



Mineral Deposits Limited

ABN 19 064 377 420

Level 7 Exchange Tower
530 Little Collins Street
Melbourne Victoria 3000
Telephone + 613 9909 7633
Facsimile + 613 9909 7644
E-mail mdlmail@mineraldeposits.com.au

Quarterly Report

for the period ended 31 March 2004

HIGHLIGHTS

- ❑ **Senegal** – Work on the development of this project, now described as the “Grande Côte Zircon Project”, gained momentum during the quarter with the appointment of a Senegalese-born mining professional to be based in Senegal as Manager – Senegal. Terms of Reference have been developed for approval ahead of preparation of the Environmental Impact Study (“EIS”) and arrangements have been made to send drilling and support equipment from Australia to Senegal for further drilling.
- ❑ **India** – MDL has dismantled the floating concentrator at the Fullerton mine, since shipped to India. MDL/BMC will reconstruct the relocated plant and equipment in India with the objective of maximising ilmenite output and enhancing ilmenite quality as quickly as possible.
- ❑ **Australia** – Both the Fullerton dredge and floating concentrator were dismantled during the quarter. No accidents or incidents were reported and the project was completed on time and within budget. The floating concentrator has been sent to India and the dredge and certain other items of equipment have been moved to the Hawks Nest site for interim storage ahead of redeployment to Senegal. All equipment has been removed from site and the Fullerton dredge pond has since been restored to its natural sand condition.
- ❑ **Corporate** – On 23 April 2004, MDL announced the successful private placement of 11 million shares at 25 cents each to raise A\$2.75 million. As at 31 March 2004, the company had domestic cash reserves of \$1.28 million. MDL remains debt free other than motor vehicle and office equipment hire purchase/lease agreements progressively being paid out as operations continue to wind back in New South Wales.

Finished stock (at cost) was valued at \$10,000 with receivables of \$820,000 at quarter-end.



SENEGAL

MINERAL SANDS PROJECT

Work on the Senegal project gained momentum during the quarter:

- Mr Cheikh Faye, a Senegalese-born mining professional with extensive resources experience in Senegal and Canada, was appointed Manager – Senegal and has now relocated to Senegal.
- The feasibility study commenced early in the quarter and is progressing well.
- Terms of Reference have been developed ahead of preparing the required Environmental Impact Study.
- Arrangements have made to send drilling equipment to Senegal for further test drilling, largely to better define the resource below the water table and to allow more complete design of the dredge paths.
- The mineral sands project is now known as the Senegal Grande Côte Zircon Project (“SGCZP”).

SGCZP is based around a large-scale dunal system having minimal slimes and containing significant quantities of zircon. The area is sparsely vegetated and suitable for mining by dredge with relatively low rehabilitation costs.

To facilitate this development, Mineral Deposits Limited (“MDL”) plans to relocate dredges and other equipment from the Viney Creek and Fullerton mines which have now ceased production. It is also now planned to relocate the company’s 80,000 tonne per annum Hawks Nest rutile and zircon dry mill to Senegal to process heavy mineral concentrate. This provides two benefits to the project – much lower capital costs and shorter lead time prior to commissioning the plant in Senegal.

Other advantages of the Senegal project include favourable local infrastructure and transport logistics, close proximity to major end-users in Europe and the United States thereby reducing freight and holding costs, low country risk and, most importantly, the full support of the Senegalese authorities.

Senegal is located on the western “hump” of Africa. The capital and major port, Dakar, is at the most westerly point along the coastline of Africa. The country is similar in size to Victoria, Australia. The heavy mineral sands project area being evaluated is located on the coastal strip commencing about 100 kilometres north of Dakar.

On 28 October 2003, the company announced that a Mining Research Convention to exploit the major heavy mineral sands deposit concerned, had been signed by MDL and approved by the Senegalese Ministers of Energy & Mines and Economy & Finance respectively.

During November 2003, the new Senegalese Mining Code was approved by the country’s Parliament and has now received Presidential decree. All Mining Research Conventions currently in process are now being amended to incorporate the new Mining Code regulations.



The Convention provides for a four year permit and the company must expend US\$950,000 in aggregate over that four year period to earn an 81% equity interest. Ten percent will be held by the Senegalese government as a free-carried interest with the balance to be held by private, local investors.

The above deposit was extensively explored by DuPont Chemicals (“DuPont”) of the USA between 1990 and 1993. It spent a significant sum of money in this connection and reported a world-class heavy mineral resource of 723 million tonnes grading 2.66% heavy mineral using a 1.5% cut-off. The resource was estimated to contain over 20 million tonnes of ilmenite, zircon and rutile. DuPont’s exploration programme included over 8,000 drill holes and demonstrated that mineralisation extends over 50 kilometres.

PREVIOUS TESTWORK

From over 8,000 drill holes, DuPont estimated resources of 19 million tonnes of ilmenite, 1.7 million tonnes of zircon and 950,000 tonnes of hiti (a mix of rutile and leucoxene). A high grade core of 150 million tonnes grading 4.9% heavy mineral containing 4.5 million tonnes of ilmenite, 400,000 tonnes of zircon and 225,000 tonnes of hiti was outlined by hand drilling at 400 by 100 metre spacing.

MDL expects the economics of the mining to be underpinned by zircon. Independent testwork on the zircon sample confirmed the product to be of high quality suitable for sale to the company’s major global customers. Testwork by a customer itself also reported that the zircon was of good quality.

PROJECT TIMELINE

MDL currently expects to complete the feasibility study by end October 2004 and at that time make a preliminary commitment to the project. The ‘Pre Construction Phase’ to follow will entail the completion of the EIS and detailed engineering drawings along with the dismantling of the Viney dredges and concentrator and the Hawks Nest dry mill, ready for shipment to Senegal. The various infrastructure and government agreements and financing arrangements are also expected to be negotiated during this phase. The current timetable envisages this phase being completed by April 2005, with a final decision to commence on site construction expected to be taken shortly afterwards. First production would then be expected during the second quarter 2006.

NEW BULK SAMPLE

MDL received permission to gather a further 45 tonne bulk sample from the deposit which has arrived in Australia and is currently being processed by Roche Mining in Queensland. The results of this testwork are expected in June 2004.



INDIA

OVERVIEW

On 10 July 2003, MDL announced it had entered into an agreement with a private Indian company, Beach Minerals (Sands) Company Pvt Ltd (“BMC”), to expand its existing operations in India, exploit untapped by-products containing rutile and zircon and provide marketing expertise.

The project is located in the State of Tamil Nadu on the southeastern tip of India. It is world-class in terms of size and high grade (up to 20% heavy mineral) and offers a long mine life.

BMC’s existing operation, known as Kuttam, lies some 90 kilometres east of the southern tip of India or 70 kilometres southwest from the major seaport of Tuticorin.

CURRENT STATUS – RELOCATION OF FULLERTON CONCENTRATOR

At present, BMC operates a modern garnet and ilmenite separation plant. This plant is currently being enlarged by BMC to further enhance product quality to meet known customer specifications and to handle the substantially expanded production which would come from installation of certain plant and equipment from MDL’s Fullerton mine with a capacity of around 650 tonnes per hour. MDL continued to provide technical assistance to BMC in respect of this plant upgrade. MDL has previously supplied a series of spirals to treat 40 tonnes per hour of heavy mineral concentrate which was commissioned at Kuttam during January 2004.

The floating concentrator associated with the Fullerton dredge was dismantled for relocation in India. This equipment was shipped to India on schedule during April for arrival in the country in mid-May. MDL and BMC will reconstruct this equipment with the objective of maximising ilmenite output and enhancing ilmenite quality as quickly as possible. The valuable non-magnetic heavy mineral concentrate containing rutile and zircon will be stockpiled on site at Kuttam for future processing.

Following various technical reviews during the quarter, MDL and BMC have decided that the optimum mining method for the scaled-up mining rate will be a custom designed dry mining process. Accordingly, the Fullerton concentrator will be reconstructed as a static concentrator at the existing plant site with feed transported as a slurry to the plant from the mining sites. The concentrator reassembly will commence as soon as it arrives on site and is expected to be in operation by August this year. Production is expected to increase by at least three times current rate once the concentrator is 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. By prior arrangement, MDL has been active in the marketplace for some time in this capacity. BMC will meet all operating costs associated with production in India and continues to retain all garnet for sale to its customers.



AUSTRALIA

HAWKS NEST OPERATION

Introduction

The mining operations at the Fullerton mine in New South Wales ceased operations during July 2003 due to declining grades coupled with a strengthening Australian dollar. MDL also operated the Viney Creek, New South Wales mine which had earlier closed in January 2003 due to similar reasons.

The concentrate produced by the Fullerton and Viney Creek mines had been processed at the dry mill located at Hawks Nest, about 80 kilometres north of Newcastle, New South Wales.

Production of rutile, zircon and ilmenite concentrate at the mining operations ceased in July 2003 and the Hawks Nest dry mill processed stockpiled concentrate until early September 2003.

All of the stock of rutile and zircon has now been sold or committed for sale.

Notwithstanding the cessation of mining, all of the operations in Australia continue to be 100% under the control of MDL.

Fullerton Dredge/Concentrator Dismantling and Relocation

During February 2004, work commenced on the dismantling of the Fullerton dredge and concentrator. This project proceeded very smoothly and, apart from some days lost due to adverse weather conditions, was completed on Wednesday, 31 March. No accidents or incidents were reported within the period and the project concluded on time and within budget. The dismantled plant and equipment from the floating concentrator was containerised and transported by rail to Sydney for shipment to India during April in accordance with the original plan.

The Fullerton dredge and certain other parts of the plant and equipment were transported to the Hawks Nest site for interim storage ahead of final relocation in Senegal.

Immediately after the removal of all of the plant and equipment from Fullerton, the dredge pond was restored to its natural sand dune condition. The Mining Lease covering Fullerton has now been cancelled and the security bond of \$80,000 returned to the company. A small security of \$10,000 will remain to ensure the company meets its obligations regarding ongoing water monitoring on the lease.

OTHER OPPORTUNITIES

The company continues to seek out and pursue domestic and overseas mineral sands opportunities of possible interest such as those in India and Senegal, both further advanced during the quarter ended 31 March 2004. Given present circumstances, particularly the strong Australian dollar, potential local projects, however, remain on hold.



CORPORATE

CASH RESERVES

As at 31 March 2004, liquid cash reserves were \$1.28 million.

FINISHED STOCKS (RUTILE AND ZIRCON)

Limited finished stocks of \$10,000 remained post closure with receivables of \$820,000 at quarter-end.

EXPLORATION EXPENDITURE

Exploration expenditure, all on projects abroad, totalled \$311,597 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
