



Quarterly Report

for the period ended 31 March 2003

HIGHLIGHTS

- Resource drilling at Maguires Crossing reported the following significant intersections:

Line	Depth (m)	HM Grade (%)
1144S	11	1.914
270N	14	2.511
	7	1.112

- Initial evaluation of a bulk sample from Maguires Crossing demonstrated that the rutile and zircon is typical of good east coast products mined in the past.
- The company continues to forge links with the private Indian mineral sands sector. Negotiations for the importation of concentrates to its Hawks Nest mill are at an advanced stage.
- The company had cash reserves of \$0.76 million at 31 March 2003 and remains debt free other than as regards some hire purchase/lease agreements.
- Finished stock and concentrate (at cost) were valued at \$5.83 million with receivables of \$2.09 million at quarter-end.



HAWKS NEST OPERATION

INTRODUCTION

The project is located on the east coast of Australia some 80 kilometres north of Newcastle.

The operation involves the production of rutile, zircon and ilmenite concentrate at the wholly-owned Fullerton mine site. Final processing occurs at the Hawks Nest dry mill. The Fullerton site, some 70 kilometres south of the mill, consists of a dredge and wet concentrator. Viney Creek, approximately 12 kilometres west of Hawks Nest, at which mining ceased on 30 January 2003, comprised a floating concentrator and two dredges. Final rutile and zircon products are trucked from Hawks Nest to Newcastle for storage and bulk shipment to overseas customers. Ilmenite continues to be sold in small quantities to local buyers at the mill site.

MARKETING

Rutile and zircon products are sold entirely into export markets. Shipments are made through Newcastle and sometimes Sydney.

The company is currently building up rutile and zircon stocks for delivery under contracts of sale over the next 11 months.

MINING

	TONNES			
	Year to June 2001	Year to 30 June 2002	March Quarter 2003	Year to Date 31 March 2003
FULLERTON				
Sand treated	5,293,265	8,746,008	2,384,360	6,975,848
Rutile	5,196	8,866	1,315	4,438
Zircon	2,102	4,398	670	1,954
VINEY CREEK				
Sand treated	5,585,912	13,941,716	817,740	6,607,095
Rutile	3,483	5,287	226	2,329
Zircon	2,215	4,329	542	2,249
EXTERNAL SOURCES				
Rutile	257	120	29	121
Zircon	136	51	18	54
ALL SOURCES				
Sand treated	10,879,177	22,687,724	3,202,100	13,582,943
Rutile	8,936	14,273	1,570	6,951
Zircon	4,453	8,778	1,230	4,257

* Viney Creek ceased operating on 30 January 2003, as planned.



The Fullerton operation treated mineralised sand to budget but reported rutile output of 1,315 tonnes or 26% below plan and zircon output of 670 tonnes or 24% above expectations. The site will continue to operate at full capacity of some 9 million tonnes annually.

As planned, the Viney Creek dredge ceased operating on 30 January 2003. Site rehabilitation is underway with landform replacement and revegetation.

The Viney Creek dredge/concentrator will remain on care and maintenance pending a decision to relocate the equipment, possibly to the new Maguires Crossing project or potentially offshore.

FULLERTON EXTENSION

Introduction

The new Mining Lease 1516 – 11.5 kilometres in length – abuts the northern boundary of existing Mining Lease 1414. From the lease boundary of ML 1414, the Boral tenement extends 1.5 kilometres north followed by the Central Extension of 4.2 kilometres. The Northern Extension (“The Tongue”) extends a further 5.8 kilometres.

Measured and Inferred Resource

All drill data and resource assessment was completed by an independent consultant geologist.

Resource drilling at Fullerton has identified a measured and inferred resource in both the Central Extension and Northern Extension Areas:

Area	Tonnes (mt)	HM Grade (%)
Central	8.1	0.19
Northern	27.3	0.24

A first-pass mine path has identified a mineral resource in the Northern Extension Area of some 45 million tonnes grading 0.23%. This preliminary assessment is being evaluated with a further report expected during the June 2003 quarter.

MAGUIRES CROSSING

A new exploration licence application (ELA 2010) is now under consideration by the New South Wales Department of Mineral Resources. The ELA covers an area of approximately 11.1 square kilometres near Kempsey on the coast of NSW.

The tenement, known as Maguires Crossing, is about three hours’ trucking distance north of the company’s dry processing plant at Hawks Nest in which spare capacity exists.

The property is situated on freehold land and contains a measured and inferred resource estimate of some 26 million tonnes grading 0.53% heavy mineral.



Written permission from all freehold landowners within the new licence enabled the company to commence a widespread drill programme in mid January 2003. Drill lines will be up to 800 metres apart and holes every 40 metres across each line. Each of the five drill lines will be over an area of about 650 metres in width.

The drill lines cover an area adjacent to the western boundary of the existing resource. The company is searching for possible extensions to the mineralisation. The eastern and northern boundary abut the Hat Head National Park.

DRILLING RESULTS

During the quarter, drill results for 523 metres of vertical drilling were collated. The more significant results include:

Line	Depth (m)	HM Grade (%)
1144S	8	0.541
	7	0.988
	11	1.914
270N	8	0.876
	14	2.511
	8	1.112
00	16	0.596
	20	0.639

Some of the holes drilled to the west of the known ore zone intercepted high slimes and will not be included in any future resource update.

Within the main ore zone containing some 26 million tonnes grading 0.53% HM, the slimes content was low and is likely to average between 3% and 8%.

A bulk sample taken from the main zone during March is currently being evaluated. An initial assessment shows that the slimes content is below 10% and this level is likely to be sustained during mining. The rutile and zircon was found to be coarser when compared with the former Viney Creek operation. At this early stage, the rutile and zircon are similar to typical east coast products extracted by the company in past years.

At this juncture, any future dredge/concentrator operation will need to separate the heavy mineral from the slimes using spirals. The Viney Creek dredge/concentrator is being considered for relocation to the site to commence dredging. However, the Reichert cones currently used on the concentrator are unsuitable for slimes content above 3% and would need to be replaced by spirals. A number of scenarios are now under consideration.

INDIA

As flagged in the last quarterly report, the company has shifted its focus in India to forging links with the newly emerged private mineral sands sector.



Negotiations are taking place in respect of the provision of technical expertise and processing equipment to Indian mine sites and associated shipment of mineral sands concentrates to MDL's Australian facilities for processing and re-export to established customers. These negotiations are at an advanced stage and the company expects to be able to provide further details during the current quarter. This is a significant initiative for the company which it is believed offers the potential to produce strong positive cash flows over an extended period of time.

OTHER OPPORTUNITIES

The company continues to seek out and pursue domestic and overseas mineral sands opportunities of possible interest.

CORPORATE

CASH RESERVES

As at 31 March 2003, cash reserves were \$0.76 million.

FINISHED STOCKS (RUTILE AND ZIRCON)

Finished stocks and concentrates (at cost) were \$5.83 million with receivables of \$2.09 million at quarter-end. All stock is already sold forward under long-term contracts.


EXPLORATION EXPENDITURE

Exploration expenditure on all projects excepting India totalled \$218,431 during the quarter.

NOTICES

The information contained in this report is based on, and accurately reflects, information compiled by Mr J. Williams who is a Corporate Member of the Australasian Institute of Mining and Metallurgy.

Mr Williams has relevant experience in relation to mineralisation being reported to qualify as a Competent Person as defined in the *Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves* and Chapter 5 of the ASX Listing Rules.


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