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ASX Release

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Quarterly Report for the period ended 31 December 2004

HIGHLIGHTS

- Australia** – Disassembly of the Viney Creek dredges and wet concentrator was committed and contracts let. This equipment will be stored prior to its relocation to Senegal in the second half of 2005. MDL expects to enjoy capital cost savings in the order of US\$50 million as a result of redeploying and refurbishing this heavy equipment to its Grande Côte Zircon Project.
- Senegal** – Preparatory work for the feasibility study on the Grande Côte Zircon Project continued during the quarter.
- India:**
 - No damage was reported as a result of the recent Tsunami.
 - The re-erection of certain components from the floating concentrator relocated from the Fullerton mine was completed. MDL/Beach Minerals Company will commission the relocated plant and equipment during the current quarter, thereby enhancing the quality and maximising the output of ilmenite.
- Corporate:**
 - The company successfully raised \$11.6 million through the issue of 25 million shares at \$0.42 per share to institutional and sophisticated investors and 2.795 million shares at \$0.40 per share under the 2004 Shareholder Share Purchase Plan. The funds will be used to advance the company's Senegalese projects.
 - Eight million shares, credited as fully paid, were issued to the company's Senegalese joint venture partners as full consideration for merging their interests in the Grande Côte Zircon Project in Senegal.



CORPORATE

During the quarter, the company successfully placed 25 million new ordinary shares in the company at \$0.42 per share to raise \$10.5 million (before costs). The placement attracted local and overseas institutional investors which included, amongst others, Actis Capital LLP (a London based, leading private equity investor in emerging markets - www.act.is), African Lion 2 (in which AuSelect has a 32.2% interest – ASX code AUS), Macquarie Bank and Bell Asset Management. The issue was managed by Wilson HTM Limited. A further 2.795 million shares were issued at \$0.40 per share under the 2004 Shareholder Share Purchase Plan, raising a further \$1.1 million. These funds will provide additional working capital to further advance the company's feasibility study on the Grande Côte Zircon Project ("GCZP") and also to undertake a substantial drilling and metallurgical programme on the recently awarded Sabodala Gold Project, also in Senegal.

At the end of December the company issued 8 million fully paid shares in the company pursuant to an agreement between the company and its Senegalese partners to merge their interests in the GCZP in Senegal, the consideration being the issue of shares to entities controlled by these Senegalese partners. As a consequence the company owns 100% of the GCZP. The MDL 100% interest in the project will be subject to the grant to the Senegalese Government of a 10% free carried (after loan repayments etc.), non-diluting interest. This interest will be granted at the time of conversion of the granted exploration permit to a mining permit, pursuant to the Senegalese mining code.

SENEGAL

MINERAL SANDS PROJECT

Grand Côte Zircon Project

The GCZP in Senegal comprises a 446 square kilometre rectangular lease some 100 kilometres in length and encompasses the main mineralised dunal system lying approximately 100 kilometres north of the capital Dakar. The original drilling data of over 7,500 holes has been processed and, in September 2004, the company announced a JORC Compliant Resource of 800 MT @ 2.6% HM (>1.5% cut-off) together with identifying a higher grade zone in an area known as Diago.

MDL proposes to relocate its large, Australian-based dredges and floating concentrator, along with its rutile and zircon dry mill, to Senegal during 2005. The utilisation of this equipment will enable capital cost savings in the region of US\$50 million to be enjoyed. The project plan envisages the production of approximately 70,000 tonnes per annum of high quality zircon commencing in 2006.

The GCZP joint venture was originally between MDL (70%) and private Senegalese interests (30%). The terms of the agreement between the parties included that MDL would be manager and earn a 70% interest by expending US\$950,000 over a three-year period. MDL has expended more than A\$2.5 million to date and therefore has fulfilled the expenditure commitment. Taken together with the ongoing success of the joint venture and the good working relationship which has been built-up, the private Senegalese parties concerned have accepted payment of 8 million fully paid shares as consideration for their 30% ownership of the project (see above in "Corporate").



Work on the GCZP continued to gather pace during the quarter with all work directed at putting in place the necessary infrastructure, equipment and personnel towards successfully carrying on the feasibility study into the project. To this end:

- a support and logistics field office was established in the town of Tivaouane, some 25 kilometres from the project site, close to the centre of gravity of the four main deposits. Tivaouane is some 140 kilometres north of Dakar (by sealed road) and the company's Exploration Permit lies about 20 kilometres to its west;
- a heavy minerals separation and assaying laboratory has also been set up in Tivaouane;
- MDL has established its principal office in Senegal at Thies, a regional centre 70 kilometres from Dakar and some 40 kilometres from the GCZP site. The company has also completed an accommodation block which will be used by visiting company specialists and consultants;
- senior executives from MDL have been active in presenting the concept and outline of the project to key stakeholders, both in the central and local governments. The company is committed to keeping all stakeholders fully informed on the plans and progress of the GCZP. Further meetings are planned to educate the local stakeholders in all facets and benefits, expected to accrue from the recovery of the valuable minerals from the sand deposits;
- interviewing and recruitment of a number of national professional geologists and assayers was completed. A project geologist, laboratory staff and drilling personnel for the in-house drilling programme were engaged. MDL is in the process of employing skilled local Senegalese to undertake fieldwork and operate the Tivaouane laboratory;
- two MDL-owned "Bombardier" track-mounted support vehicles were shipped from Australia to Senegal. These vehicles, which will be used to support the dunal drilling programme, have been extensively refurbished and are ready for operational use;
- both of the MDL-owned track mounted drill rigs have been serviced and are ready to start the drilling programme. This programme will be carried out to better define the resource for mine planning and design purposes, thus allowing a more complete design of the dredge paths;
- a 12,000 metre mine development drilling programme has been designed to establish the dredge path for the initial two years of production. This programme, operating with two drill rigs, is scheduled to commence during the March 2005 quarter;
- the terms of reference of the Environmental Impact Study have been approved by the Senegalese Department of Environment. A highly rated local consultant firm (Tropica) has been selected for the study. In addition, MDL has appointed Mintech to assist the company with its survey requirements;



- further metallurgical testing of the initial 45 tonne bulk sample was carried out with the results confirming the quality aspects of the rutile and leucoxene but most particularly the zircon, which is likely to be amongst the world's best;
- the company is proceeding to produce composite samples from the material obtained from the original drilling programme which has been made available by the Senegalese Government. Further metallurgical testing will be carried out on these composite samples to establish data on the grade and quality distribution within the deposits;
- process-flow diagrams and plant layout designs are nearing completion; and
- the company should finalise the establishment of an analytical facility in joint venture with the Directorate of Mines & Geology at Dakar where check and calibration HM analysis and also umpire assaying may be undertaken. MDL will provide the specialised equipment and training of personnel necessary for this venture.

Project Timeline

The resource and reserve definition-drilling programme, together with the Environmental Impact Statement, are scheduled to be completed in the September 2005 quarter. The relocation of the Viney Creek dredges, wet concentrator and the Hawks Nest dry mill is scheduled to conclude in the December 2005 quarter. Site construction will start at that time, with first production expected in mid 2006.

GOLD PROJECT

Sabodala

On 25 October 2004, the Government of Senegal, following an international open tender, selected Mineral Deposits Limited to develop the Sabodala Gold Project ("Sabodala"). The MDL bid was as a joint venture between MDL (70%) and private Senegalese interests (30%).

MDL is finalising the negotiations to conclude a Mining Convention and to secure a Mining Concession over the lease as outlined in the tender terms. Further details of the commercial arrangements, which will include the Government percentage interest in the project, will be advised when the Mining Convention with the Senegal Ministry of Energy and Mines has been finalised. The company anticipates being able to swiftly progress development once the mining title formalities are in place.

The Chief Geologist undertook an initial field appraisal during the quarter and meetings were held with local authorities and other stakeholders, which have established a good platform on which to advance the project once operational access is established.

Once the Conventions and Concessions mentioned above are established, MDL will validate the existing gold reserve/resource. Work will include a drilling programme, commencement of an ongoing social responsibility plan and initiation of an environmental impact study. MDL plans to expedite start-up of a gold mining operation.



Further information on the Sabodala project is contained in the September 2004 Quarterly Report and an ASX Announcement “MDL awarded Sabodala Project” dated 25 October 2004.

INDIA

Beach Minerals (Sands) Company Pvt Ltd (“BMC”), reported that there was no adverse effect on operations from the Tsunami wave. Both the mining operations and the port of shipment were unaffected and remain fully operational.

Pursuant to the agreement between the parties, MDL is assisting in the marketing of BMC ilmenite and will receive a share of the revenue resulting from these sales. The first sale of ilmenite under this arrangement was completed in the September 2004 quarter. BMC will meet all operating costs associated with production in India and continues to retain all garnet for sale to its customers.

The Fullerton concentrator was disassembled in April 2004. The concentrator was shipped to the southern Indian port of Tuticorin and was transferred to site at Kuttam, arriving in June 2004.

During the quarter, the concentrator was erected. A process water pond has been excavated and the process equipment from the relocated Fullerton Concentrator has now been fully installed.

Commissioning is expected in the first quarter of 2005. Production is expected to increase by at least three times current rate once the concentrator is fully operational.

AUSTRALIA

HAWKS NEST OPERATION

The disassembly of the Viney Creek dredges and wet concentrator was committed and contracts let in December 2004. The disassembled dredges and wet concentrator will be stored prior to their relocation to Senegal in the second half of 2005. MDL expects capital cost savings in the order of US\$50 million as a result of the availability of this heavy equipment at its GCZP in Senegal.

In addition, the disassembled Fullerton dredge and certain other parts of the plant and equipment are currently being stored at the Hawks Nest site prior to final relocation in Senegal.

Final stages of mine rehabilitation work are proceeding and no adverse situations have arisen with work continuing to schedule and as expected.

CORPORATE

CASH RESERVES

As at 31 December 2004, liquid cash reserves were \$11.3 million.



EXPLORATION EXPENDITURE

There was no direct expenditure on exploration during the quarter.

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