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## ASX/TSX RELEASE

ASX CODE: MDL

TSX CODE: MDM

## QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

### HIGHLIGHTS

#### ❑ Sabodala Gold Project Development Update

- The substantial Sabodala gold plant is undergoing commissioning with ramp up to full operational levels by late February
- The primary crushing circuit has commenced crushing of run-of-mine ore
- First gold pour scheduled for March 2009

#### ❑ Sabodala Gold Project Reserve Increased to 1.63 Million Ounces

- Proven and probable reserve up 16% to 1.63 million ounces from October 2007 reserve of 1.406 million ounces
- Substantial additional potential to expand reserves identified

#### ❑ Grande Côte Zircon and Ilmenite Project

- Diogo initial mining plan completed
- Study to incorporate commercial ilmenite production underway

#### ❑ Corporate

Sabodala Gold Project Finance Update:

- Sabodala project finance updated with partial hedge book close out realised proceeds of US\$60 million
- Hedge book restructured to extend project debt facility to allow flexible management of the existing corporate debt facility
- Outstanding hedge book only 399,000 ounces at US\$846/oz



## **SABODALA GOLD PROJECT**

**90% through operating company Sabodala Gold Operations SA  
10% Government of the Republic of Senegal**

### **Background**

The Sabodala Gold Project is located in Senegal, some 650 kilometres east of the capital Dakar within the Birimian belt and about 90 kilometres from major gold mines and discoveries in Mali. The Sabodala and Niakafiri deposits lie within a 20.3 square kilometre mining concession. During the quarter, full commissioning of the substantial Sabodala gold plant commenced and a new ore reserve statement for the project in excess of 1.63 million ounces was announced.

### **Sabodala Project Update**

The engineering and construction programme for the main mine infrastructure items is nearing completion and the plant is being commissioned (Attachment 1). Commissioning of plant equipment is well advanced and on schedule for the first gold pour planned for March 2009.

This period has been a productive one with the following notable achievements:

- ***Sabodala Open Pit Mine/ROM Pad***

The new Sabodala pit design shown in Attachment 3 is approximately 1,000 metres in length, 600 metres across and 250 metres deep. Total contained material is 142 million tonnes, including 120 million tonnes of waste and 22 million tonnes of ore to be processed.

Since mining commenced in June 2008, approximately 3.5 million tonnes of ore and waste has been mined, constructing the ROM pad with waste and placing ore ready for crushing. Over 600,000 tonnes of predominantly oxide ore containing in excess of 45,000 ounces of gold have been stockpiled on the ROM pad in preparation for milling.

- ***Processing Plant***

The construction of the new two million tonne per annum carbon-in-leach (CIL) treatment plant at Sabodala is complete (Attachment 2). The primary crushing circuit commenced crushing of ore on Tuesday, 27 January 2009 as the first stage of production ramp-up.

In addition to the above, water systems are 80% commissioned through the plant and the low pressure air system is complete. The SAG and ball mill interlock testing is 100% complete. All nine CIL tank agitators have been run successfully and CIL tanks are being hydraulically tested prior to leach commissioning.

- ***Water Supply***

At the end of the quarter, approximately 2.6 million tonnes of water was stored within the site dams, sufficient to support the first year of production. Additionally, construction of the Faleme River pipeline is underway to ensure ample process water is available into the future, with all 38 kilometres of pipe delivered on site.

- ***Power Station***

Construction of the Wartsila 30MW heavy fuel oil power station was completed. The power station is providing commissioning power. Within the 30MW power station, there are six engines of which each unit has an operational rating of 5MW. To date, four of the 5MW units have been commissioned. The final unit is likely to be available within a week. A sixth unit is a spare.



- **Site Village**

The new site village is operating well and at any one time is catering for and accommodating up to 700 workers. During the busy construction phase, over 450 workers have also been accommodated at the old exploration camp village. A significant number of local Senegalese are also employed, bringing the total number working at site to in excess of 1,400 workers.

### **New Reserve Estimate**

On 18 November 2008, the company reported an updated proven and probable reserve for the Sabodala open pit of 1,484,000 ounces at a 0.65g/t gold cut-off. This reserve, together with Niakafiri at 145,000 ounces, extends the Sabodala Gold Project to 1.63 million ounces with further opportunities to expand the reserves. The total Sabodala ore reserve for the mining concession is 24.3 million tonnes grading 2.1g/t (Attachment 4). Of the total gold reserves:

- the current reserve (diluted) for the Sabodala deposit comprises an estimated 21.7 million tonnes at an average grade of 2.13g/t gold and compares with the previous estimate of 15.8 million tonnes grading 2.49g/t gold in October 2007; and
- the open pit reserve estimate for Niakafiri is 2.7 million tonnes grading 1.68g/t gold.

The resource grade model was developed in-house following procedures defined by independent consultants Geosystems International of Florida, USA. The geological block model was interpreted by MDL's geologists on-site. The reserve calculation was recently audited by Geosystems International.

The current ore reserve estimate is based on MDL drill holes and assay data available since project initiation. The drill database for the new Sabodala reserve estimate includes a total of 884 drill holes for 132,839 metres representing 123,383 assays. At Niakafiri, 160 holes have been drilled totalling 21,272 metres and 21,452 samples. Historic drill holes are excluded where quality control and quality assurance information is lacking.

The grade estimates as presented in Attachment 4 have been classified as a combination of Measured, Indicated and Inferred Mineral Resources in accordance with CIM Definitions (2005) and JORC (2004) reporting standards.

### **Additional Reserve Potential**

Undiluted Measured and Indicated resources at Sabodala outside of the ultimate pit design above a 2.0g/t gold cut-off grade stand at 6.7 million tonnes averaging 3.2g/t for 691,000 ounces. This mineralisation sits principally in the down-plunge extension of the NW Shear and Main Flat intersection and peripheral to the pit in the Main Flat zone, where both zones display good continuity of mineralisation. An underground mining scoping study to assess the most economic method of extracting this gold mineralisation is scheduled to commence in December 2008. Attachments 5 and 6 show the extent of this mineralisation beyond the ultimate pit design.

The Niakafiri deposit remains open at depth and recent drilling results confirm potential for near surface, high grade gold zones within a bulk low grade tonnage to the west of the Niakafiri pit. A follow-up drilling plan for Niakafiri West is scheduled for late 2009, to lead into resource definition.



## REGIONAL GOLD EXPLORATION

In addition to its granted Sabodala mining concession, MDL, through its 100% subsidiary Sabodala Mining Company SARL ("SMC"), has five joint ventures covering an area of approximately 1,750 square kilometres. The company now has a significant ground position in this area with all projects located within 10-50 kilometres of the Sabodala mine lease (Attachment 7).

Massakounda, Dembala Berola and Makana are the subject of 80% joint ventures as is a joint venture with AXMIN Inc. (AXMIN), where SMC may earn up to an 80% interest in AXMIN's three gold exploration permits. At Bransan; SMC holds a 70% interest.

During the quarter, exploration continued on the adjacent SMC projects

### Bransan Project

During the quarter, a limited RC drilling programme was completed to test the up dip portion of the mineralisation encountered in the diamond holes on the Diadiako prospect reported last quarter. The drilling confirmed that the mineralisation is characterised by a shallow south to south-east dip.

Geological mapping and termite sampling programmes to help define other drill targets at the Diadiako and Goumba Gamba prospects are underway.

### Dembala Berola Project

At Dembala Berola, a 20 hole RC programme for a total of 1,949 metres was completed at Sadiola Hill, Goundamekho North and Goundamekho Central. The programme tested these three prospects which are associated with abundant coarse gold at surface and are located in favourable structural and lithological settings. Assays are pending.

### AXMIN Joint Venture

A detailed aeromagnetic data interpretation and regolith map over the Heremakono and Sounkounkou permits was completed. This interpretation is presently being evaluated.

## GRANDE CÔTE ZIRCON AND ILMENITE PROJECT

**90% through operating company Grande Côte Operations SA**  
**10% Government of the Republic of Senegal**

### Background

The Grande Côte Zircon and Ilmenite Project, covering a strike length of more than 50 kilometres of continuous mineralisation, is located some 100 kilometres northeast of the capital city Dakar, which has an excellent deep water port. Final approvals were received for this project in November 2007 whereby the company was awarded a 25 year Mining Concession and other fiscal incentives under the executed Mining Convention/Supplementary Deed.

The Inferred mineral resource for the main deposits has been estimated at 1,330 million tonnes averaging 2.0%HM at a cut-off of 1.5%HM.

### Mine Planning

Work was completed during the quarter on the detailed computer modelling and optimisation process to complete a preliminary mine plan for the project.



Following completion of resource development drilling of the Diogo-Fass Boye area, independent consulting group AMC Consultants produced an estimate of Measured and Indicated Resources in May 2008, enabling a preliminary dredge mining path to be designed. This has been produced using cross sections prepared by AMC Consultants and a Datamine planning programme.

The dredge path commences at Diogo in a higher mineral grade area as shown in Attachment 8. The numbers indicate the location of the dredge from the start of operations through to the end of the first eight years of mining.

At Mboro, a drilling programme comprising some 400 infill holes has been designed to provide data to complete the Measured and Indicated Resources estimate and preliminary mine plan for this area. This area is considered to hold potential for an additional 3-4 years mine life and the work is expected to revise the initial mine plan to incorporate mining this deposit.

### **Ilmenite Project**

The development plan and feasibility study to incorporate ilmenite are continuing. During the period, an internal study was undertaken to include the production of ilmenite as a commercial sales product which indicates that this approach is both technically feasible and economically attractive. It is planned to finalise the study in the March 2009 quarter and include the results in the updated feasibility study which is expected to be completed by end of the second quarter in 2009.

### **Hydrological Testwork**

Deep hydrological drilling continued throughout the quarter to evaluate make-up water supplies for management of the dredge pond levels. The target aquifer is within Maestrichtien sandstones located some 460 metres below surface.

A third bore hole (DW1) is at a final depth of 508 metres. The bore has traversed 53 metres of coarse sands underlain by 7 metres of a clay horizon. The presence of "coarse sands" suggests a good aquifer has been intersected by this hole. Pump testing is awaited.

## **CORPORATE**

### **Hedge Book Restructures**

A substantial portion of the hedge book, consisting of the entire gold put option position of 227,000 ounces and 280,500 ounces of flat forward sales, was closed out during the period to realise proceeds of US\$60 million.

The remaining hedge position was 179,500 ounces of flat forward sales at US\$861/oz.

This position was restructured to extend the project debt facility from US\$25 million to \$US52 million which allows flexible management of the corporate debt facility.

The gold hedge book now consists of 399,000 ounces of flat forward gold sales at a price of US\$846/oz for delivery at quarterly intervals from May 2009 to February 2013.

The company has also entered into hedge agreements with respect to oil prices over the same four year period. The agreement consists of 80,000 barrels per annum for four years at a flat forward price of US\$70 per barrel. The contracts settle against Nymex Light Sweet Crude closing prices and represent approximately 50% of the company's Sabodala mine's expected energy consumption during the period.



## Finance Update

The construction of the Sabodala Gold Project is nearly complete and MDL is adequately financed to bring the project to commercial production.

The mine has been operating for some time and a large volume of ore (>600,000 tonnes) containing some 45,000 ounces is already stockpiled as planned for the commencement of production.

The Macquarie Bank Project Finance Facility is currently drawn to US\$25 million with a further US\$27 million available.

During the period, MDL drew down US\$23.3 million under the mining fleet facility negotiated with Societe Generale.

## Cash and Debt Position

At the end of the quarter, cash at bank was A\$48.0 million.

The company drew down US\$50 million of the US\$70 million Project Finance Facility provided by Macquarie Bank but repaid US\$25 million of this facility from proceeds of the partial hedge close out. At the end of the quarter, the Project Finance Facility was therefore drawn to US\$25 million.

*The information in this report that relates to Exploration Results is based on information compiled by MDL's Mining Operations Manager, Bruce Van Brunt MSc Mining Engineering, who is a member of The Australasian Institute of Mining and Metallurgy and is also a registered professional geologist in the State of Washington, USA. Mr Van Brunt 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" and as defined in NI43-101. Mr Van Brunt has consented to the inclusion of this information in the form and context in which it appears in this report.*

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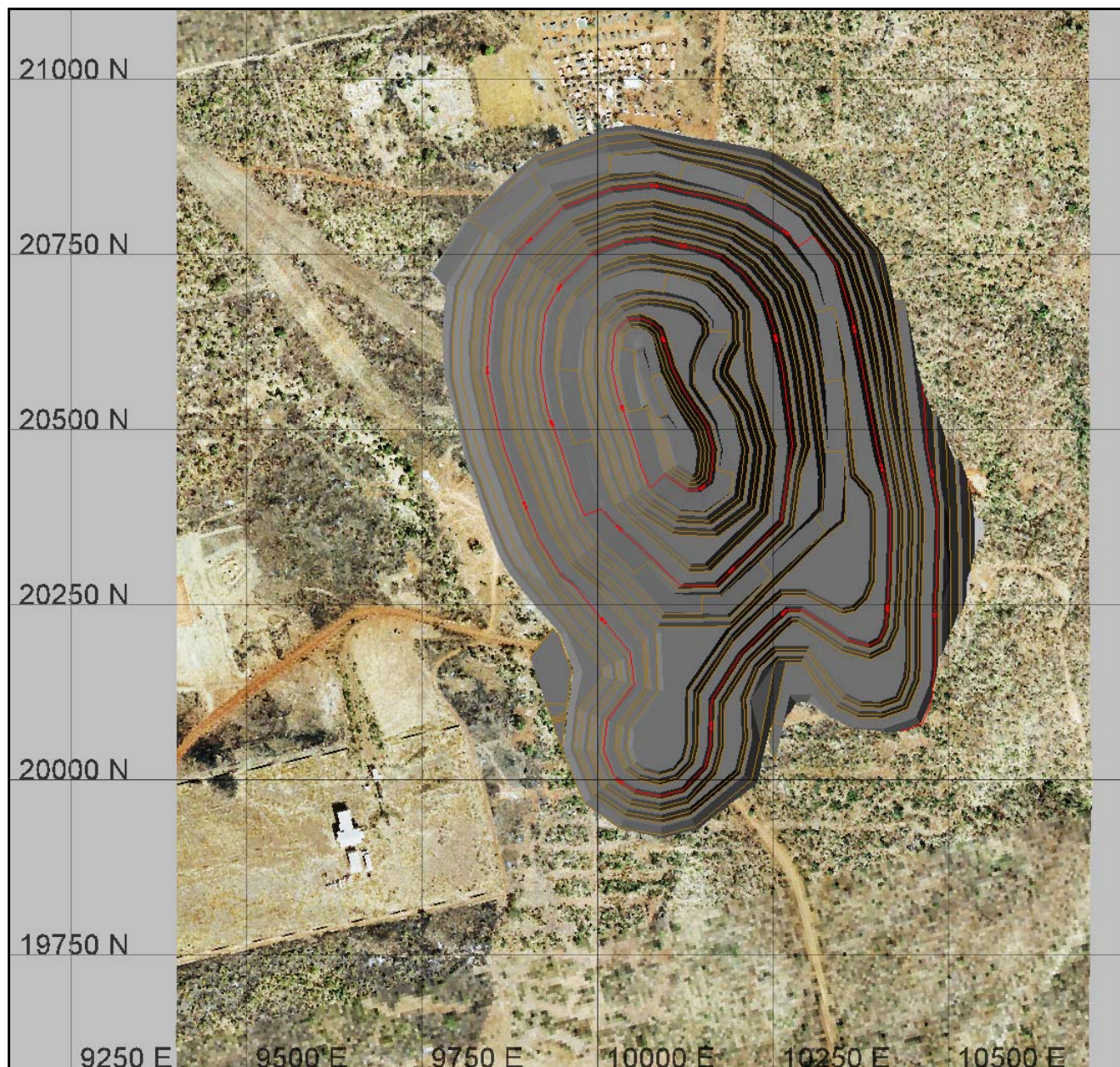
*Overview of Sabodala ROM Pad and Processing Plant in background*





*Plant showing SAG and ball mills in yellow and CIL tanks in background*





*Sabodala 2008 new pit design*

**Sabodala Resources (inclusive of reserves)**

Cutoff (g/t)	Measured			Indicated			Measured+Indicated			Inferred		
	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)
0.40	38.9	1.50	1,876	21.7	1.32	921	60.6	1.44	2,797	17.7	1.03	586
0.60	29.2	1.84	1,726	15.7	1.64	828	44.9	1.77	2,553	11.7	1.30	491
<b>0.65</b>	<b>27.4</b>	<b>1.92</b>	<b>1,687</b>	<b>14.7</b>	<b>1.71</b>	<b>807</b>	<b>42.1</b>	<b>1.84</b>	<b>2,494</b>	<b>10.6</b>	<b>1.38</b>	<b>469</b>
0.80	22.9	2.15	1,584	12.2	1.91	750	35.1	2.07	2,334	7.7	1.62	401
1.00	18.6	2.44	1,459	9.9	2.15	684	28.5	2.34	2,143	5.8	1.86	347
1.50	11.9	3.13	1,198	6.3	2.68	543	18.2	2.97	1,740	2.8	2.58	232

**Niakafiri Resources (inclusive of reserves)**

Cutoff (g/t)	Measured			Indicated			Measured+Indicated			Inferred		
	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)
<b>0.50</b>	<b>0.3</b>	<b>1.77</b>	<b>15</b>	<b>7.9</b>	<b>1.33</b>	<b>340</b>	<b>8.2</b>	<b>1.34</b>	<b>355</b>	<b>6.2</b>	<b>0.97</b>	<b>192</b>
0.75	0.3	1.84	15	6.1	1.55	304	6.3	1.57	319	3.5	1.25	139
1.00	0.2	1.94	14	4.9	1.72	270	5.1	1.73	284	1.6	1.68	89

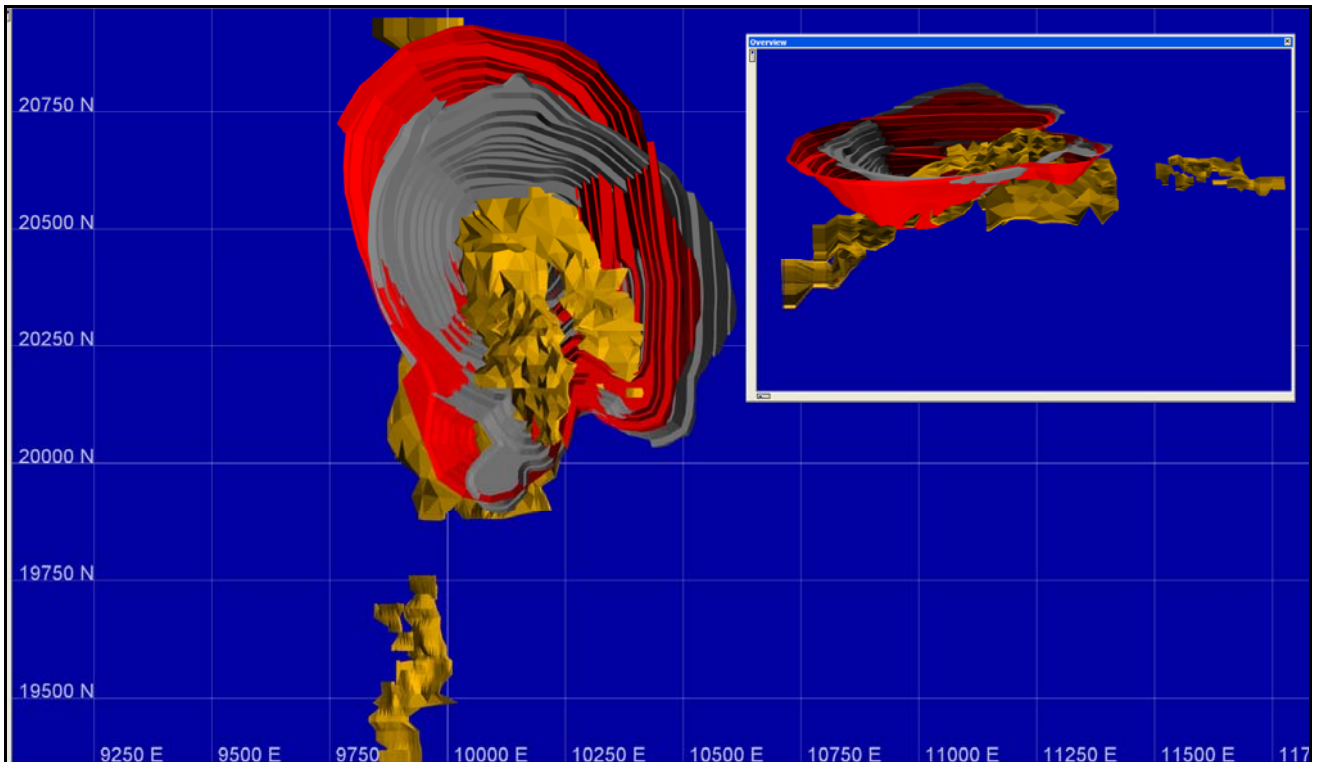
**Sabodala Reserves**

Cutoff (g/t)	Proven			Probable			Proven+Probable		
	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)
1.00	12.79	2.63	1,083	3.1	2.52	250	15.9	2.61	1,332
0.65 - 1.0	4.93	0.81	129	0.9	0.82	23	5.8	0.81	151
Total	17.7	2.13	1,211	3.9	2.15	272	21.7	2.13	1,484

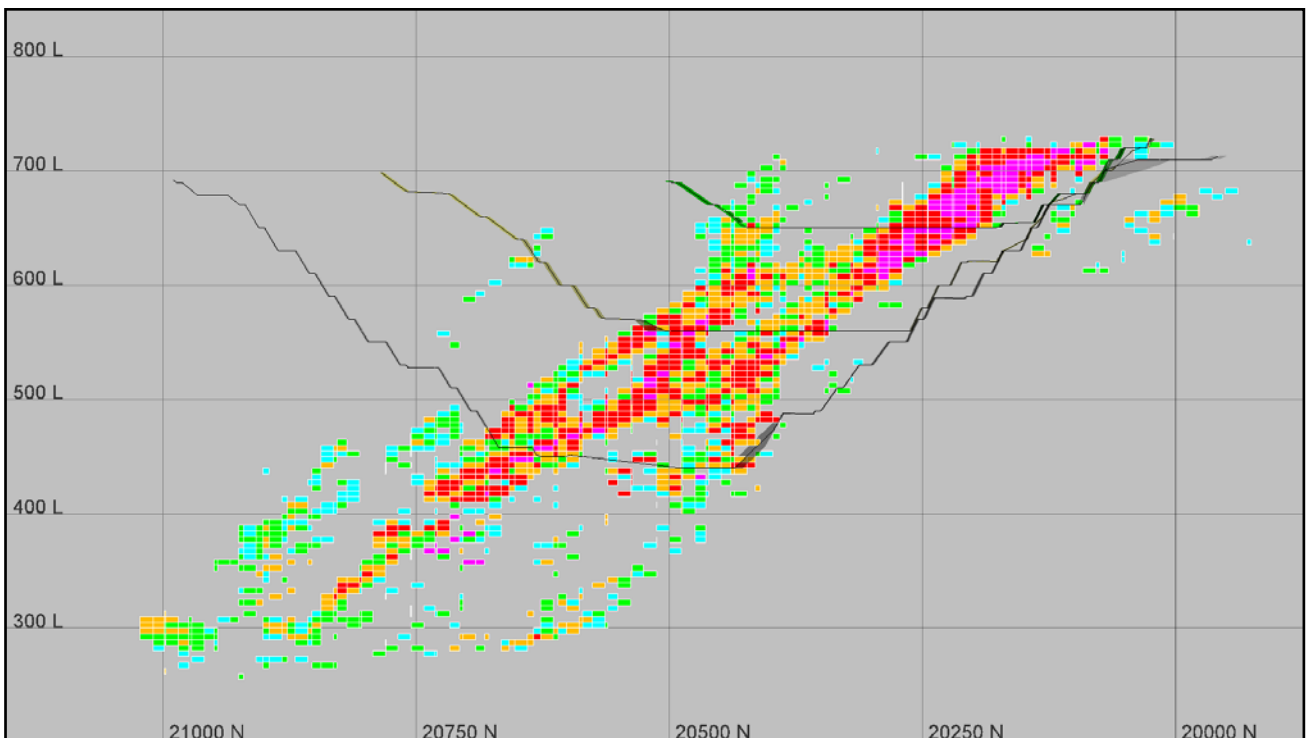
**Niakafiri Reserves**

	Cutoff (g/t)	Proven			Probable			Proven+Probable		
		MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)	MTons	Au Grade (g/t)	Ounces (000's)
Oxide	0.50	0.1	2.00	7	2.0	1.62	103	2.1	1.64	110
Fresh	0.60	0.0	1.97	3	0.5	1.83	32	0.6	1.84	35
Total		0.2	1.99	10	2.5	1.67	135	2.7	1.68	145

The mineral reserves and mineral resources estimations reported above are documented in conformity with Canadian National Instrument 43-101 and reconciled to the JORC classification. The estimations follow the same procedures reported in a 2007 technical report that is available on SEDAR. Resources are based on a US\$700 gold price and assume life-of-mine milling recoveries of 91.4% for Sabodala ore, 92% for Niakafiri oxide ore and 90% for Niakafiri fresh ore. Direct milling costs are expected to average \$13.52 per tonne Sabodala ore milled, \$11.61 per tonne Niakafiri fresh ore milled and \$9.53 per tonne Niakafiri oxide ore milled.

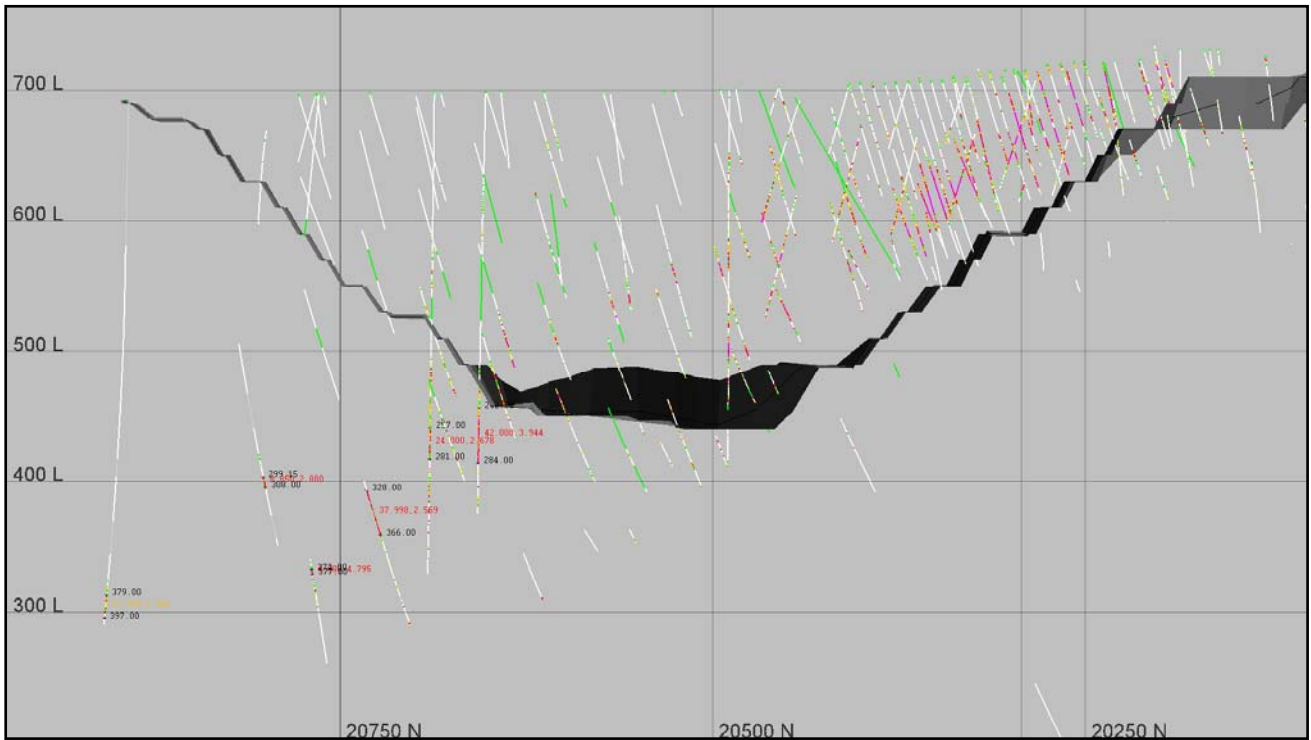


***New Sabodala reserve pit design in red, October 2007 design in gray, mineralisation envelope in gold.  
Inset view is to the east***

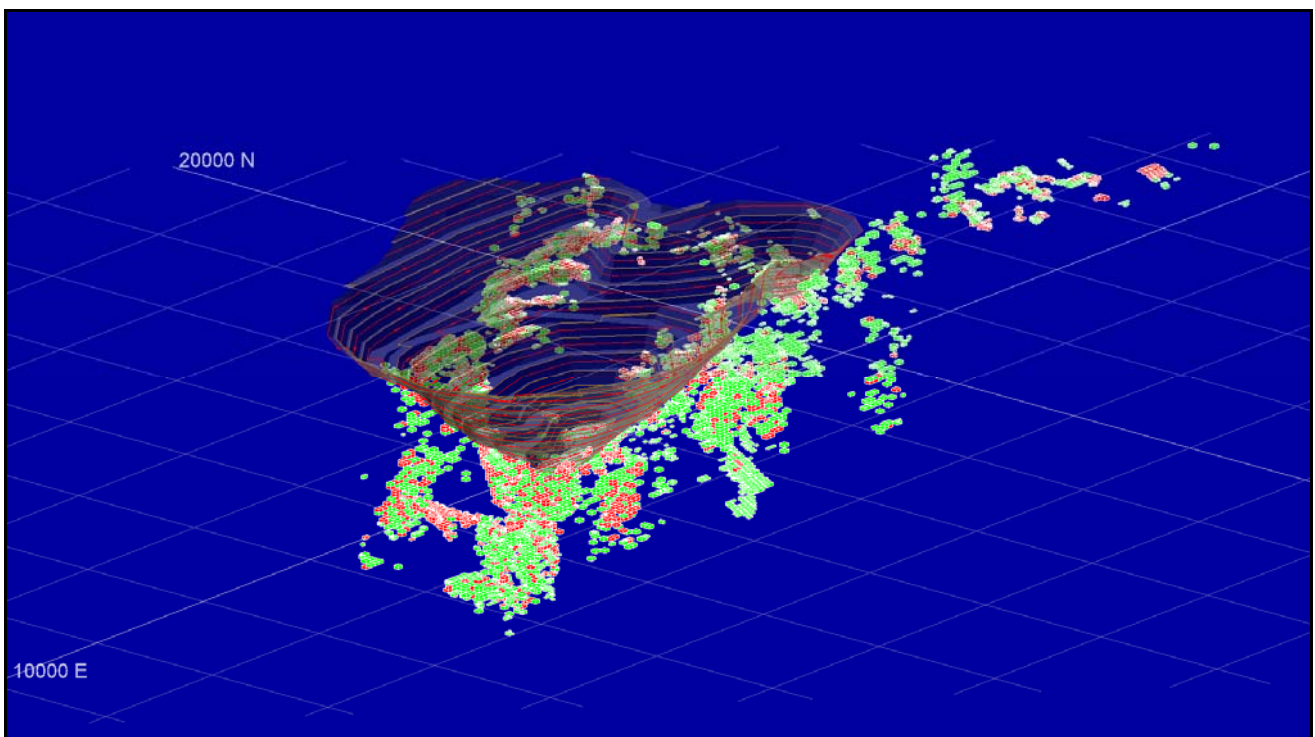


***Development sequence showing Phases 1, 2 and 3 in long section looking east.  
The mineralisation at Sabodala remains open to depth towards the northwest, down-dip to the west and southeast, and towards the east in the flat structure. Outside of the ultimate pit, 2.5 million tonnes of potential underground mineable ore exists above a 3.0g/t cut-off grade with an average grade of 4.4g/t***



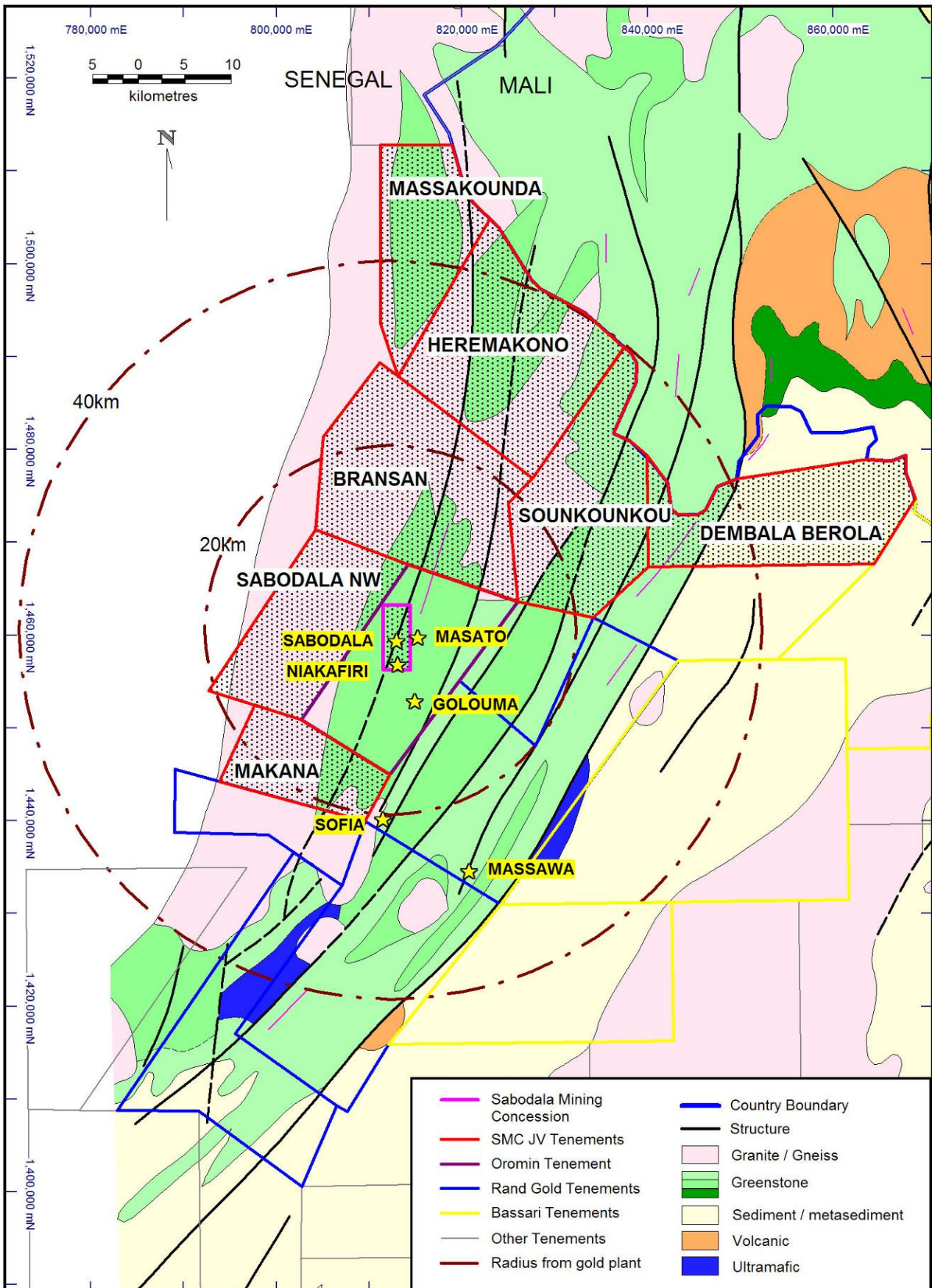


**Intercepts drilled beyond the limit of the ultimate pit following the NW Shear and Main Flat intersection include SBRC744D 42m at 3.9g/t, SBRC745D 24m at 2.7g/t and SBRC746D 38m at 2.6g/t**

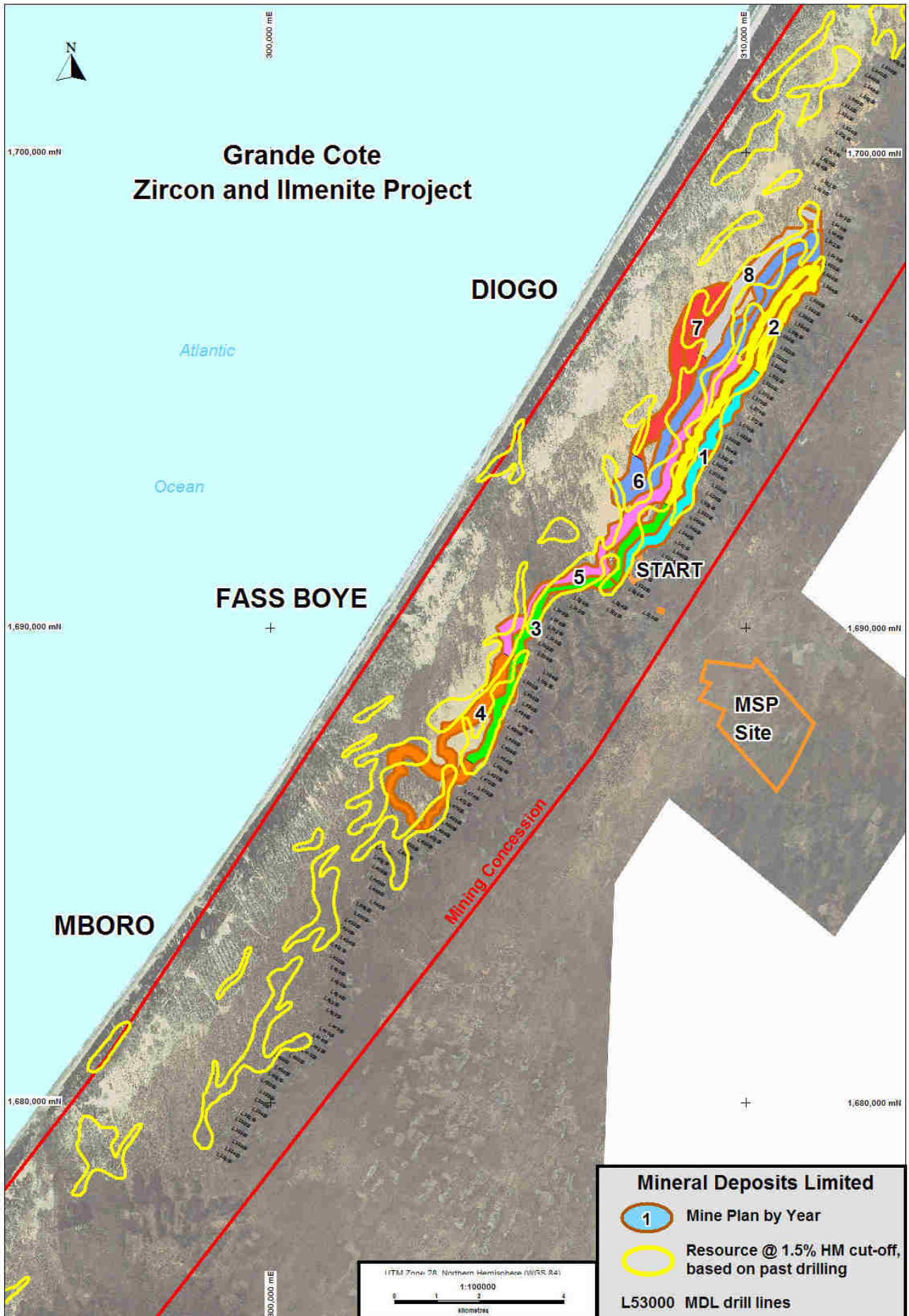


**2-3g/t (green) and +3g/t (red) undiluted Measured and Indicated resources outside of the ultimate pit**





Location of Regional Gold Programmes



Diogo Mine Plan Showing Dredge Mining Path