon project, where mine construction is now essentially complete, and plant commissioning is at an advanced stage.

Australian Zircon non-executive director Michael Kiernan said production from the project had increased sharply in the second half of 2008, and the Company was aiming to increase annualised zircon production rates by approximately 30% from the December to March quarter.

"Ramp up activities are continuing toward practical completion by June, and together with the implementation of process improvement initiatives the Company remains on track to hit its targeted annualised production rate of 35,000tpa of zircon by this time," Mr Kiernan said.

From October to December the Company more than doubled its zircon output, from 847 tonnes to 1,920 tonnes. Total product sales for the first half period were $7.2 million, including 5,300 tonnes of zircon, along with 7,800 tonnes of ilmenite and 2,200 tonnes of rutile concentrate.

During the period, the Company undertook significant works to increase production capacity at Mindarie, with total expenses of $24.6 million including commissioning costs, increase of mining and product inventory, site infrastructure development, civil works and metallurgical testing for mine optimisation.

Australian Zircon has also stabilised its mining costs by moving components of the mining operations from owner-operated to a contract mining basis, and aims to move all mining activities to a contract unit rate basis.

Mr Kiernan said the Company is also benefiting from a $40 million recapitalisation arrangement with international commodity supplier DCM Decometal GmbH, which was finalised in January 2009.

"The DCM Decometal agreement, which included a debt-for-equity swap and an injection of new capital through a share placement, was another major step forward for Australia Zircon," he said.

"The recapitalisation has had the effect of substantially strengthening the balance sheet by reducing interest bearing loans and borrowings, and increasing cash held," Mr Kiernan said.

"Having the backing of DCM has also allowed the Australian Zircon team to focus on the operational ramp up at Mindarie, with the technical and marketing support of an international commodity leader," Mr Kiernan said.

With the increased level of production, Australian Zircon is well poised to capitalise on the strengthening zircon market.

“Global supply is tightening and world stocks are down. At the same time there remains firm demand for zircon based products in developing countries – particularly China - where the continued urbanisation of the population has supported annual demand growth,” Mr Kiernan said.

Reconciliation of Underlying Loss to Statutory reported loss

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Underlying loss	16,377,000
reconciling items:	
Financial instruments marked to market	13,595,000
Finance costs	3,859,000
Corporate costs	901,000
Statutory reported loss	34,732,000

This reconciliation has been prepared on the principles released by the Australian Institute of Company Directors; *Underlying Profit: Principles for reporting of Non-Statutory information.*

For further information, please contact:

David Clarke
Director
Tel: 0417 857 199
Michael Kiernan
Director
Tel: 08 6389 6800

Warrick Hazeldine / Ryan McKinlay
Purple Communications
Tel: 08 9485 1254
Mobile: 0417 944 616 / 0408 347 282

About Australian Zircon

Australian Zircon NL is a publicly company, listed on the Australian Stock Exchange (ASX:AZC).

The Company's prime asset is the 100 percent owned and managed Mindarie Project, principally a zircon mine which will also produce ilmenite, rutile and leucoxene. The Project is located 150km east of Adelaide, South Australia. The Company's granted tenements total 15,979 km2 with approximately 60% of Project revenue derived from zircon sales.

Contracts for the sale of 100% of the zircon, ilmenite, rutile and leucoxene are in place with Australian Zircon's exclusive marketing partner, DCM DECO metal GmbH. DCM is an international marketing and trading company, head-quartered in Austria. In addition to the marketing Agreement with AZ, DCM holds a significant investment in the Company.

In January 2004 the Company entered into a Joint Venture Agreement with Austpac Resources NL in respect of the WIM150 deposit, located in the western Victorian Murray Basin. Australian Zircon can earn an 80% participating interest by completing a Bankable Feasibility Study on the deposit.