



ASX Release

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Quarterly Report for the period ended 30 June 2005

HIGHLIGHTS

- ❑ **Sabodala** – Resource drilling commenced at Sabodala on 30 June. Up to 28 July, 4,052 metres of reverse circulation and diamond drilling had been completed. Assay results for first 10,000 metres to be released late August.

Regional exploration commenced with a large aeromagnetic survey in progress.

MDL moved to 100% ownership with the buy out of its Senegalese partners who now become significant shareholders in MDL.

- ❑ **Grande Côte** – Feasibility study progressing well with substantial engineering progress. Mine path design drilling has commenced and mine path optimisation studies initiated.

Environmental Impact and hydrology studies commenced.

Disassembly of the Viney Creek dredges and wet concentrator completed and dismantling of the Hawks Nest dry mill commenced.

Rand Merchant Bank appointed as lead financiers.

Zircon sales contract negotiations for all zircon to be produced well advanced.

- ❑ **Corporate** – placement of 57.5 million ordinary shares in MDL at 53 cents each, raising \$30.48 million.

Cash at end of quarter, \$33 million. No debt.

Dakar national office opened.



Corporate

Capital Raising

During the quarter, a placement of 57.5 million new shares was completed at a price of \$0.53 per share. The placement was ratified by shareholders on 29 June 2005. The placement was to large institutional clients of Haywood Securities Inc, principally in London and to a lesser extent with in Australia and Canada. The placement raised A\$ 30,475,000 before costs. The purpose of the raising was to fund the significant development work being undertaken on the company's two projects in Senegal, West Africa. As a result of the placement the company's share register has the following effective structure:

Institutional Investors – approx 50%, (30% London, 17% Australian, 3% other)

Retail Investors – approx 50% (largely Australian based)

2000 shareholders in total

Top 40 holding 73%

Purchase of outstanding 30% equity in Sabodala Holding Company

During the quarter, MDL agreed to purchase the outstanding 30% interest in holding company of the Sabodala project that it did not already own. The consideration for the purchase was 9 million fully paid ordinary shares in MDL and US\$5 million payable over a period ending 1 March 2006. Following the distribution of these shares, Senegalese interests have become important shareholders in MDL with a stake of around 12.5%.

As with the current interest in the Grande Côte project, MDL will hold a 100% interest until commencement of production at which time the Republic of Senegal will assume a 10% interest in the holding company which, pursuant to the governing Convention and the Mining Code will not receive entitlements to dividends until MDL has recovered it's capital outlays.

Cash and Debt Position

At the end of the quarter, cash at bank was A\$ 33 million. MDL has no debt other than minor leases and creditors.

Administration

MDL has opened a national head office in Dakar to support its field offices at Thies, Tivaouane (Grande Côte) and Sabodala. This office is to become the principal centre for the company in Senegal and will support administration, accounting, project development, government and community relations.

Sustainable Development

Community Relations

The long term support of our host communities for both our Grande Côte and Sabodala projects is essential if MDL is to grow and prosper. It is incumbent upon us to comprehensively inform our host communities of our proposed activities at every stage, involve them in the decision making, and ensure through employment creation and the provision of training opportunities that we bring long term tangible benefits to those communities.



MDL has retained Dr Catherine Macdonald of Social Sustainability Services as a consultant to ensure a comprehensive management plan is put in place and executed and to assist with the identification and appointment of local staff in Senegal to manage the responsibilities on a long term basis. Dr Macdonald has wide ranging experience developing such programs for the mining industry in Africa, most recently in Tanzania and her background with government and non government organisations in various parts of Africa is expected to be of substantial benefit.

An ongoing social responsibility programme commenced during the quarter. At Sabodala employment opportunities in camp construction and road maintenance have been provided to the local village people. MDL has also been instrumental in effecting repairs to an existing water bore at the Sabodala Village and has provided and equipped a water bore for the nearby Falombo Village. An extensive community consultation programme has also commenced at both Sabodala and Grande Côte involving local community leaders and district government officials.

Environment

MDL has retained the services of a Senegalese company, Tropica Environmental Consultants who are a government accredited and recommended consultancy based in Dakar. MDL has also retained Australian based hydrological and environmental consulting groups to assist on both projects. More detail about our environmental programs can be found below.

OH&S

The health and safety of all employees is fundamental. The company has recently implemented a detailed medical emergency plan and at the more remote site of Sabodala, now has a full time, well equipped paramedic in a purpose built medical facility. During the quarter the company began conducting courses on first aid for all local staff.

Grande Côte Zircon Project – 100% (through its 100% subsidiary MDL Senegal SARL)

Bankable Feasibility Study Progress

MDL is substantially engaged in the production of a bankable feasibility study of its Grande Côte Zircon Project in coastal Senegal. A wide range of geological, engineering and financial work is currently well in train. The target date for completion of this work is early 2006.

Mine path drilling

Drilling has commenced at Darou Khoudoss to the south of the company's main Diogo deposit to train its national staff and drilling crew during the period it takes to complete its exploration base at Diogo. When the Diogo base camp is completed in the next few weeks, the company's rigs will move there and undertake a detailed 200m by 40m mine path definition drilling program.

The Grande Côte Zircon Project comprises an extensive suite of mineralised dunes that extend along Senegal's Grande Côte area for a distance in excess of 70km. Previous RC and hand shell auger (Dormer) drilling have outlined a Resource of some 800 M tonnes at 2.6 % HM (1.5% HM cut off) for the total dune suite. It is anticipated that the current round of drilling, to at least 5m beneath the water table, to allow for the proposed dredge operation, will increase the size of the resource and allow the calculation of a Reserve to JORC standard for the first 3 to 5 years of the extensive mine life.



MDL has previously relocated from its Australian operations two tracked (Bombardier) RC drill rigs that have been extensively modified for mineral sands resource and reserve drilling in free running sands. MDL has established a large modern laboratory facility at its drilling base at a nearby town of Tivaouane to service the large volume of sample being generated. This laboratory was constructed in a way to allow it to be ultimately moved to the new "dry mill" site, when established, as part of the permanent facilities.

The current drill program is expected to run continuously for the next four months. MDL has retained Australian Mining Consultants to validate its resource estimates and to conduct optimisation studies of dredge path options which will be done using a modified "Whittle" approach.

Quickbird Imagery covering the whole of the Grande Côte project area has been acquired and is being ortho-rectified by Australian company Geoimage to provide a suitable high quality GIS base plan.

Bulk Sampling

A number of large bulk samples have been collected and used extensively in the project evaluation and metallurgical design to date. As a final step to validate the final circuit design an 80 tonne representative sample of the Diogo deposit is currently being collected by large scale drilling for final characterisation testwork by Roche Mining in Australia.

Environmental Assessments

The Grande Côte licence area is held by Exploration Permit and under the Mining Code of 2003,. Conversion to an Exploitation Concession will require completion of a full Environmental Impact Statement. This process has commenced and a Senegalese company, Tropica Environmental Consultants, was awarded the contract. Tropica are a government accredited consultancy with a successful track record in Senegal. MDL is providing GIS support and has employed additional hydrology consultants, Pells Sullivan Meynink and Australian Groundwater and Environmental Consultants to supplement the Tropica program. The dunes are semi-mobile beach type dunes with sparse vegetation within the lease area and are largely unpopulated due to the harsh physical environment. The dredging operation returns all water to the sand within minutes and no chemicals at all are used in what is essentially a sand washing process, so the operation will have no significant impact on the aquifer. MDL is ensuring that an understanding of the aquifer well beyond what would normally be required is being gathered so that a comprehensive view of the entire system can be demonstrated to all stake holders at the appropriate time.

Engineering

A large engineering effort is required to complete this project. MDL has engaged Ausenco Limited to be its principal engineering contractor and a significant Ausenco team is currently engaged on developing the detailed designs and construction plans required.

As previously announced, as part of the roll-out of the GCZP in Senegal, the company intends utilising its laid-up Viney Creek dredges/concentrator, which when modified for this project will have the capacity to treat 40 million tonnes of material per annum. To produce final products for market, MDL will also relocate and use its existing Hawks Nest dry processing plant with a nameplate annual capacity of 80,000 tonnes of zircon/rutile.



Dismantling of Processing Equipment - Viney Creek Disassembly Complete

The disassembly of the two Viney Creek dredges and concentrator was completed in June 2005. The equipment has now been placed nearby in readiness for reconditioning work and forwarding to Senegal. The company anticipates progressively shipping the equipment in knocked-down form to Dakar commencing early 2006.

Hawks Nest Dry Mill Disassembly Commences

Contractors began disassembly of the dry mill on 20 June with completion expected by end September 2005. The electrostatic separators employed in the separation of rutile from zircon will be sent to Roche Mining near Brisbane for upgrading prior to despatch abroad.

The six tonne crane and all workshop tools at the Hawks Nest site were loaded into containers and shipped to Senegal during May.

Final site environmental rehabilitation will take place on a programmed basis following removal of all equipment to Senegal.

Financing

On 23 June 2005, MDL formally engaged RMB Resources Limited (“RMBR”) to arrange project debt finance facilities for the development of the GCZP in Senegal. RMBR is the resources financing arm of Rand Merchant Bank which, in turn, is a wholly-owned subsidiary of FirstRand Limited, a listed Johannesburg-based South African financial services company. FirstRand Limited has a current market capitalisation of some A\$18 billion. RMBR is focused on the resources industry across most mineral commodities and is particularly focused on African projects. RMB have commenced work and a number of other banks have indicated strong interest in joining a banking syndicate and further discussions with these banks will be held over the coming months.

Zircon Sales

Demand for the products produced at the mine continues to be strong, particularly for the major product, zircon. The zircon in the Grande Côte deposits is of very high quality and is meeting strong and wide market interest. Samples have been supplied to all of our customers and they report confirmation of the high product quality previously indicated by MDL.

Sales contracts covering all of the zircon production are at an advanced stage of negotiation with a number of customers, the terms and conditions of which are all protected by confidentiality agreements.

Sabodala Gold Project – 100% (through its 100% subsidiary Sabodala Mining Company SARL – “SMC”)

Background

The Sabodala gold deposit is located in south eastern Senegal, some 750 kilometres from the capital city of Dakar. Sabodala lies within a granted 20.3km² Exploitation Permit. Access to the project area from the regional centre of Tambacounda is via a good, all-weather, sealed road 230 kilometres southeast to Kedougou, then over 96 kilometres of poorly sealed and laterite-surfaced roads. There is a 1,250 metre sealed airstrip at Sabodala capable of handling light to medium-sized aircraft.



Previous work by others at Sabodala has established a preliminary resource of approximately 1Moz. The deposit was discovered by the French company BRGM in 1961 and is situated in a Birimian Greenstone belt near the Mali border. In adjacent Mali, there are a number of major gold deposits and operating mines including the 13.5M oz Sadiola Mine and the recently opened 7.8Moz Loulo Mine. Sabodala has been drilled by the Soviets, the BRGM and an Australian Company, Paget Mining. Pilot scale mining was undertaken by a local Senegalese Company in 1998.

MDL is of the view that the deposit is grossly under drilled and has very substantial potential for more gold to be found. Accordingly, we have commenced a large drilling program to both bring the known mineralisation to "JORC" reserve status and to test the limits of the mineralised system along strike and at depth. MDL will complete its first phase 20,000 metre resource drilling programme before announcing its own resource estimates.

Sabodala Operational Base Established

A large 80 person semi permanent field base has now been established at site and is fully occupied. The facility includes full catering facilities and a permanent medical facility staffed by a contact paramedic sourced from South Africa. Emergency medical evacuation protocols are in place and supported 24 hours a day. Currently there are 7 geologists along with various technical contactors on site.

The large drilling program and support services consume approximately 30,000 litres of diesel a week which has to be transported from Dakar. Ancillary road works in the area to protect SMC's fuel deliveries during the wet season are in progress and are being conducted by SMC with labour drawn from local villages. Along with other operational requirements establishment of this base was a substantial logistical effort which has been completed on time and with the excellent cooperation of the two local villages and authorities.

Sentel, a Senegalese telecom company is also working with SMC to install a mobile phone tower near the Sabodala base which will be of benefit to both SMC and the local population in the district.

For facility management and catering SMC has engaged ESS Support Services Worldwide, a division of the Compass Group, the largest foodservice company in the world. Compass is the leading provider of specialist foodservice and related support services to clients in remote site, and off-shore locations around the world.

Drilling Progress

SMC is fast tracking the Sabodala gold deposit towards production. Resource definition drilling is in progress with approximately 4,000m already completed. The resource drilling commenced on 30 June 2005.

Drill rigs are contracted from Pontil Minerex from their base in Accra, Ghana. Pontil Minerex were the first drilling company to operate from Ghana and commenced its operations there in 1985. At Sabodala, two multipurpose drill rigs operate on two shifts and undertake both RC and Diamond drilling. One is a UDR650 the other is an even larger UDR / KL900. Both rigs are track mounted. The UDR-KL900 is new and was shipped from Australia to Ghana late in 2004. This rig has hand-free rod handling and break-out equipment for safe ease of handling and rapid production.



It is planned to continue drilling this year until a drill-out of the known resource and any extensions to the mineralisation and additional prospects such as Sabodala South is completed. The drilling will include sterilisation drilling for the proposed plant site. A total program of 40,000 to 50,000m is envisaged. The first stage currently underway is approximately 20,000m. A third rig is currently under consideration.

Geological services for the resource definition drilling program are provided by the highly regarded RSG Global Exploration and Mining Consultancy of Perth. RSG have supplied the Sabodala geological and survey team from their Accra base in Ghana. SMC has on-site its own national Senegalese project geologists who liaise with RSG and MDL's chief geologist.

To date 46 holes have been completed for 4,052m including three water bores for the camp, the drillers and the nearby Falombo Village. The drilling is made up of 2,910m of RC and 1,142m of diamond drilling.

The mineralised zone has been intersected in all drill holes and is conspicuous by its alteration and a sulphide content averaging 10%. Drilling conditions are generally very good.

Assays are being carried out by a credited SGS-Analabs Laboratory in adjacent Mali where major operating mines such as Sadiola demand first rate assay facilities. The first assay results are beginning to be received and added to the geological database.

Given the large amount of continuous drilling being undertaken, MDL proposes to release results in meaningful batches. We anticipate the first release will be late in August when results from approximately 10,000m will be available.

Engineering

MDL has engaged Ausenco Limited, a leading Australian mining and process engineering company, to undertake its process plant development at Sabodala. Ausenco are one of the major gold processing plant engineering groups in the world and have undertaken many African projects.

Currently, work is focussed on the proposal to build a 2mtpa plant similar to a number of others built in recent times in Africa. Various studies to narrow down the key process parameters are well advanced and in the current drill programs a number of "metallurgical holes" will be drilled to refine the estimates. Clearly, the ore body model is not well enough developed to be sure of the plant size outcome. However a lot is already known given the history of the deposit and MDL has taken the decision to move early in this area in light of the tight construction and engineering supplies market around the world today. In this way, the company hopes to identify any critical path elements and respond to them earlier rather than later.

As in any semi arid environment, the reliable supply of process water is a very important issue and, accordingly, the work at Sabodala includes hydrological studies being undertaken by Pells Sullivan Meynink of Brisbane.

Exploration

Previous limited geological drilling and fieldwork has identified other prospects within the seven kilometre long Exploitation Permit. Ore grade drill intersections have been reported at Sabodala South near the Sabodala Village and at nearby Sutuba.



SMC has commenced a 250km² high-resolution airborne magnetic survey of the Birimian Greenstone Belt surrounding Sabodala and the data from this survey is expected to underpin expansion of SMC's land and resource position in the belt for some time into the future. The geophysical aircraft is contracted from Worley Parsons GPX of Perth Australia and is flying 100m spaced lines at a nominal altitude of 50m. Radiometrics and Laser DEM are also being collected during the aeromagnetic survey.

Quickbird satellite imagery and base plan development in association with on ground surveying is also now well advanced.

The information in this report that relates to Exploration Results is based on information compiled by Mineral Deposit Limited's Chief Geologist, Chris Young BSc, who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Young has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity undertaken. He is qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Young has consented to the inclusion of this information in the form and context in which it appears in this report.

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