



Matilda Zircon Limited

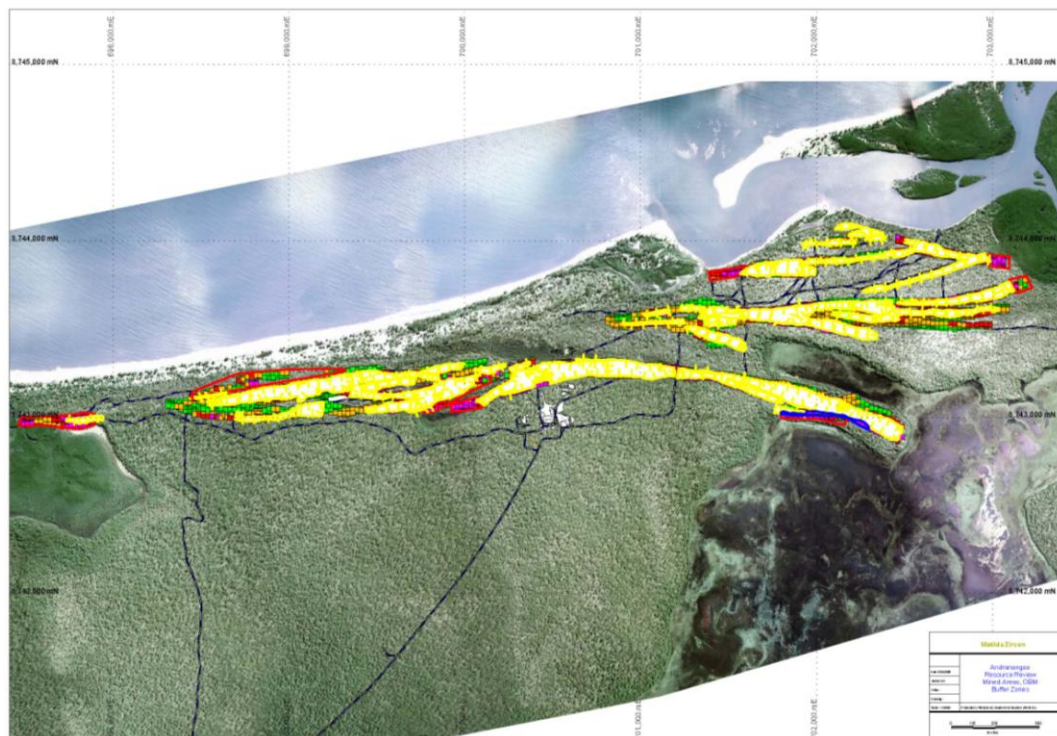
ANNUAL REPORT

Mineral Lease 24510

Tiwi Islands

Northern Territory

For period ending 6 September 2011



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1. SUMMARY

During September 2008 the previous tenement holder Matilda Minerals Ltd was placed into receivership due to cash flow problems with its Tiwi Islands Andranangoo Project located within ML 24510.

In July 2009, Olympia Resources Ltd (now renamed to Matilda Zircon Limited) purchased the Tiwi Island assets of Matilda Minerals from the administrators of Matilda Minerals with the aim of re-establishing mining and processing activities on the island.

Mining and processing operations commenced at Andranangoo in early November 2006 and were completed in September 2008. The vast majority of the economic mineralisation within ML 24510 (at a nominal 2% HM cutoff) has been mined with only remnant mineralisation at a lower grade remaining.

No further exploration is required to define mineralised zones.

2. INTRODUCTION

Matilda Minerals Ltd ("Matilda") was admitted to the Australian Stock Exchange on 15 September 2004. Matilda's objective was to explore and mine small to medium sized heavy mineral deposits which are rich in zircon and rutile, have low clay content, little or no overburden, a small environmental footprint and require low capital expenditure to develop. The potential deposits on the Tiwi Islands offer these criteria.

The islands are wholly within the Tiwi Island Aboriginal Land Trust administered by the Tiwi Land Council ("TLC"). Matilda signed an agreement with the TLC on 19 December 2003 which set conditions for the exploration and mining development activity.

In November 2006 Matilda Minerals commenced mining operations on the Tiwi Islands centred on the Andranangoo deposit located within ML 24510. Based on a mining reserve of 2.54 mt @ 3.56 % HM, containing approximately 52% zircon, 22% rutile and minor leucoxene and ilmenite heavy minerals the project was expected to have a mine life of approximately 3 years.

Cash flow problems coupled to a collapsed wharf at Garden Point contributed to the company being placed in Administration and the project being sold to the new owners Olympia Resources Limited, now renamed to Matilda Zircon.

Total previous production by Matilda Minerals between 2006-2008 has been estimated at 1.76mt @ 3.95 % HM.

Since acquiring the project in July 2009 Matilda Zircon has systematically reviewed the remaining resources within ML 24510 and conducted environmental reviews and analysis of the rehabilitation efforts of Matilda Minerals.

This report is lodged in accordance with s79 of the Mining Act.

3. TENURE

This report covers ML24510:

Tenement number	Date granted	Date expiry	Area	Report due
ML24510	07/09/2005	06/09/2030	821.70 ha	6 December

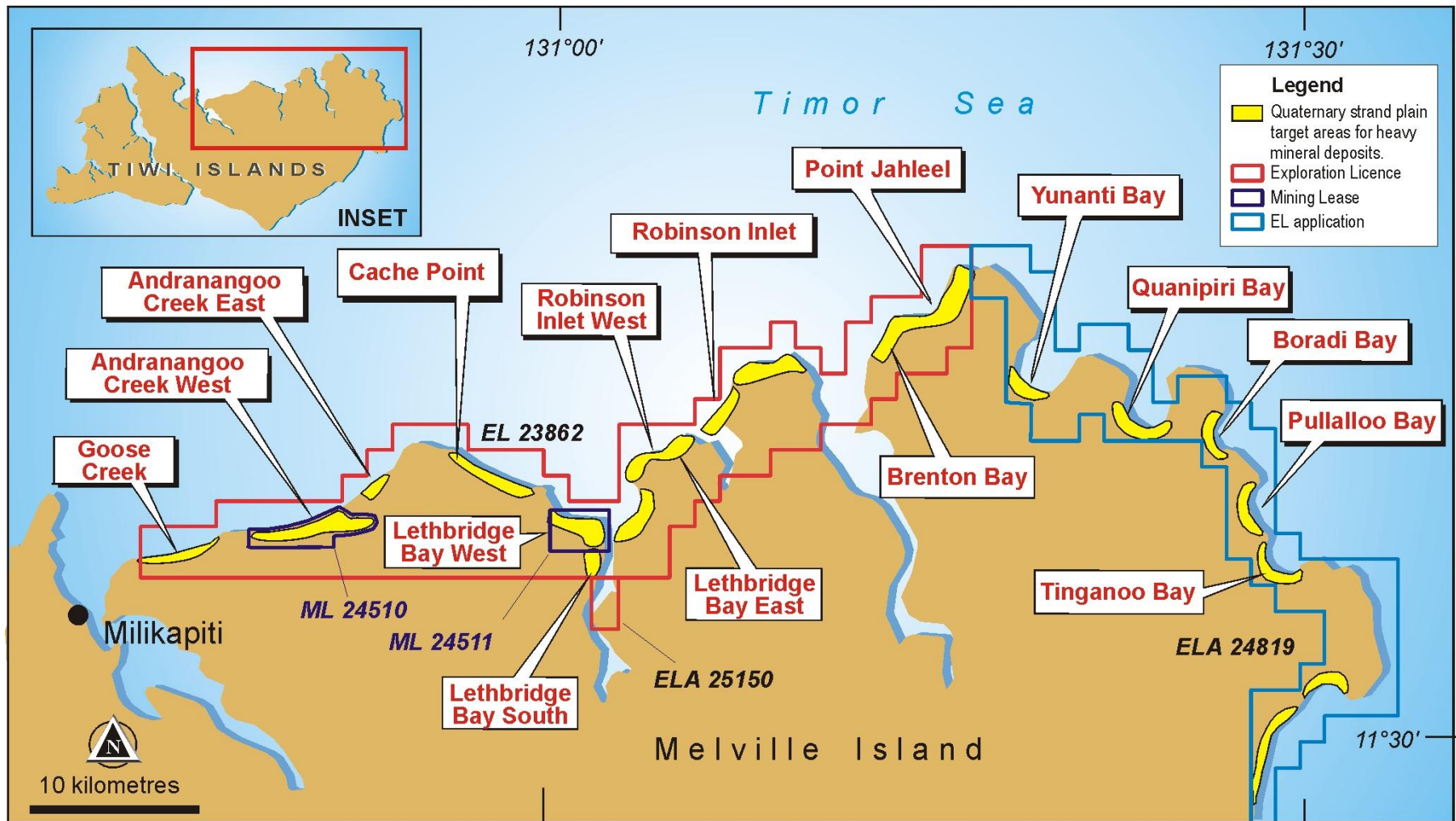
ML24510 lies within the boundaries of EL23862.

(See figures 1 and 2)



Tiwi Islands Project Tenements and Prospect Locations

Figure 1



Tiwi Islands Project, Melville Island North East Tenements and Prospect Locations

Figure 2

4. EXPLORATION

Mineral Lease 24510 is bounded on three sides by Andranangoo Creek, the sea, and little Andranangoo Creek, and takes in the whole of the coastal plain on this section of the coastline. Exploration in previous years has tested the complete area of coastal plain and there are no exploration targets remaining to be tested.

Operations at Andranangoo have been on a care and maintenance basis for the reporting period, (07/09/2010 – 06/09/2011). Staff and contractors cleaned up the processing and camp areas during the period and maintained a monthly monitoring program at the site. Staff travelled from the company's operations at Lethbridge Bay on ML 24511 to perform these tasks.

Activities on the site included monitoring of the rehabilitated area, spraying of weed species, removal of introduced weeds in the rehabilitated area, cleanup of the camp and processing site.

5. PLANNED EXPLORATION - 2011/2012

Cleanup and Monitoring of the site will continue through the period.

6. EXPENDITURE

During the reporting year \$14,804 was spent on general research on Mineral Lease ML24510.

Rehabilitation activities were carried out on ML24510 during the period covered by this report.

The area bounded by the old camp site and processing site was cleaned up, the roadways and pads ripped and seeded. Monthly monitoring, weed spraying, removal of introduced weeds in the rehabilitated area continued in the old mining path and camp environs.

7. RESOURCE REVIEW ANDRANANGOO DEPOSIT

During July-August 2009 a detailed review of the Adranangoo Deposit was completed. On review these resources are marginal to the previous mined material (and low grade), located within strands that are close to buffer zones (that protect the shoreline, springs and wetlands), or in a strand that was known to contain minor marcasite (with consequent potential acid water implications).

In addition mining activities at Andranangoo between November 2006 and September 2008 mined out any higher grade zones which were easily accessible and economic.

This resource review has conducted the following examination to determine the remnant mineralisation at Andranangoo.

- 1) Compile all previous pit surveys and pickups into one final file.
- 2) Assign this pickup as mined into the original resource block model.
- 3) Report remnant and mined material
- 4) Checked the mined as reported against production
- 5) Assign buffer zones (and some marcasites rich material) into the unmined block model and report the results.

Table 1: Ore Block Model vs Actual Mined Andranangoo

	ISBD = 1.70	
	Tonnes	Grade
OBM Resource	2,545,006	3.56
Resource Depletion Estimates		
Actual Processed/Adjusted	1,520,805	4.28
Simon estimate from OBM**	1,764,175	3.95
**Compile all pit pickups, assign into OBM, Subset and Report		

Table 2: Resources Remaining at Andranangoo

	ISBD of 1.70	
	Tonnes	Grade
Original OBM	2,545,006	3.56
Simon Independent Review Mined	1,764,175	3.95
Remaining Resource	780,831	2.68
Resource Minus Buffer Ore/Marcasite	559,938	2.24
Reference: Independent Review of Pit Survey Files, integrated with block model		
ISBD of 1.70		

The remnant mineralisation at Andranangoo is reported in Table 2 and buffer zone resources are reported in Table 3. The remnant material located outside of the buffer zone is all located in thin irregular slivers on the margins and ends of what has been previously mined. When the Andranangoo mine was operating it was not considered economic. The eastern end of the Andranangoo resource is finer grained than the western end and recoveries of the HM from the eastern end of the deposit dropped off considerably during processing to approximately 80%. It was also found during mining at Andranangoo that ore zones which were only one metre thick (even at 3.5% HM) were not economic due to the clearing, rehabilitation and other activities for a reasonably small gain of ore tonnages. A reasonable proportion of the remnant material is only one metre thick.

Table 3: Resource in Buffer Zones, Andranangoo

Buffer Zone Material	Tonnes	Grade
Beach Buffer	43,881	2.02
Wetland Buffer	13,175	4.52
Mangrove Buffer	89,250	3.86
Spring Buffer	52,275	4.65
ISBD of 1.70	198,581	3.71
Marcasite Material		
Combined with Buffer	22,312	4.52
	220,893	3.79

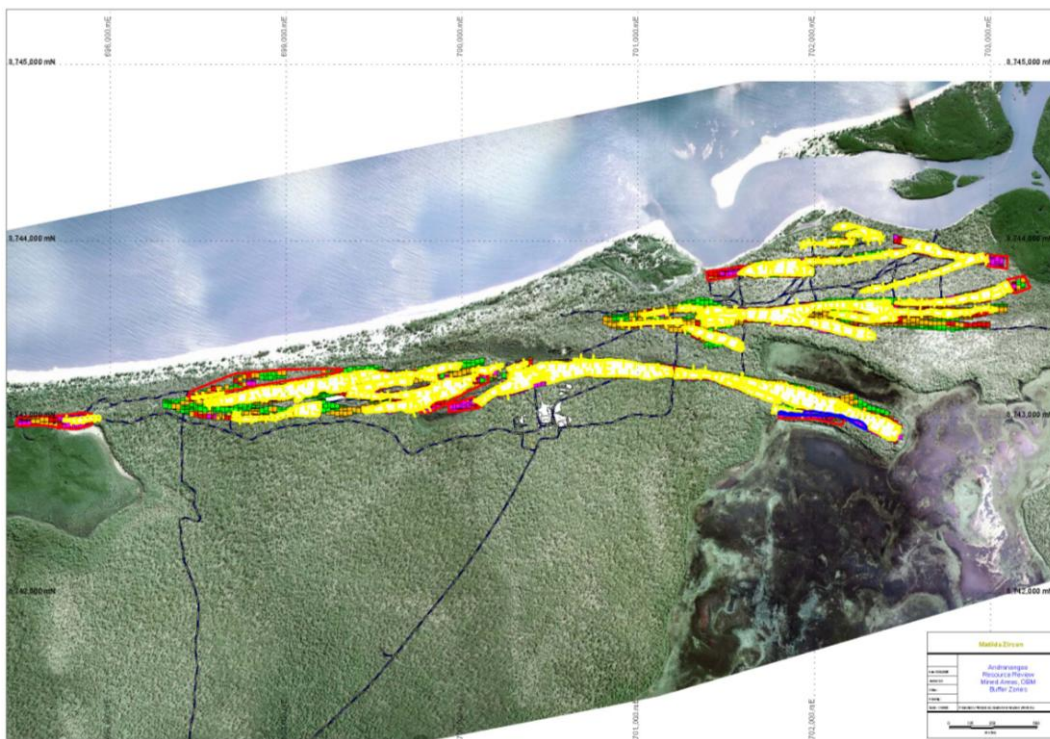


Figure 4: Final Andranangoo Pit Survey Sept 08

