



Mineral Deposits Limited

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Quarterly Report for the period ended 31 March 2005

HIGHLIGHTS

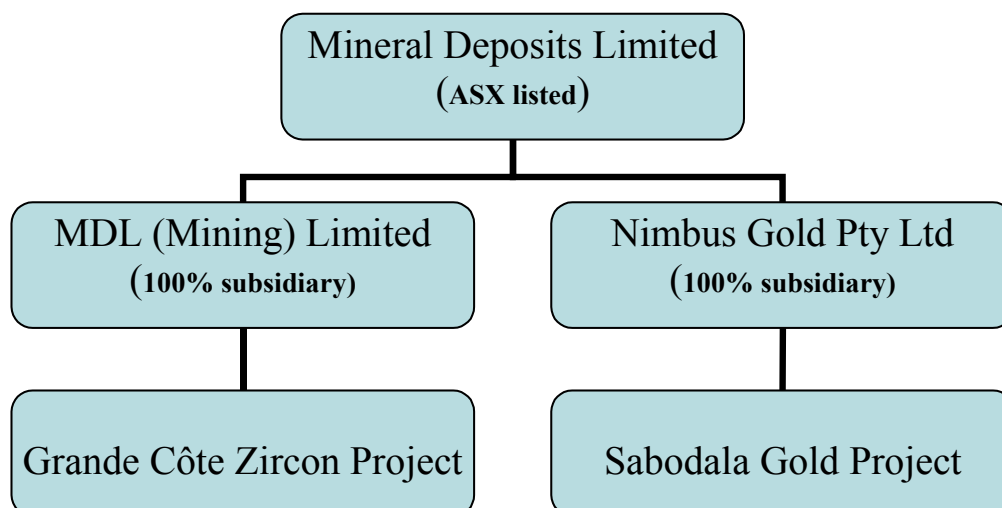
- ❑ **Senegal** – Sabodala: on 23 March 2005, the Mining Convention for the development of the Sabodala gold project was signed by MDL and the Government of the Republic of Senegal. The first drill programmes targeting verification and extensions of the known mineralisation are expected to commence in late May.
 - Grande Côte Zircon Project: logistic and other infrastructure necessary for conducting the feasibility study continued to be put in place during the quarter.
- ❑ **Australia** – Disassembly of the Viney Creek dredges and wet concentrator commenced and is on schedule to be completed by July 2005. This equipment will be relocated to Senegal in the second half of 2005. MDL expects to enjoy capital cost savings of at least US\$50 million as a result of redeploying and refurbishing this heavy equipment to its Grande Côte Zircon Project.
- ❑ **India** – The MDL supplied wet plant was successfully commissioned in early February. It is currently operating at 40% capacity awaiting the installation of additional capital items.
- ❑ **Corporate** – Mr Martin Ackland appointed Executive Chairman of MDL (Mining) Limited. This subsidiary contains all of MDL's mineral sands activities, particularly the Grande Côte Zircon Project.



CORPORATE

Executive Appointment

In February, the company announced the appointment of Mr Martin Ackland as Executive Chairman of its subsidiary MDL (Mining) Limited. This company houses all of MDL's mineral sands activities and, in particular, the company's major mineral sands project, the Grande Côte Zircon Project ("GCZP"). A diagrammatic representation of the company structure is as follows:



During the quarter, an internal corporate and management reorganisation was carried out which recognises that the company is now pursuing the development of both the GCZP and the Sabodala Gold Project. Both projects require focused and dedicated management to ensure the developments proceed successfully.

The restructuring is also intended to give the board of Mineral Deposits Limited more flexibility in respect of future financing activities leading into the development phase of these projects.

Cash Reserves

As at 31 March 2005, liquid cash reserves were \$12.0 million.

SENEGAL

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 Diogo.



MDL proposes to relocate its large, Australian-based dredges and floating concentrator, along with its rutile and zircon dry mill, to Senegal in the second half of 2005. The utilisation of this equipment will enable capital cost savings of at least US\$50 million to be realised. The project plan envisages the production of approximately 70,000 tonnes per annum of high quality zircon commencing during the first half of 2007.

Work on the GCZP focused on putting in place the necessary infrastructure, equipment and personnel towards successfully carrying out the project feasibility study. This work included:

- planning for the construction of an exploration camp capable of accommodating all of the personnel required in the drill-out of the initial mining area, as well as those required for the studies necessary for undertaking the environmental impact statement;
- the 12,000 metre mine development drilling programme designed to establish the dredge path for the initial two years of production which is scheduled to commence during the June 2005 quarter; and
- senior executives from MDL have continued to be active in presenting the project to key stakeholders, both in the central and local governments. The company is conducting meetings with the local people in order to keep them apprised of developments and the progress of the project.

Project Timeline

The resource and reserve definition drilling programme, together with the Environmental Impact Statement, are now scheduled to be completed in the December 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 now expected in the first half 2007.

Sabodala Gold Project

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%).

On 23 March 2005, the Mining Convention for the development of the Sabodala gold project was executed by MDL and the Government of the Republic of Senegal.

The first drill programmes targeting extensions of the known mineralisation are expected to commence in late May.

The keys terms of the agreement are:

- MDL has undertaken to spend US\$8 million on feasibility study work and more general exploration;
- MDL will expend US\$0.5 million on agreed social programmes in the Sabodala area over the next two years;



- MDL has committed to pay to the Republic of Senegal a US\$6.50/ounce bonus payment for “mineable reserves” established in the feasibility study exceeding 556,208 ounces (the Government’s view of the current reserve position);
- once gold production has commenced, MDL has agreed to pay to the Government \$US0.9 million annually in arrears over the first four years (a total of US\$3.6 million) and to expend a further US\$0.4 million per annum on social and local infrastructure programmes;
- the convention allows for a seven year tax free period for the project. MDL will pay a 3% gross production royalty to the Government from commencement of gold production; and
- the Government of Senegal is entitled to a 10% free carried interest in the project once the partners have recovered the project’s capital costs and associated shareholder loans.

MDL will now commence a programme to validate the existing gold reserve/resource and to undertake all of the other work necessary for a bankable feasibility study.

- In April, the company appointed RSG Global through an Exploration Services Agreement to carry out and manage all services in connection with running the drilling programme. RSG Global are highly accredited Minerals, Exploration and Mining consultants who have a large regional office in the West African city of Accra. RSG also have a major logistics and support centre situated across the nearby border with Mali.
- The planned drilling programme to define and expand the existing resource will consist of more than 20,000 metres of RC and diamond drilling. Some metallurgical and geotechnical holes will also be completed. Drilling is expected to commence in late May 2005.
- A revised, JORC compliant resource estimate incorporating the new drilling data is expected to be available by the end of calendar 2005.
- A field camp to support this level of drilling programme is close to completion with the assistance and participation of local business enterprises. A second hand, container-based mobile kitchen was sourced from the UK and an ablution block was sourced from Australia. These are now being transported to site in readiness for the start of the drilling programme.
- Sabodala will be serviced using an established air-charter company using the 1,250 metre long sealed airstrip which is situated on the mining lease.
- A high-resolution, regional aeromagnetic survey is to be flown at 100 metre line spacing at a height of 50 metres over the area. This aeromagnetic data should assist in the identification of the shear zones and structures which will enable the identification of other potential drilling targets.
- An ongoing social responsibility programme and work on the environmental impact study will commence in this quarter. MDL plans to expedite start-up of a gold mining operation.



INDIA

The wet plant, which uses some MDL equipment, came on line in early February. Beach Minerals (Sands) Company Pvt Ltd (“BMC”) commissioned the plant with the assistance of MDL personnel in the last week of March. The wet plant is currently operating at 40% capacity while waiting for additional capital items to be sourced.

The capital items on order are density control and flow meters, variable speed motor controls, additional spiral banks, a bigger capacity dry feed bin and several high head pumps. Once these items are installed and commissioned, the wet plant has been configured to operate at 650tph throughput.

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.

AUSTRALIA

HAWKS NEST OPERATION

At Hawks Nest, a container of workshop tools, welders and sundry laboratory accessories was dispatched to Senegal during the quarter.

The disassembly of the Viney Creek dredges and wet concentrator started on 21 February with the major contractor mobilising to site by 1 March. Rain and the shut down for the Easter break combined to slow progress during March. However, good progress has been made during April and the programme is estimated to be 40 percent complete. This disassembly is scheduled to be completed by July. The disassembled dredges and wet concentrator will be relocated to Senegal in the second half of 2005.

Once the disassembly of the Viney Creek equipment is completed, the contractors will commence disassembly of the Hawks Nest dry mill, which is also due to be re-erected at the GCZP.

MDL expects capital cost savings of at least US\$50 million as a result of the availability of this heavy equipment at its GCZP in Senegal.

No mine rehabilitation work was carried out during the quarter as the programme is awaiting weather conducive to the successful planting of regenerative vegetation.

EXPLORATION EXPENDITURE

There was no direct expenditure on exploration during the quarter.

For further details please contact:

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