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Quarterly Report

for the period ended 30 June 2003

HIGHLIGHTS

- During the quarter, discussions regarding concluding a commercial cooperation agreement with the objective of developing a world-class mineral sands project in the southern Indian State of Tamil Nadu continued between Mineral Deposits Limited (“MDL”) and Beach Minerals (Sands) Company Limited (“BMC”) (culminating in finalisation of the agreement on 11 July 2003).

- The company had domestic cash reserves of \$0.64 million at 30 June 2003 and remains debt free other than as regards some motor vehicle and office equipment hire purchase/lease agreements.

- Finished stock and concentrate (at cost) were valued at \$2.7 million with receivables of \$3.11 million at quarter-end.



INDIA

As announced on 11 July 2003, MDL finalised a comprehensive technical and commercial co-operation agreement with a private Indian company, BMC.

BMC is an established producer of garnet and ilmenite from its mine at Kuttam in southeast India. It is one of the largest garnet producers in the world. The resources owned by BMC around Kuttam, which are presently 'dry mined', are extensive and high grade. MDL has been working closely with BMC for some time on drilling and sampling followed by comprehensive mineral separation testwork to establish the viability of the proposed expanded operations. The recent drilling programme of the extensive surface dune system has demonstrated an in-situ heavy mineral grade of around 20%. These dunes have a very low slime content (0.5% to 2%) and are of free-running sands reminiscent of the dune system currently mined by MDL at Fullerton in NSW.

The agreement will see the transfer of MDL's nine million tonne per annum Fullerton dredge to BMC over the coming months where it will be reconfigured and commissioned by year-end. MDL is providing technical expertise in respect of a dredge mining programme at Kuttam. The resources available on BMC's mining lease at Kuttam are expected to sustain the dredging operation for several decades. BMC will fund the costs associated with shipping the dredge from Australia and its reconfiguration and assembly in India.

At present, BMC operates a modern garnet and ilmenite separation plant. This plant is currently being enlarged by BMC to handle the substantially expanded production which will come from the dredge and to further enhance product quality to meet known customer specifications. MDL is providing technical assistance to BMC in respect of this plant upgrade.

In addition to the magnetic fraction that will be treated in the expanded plant, MDL is to provide equipment and expertise for the separation of the valuable 'non-magnetic' minerals to enable the production of a concentrate of rutile and zircon. The necessary mineral separation testwork has recently been completed by MDL and the final circuit design is now underway. The majority of the 'wet plant' components of this equipment has been shipped and will be installed at Kuttam over the next few months.

It is currently proposed to ship the non-magnetic concentrate production to Newcastle in Australia for further treatment in MDL's 80,000 tonne per annum Hawks Nest dry mill. This additional processing will produce good quality rutile and zircon products for sale to MDL's existing customer base.

Pursuant to the agreement between the parties, MDL will assist in the marketing of BMC ilmenite and receive a share of the revenue from these sales. By prior agreement, MDL has been active in the marketplace in this capacity in the quarter just concluded and beforehand. MDL will also purchase the rutile and zircon concentrate product from BMC at an agreed price. BMC will meet all operating costs associated with production in India and retain all garnet produced for sale to its customers. Income to MDL from ilmenite sales is expected to commence in the first half of 2004.



As a result of concluding the above arrangements, MDL proposes to cease mining operations at Fullerton in August 2003 and begin the dismantling at site and transport of the dredge to port. The Hawks Nest dry mill will, however, continue processing stockpiled concentrate for some months ahead and will then be placed on care and maintenance pending arrival of the first shipments of Kuttam rutile and zircon concentrate. The Viney Creek dredge will remain on care and maintenance as MDL assesses the potential of its other nearby domestic projects.

The company regards this agreement as the first stage of a sustained effort to produce large quantities of mineral sands products for world markets in conjunction with BMC. It is confident that the large, high grade, low slime, free running sand deposits owned by BMC at Kuttam will provide a powerful competitive advantage for many years.

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, where activities are proposed to cease next quarter, located 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 produces a high quality rutile sold into niche sections of the pigment and titanium metal markets. Zircon is a high quality product and is sold mostly in bagged or container form into market sectors based on technical need. Remaining metal stocks as at 30 June 2003 and most anticipated output during the forthcoming quarter are covered by contracts with established customers.

Annual metal output was down in 2003 when compared with the same period in 2002 as the Viney Creek dredge/concentrator operated for only seven of the 12 months. As planned, it ceased operating on 30 January 2003 and is on care and maintenance. Nearby projects are continually being assessed and data updated and evaluated against commodity price fluctuations and the movement in the Australian dollar.



MINING

	TONNES		
	Year to June 2001	Year to 30 June 2002	Year to 30 June 2003
FULLERTON			
Sand treated	5,293,265	8,746,008	9,383,312
Rutile	5,196	8,866	5,591
Zircon	2,102	4,398	2,597
VINEY CREEK*			
Sand treated	5,585,912	13,941,716	6,607,095
Rutile	3,483	5,287	2,329
Zircon	2,215	4,329	2,249
EXTERNAL SOURCES			
Rutile	257	120	141
Zircon	136	51	61
ALL SOURCES			
Sand treated	10,879,177	22,687,724	15,990,407
Rutile	8,936	14,273	8,061
Zircon	4,453	8,778	4,908

* Seven months' production only.

EXPLORATION

Fullerton Extension

Mining Lease 1516 extends for 11.5 kilometres. Within the Northern Extension known as "The Tongue", resource drilling identified a mineral resource of some 45 million tonnes grading 0.23% heavy mineral. A preliminary assessment during the June quarter suggested that the project would provide a moderate return using the Fullerton dredge/concentrator. However, after consideration of all options, the dredge is to be transported to India to build a long-term, world-class business.

MAGUIRES CROSSING

A new exploration licence application (ELA 2010) is now under review 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.

Drilling inside the main zone has confirmed the independent assessment of drilling in the late 1970s that the grade will average some 0.53%. Heavy mineral grades as high as 2.5% were reported (see previous quarterly report). Drilling also concluded that the slimes content may average between 3% and 8%.

To evaluate future recoveries and to test the rutile and zircon quality, a bulk sample of four 200 litre drums was sent to Roche Mining in Queensland. The test material was mineralised sand made up of drilling cores from the main zone. In summary, the heavy mineral grade of 0.57% and slimes of 4.4% were similar to the average results reported from drilling. The sample was fine-grained and overall heavy mineral recovery from spiral testwork was 64%.

An in-house assessment concluded that neither the Fullerton nor Viney Creek dredge/concentrators in their current form was suited to processing the main zone. The Reichert cones used in the concentrators are inappropriate for slimes content above 3% and would need to be replaced by spirals. Further, the dredges would need to be modified to operate some 14 metres below the water table. In light of the testwork to date and the strong Australian dollar against the US dollar, the company found it prudent to put the project on hold.

OTHER OPPORTUNITIES

The company continues to seek out and pursue domestic and overseas mineral sands opportunities of possible interest such as the one in India crystallised post quarter-end.

CORPORATE

CASH RESERVES

As at 30 June 2003, cash reserves were \$0.64 million.

FINISHED STOCKS (RUTILE AND ZIRCON)

Finished stocks and concentrates (at cost) were \$2.7 million with receivables of \$3.11 million at quarter-end. All stock is already sold forward under long-term contracts.

EXPLORATION EXPENDITURE

Exploration expenditure on all projects excepting India totalled \$106,038 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.

A handwritten signature in black ink that reads 'Jeff W. Williams'.

Jeff W. Williams
Managing Director