# Appendix 4E

## Preliminary final report

ASX Listing Rule 4.3A

Name of entity

**MINERAL DEPOSITS LIMITED**

| ABN or equivalent company reference | Financial year ended ('current period') |
|---|---|
| **19 064 377 420** | **30 JUNE 2005** |

## Results for announcement to the market

| | | | | $'000 |
|---|---|---|---|---|
| Revenues from ordinary activities | down | 85.29% | to | 636 |
| (Loss) from ordinary activities after tax attributable to members | up | 110.68% | to | (6,963) |
| (Loss) for the period attributable to members | up | 110.68% | to | (6,963) |

## Dividends (distributions)

| | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend | – | – |
| Previous corresponding period | – | – |
| Record date for determining entitlements to the dividend | – | |

During the financial year, no dividends were paid. The directors have not recommended the payment of a dividend.

## Commentary

Refer to commentary on the results for the year on page 13 for details.

## Condensed consolidated statement of financial performance

| | Note | 2005<br>$'000 | 2004<br>$'000 |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 636 | 4,324 |
| Expenses from ordinary activities | 3 | (7,586) | (7,609) |
| Borrowing costs | | (13) | (20) |
| Share of net profits (losses) of associates and joint venture entities | | – | – |
| **Profit (loss) from ordinary activities before tax** | | **(6,963)** | **(3,305)** |
| Income tax on ordinary activities | | – | – |
| **Profit (loss) from ordinary activities after tax** | | **(6,963)** | **(3,305)** |
| Profit (loss) from extraordinary items after tax | | – | – |
| **Net profit (loss)** | | **(6,963)** | **(3,305)** |
| Net profit (loss) attributable to outside equity interests | | – | 1 |
| **Net profit (loss) for the period attributable to members** | | **(6,963)** | **(3,304)** |

### Non–owner transaction changes in equity

| | | |
|---|---|---|
| Increase (decrease) in revaluation reserves | 912 | – |
| Net exchange differences recognised in equity | 151 | (6) |
| Other revenue, expense and initial adjustments recognised directly in equity | – | – |
| Total transactions and adjustments recognised directly in equity | 1,063 | (6) |
| **Total changes in equity not resulting from transactions with owners as owners** | **(5,900)** | **(3,310)** |

### Earnings per security (EPS)

| | | 2005<br>Cents | 2004<br>Cents |
|---|---|---|---|
| Basic EPS | 11 | (6.70) | (4.41) |
| Diluted EPS | 11 | (6.39) | (3.59) |

## Condensed consolidated statement of financial position

| | Note | 2005 $'000 | 2004 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash | 7 | 33,513 | 4,008 |
| Receivables | | 258 | 136 |
| Inventories | | – | 10 |
| Other – prepayments | | 204 | 121 |
| **Total current assets** | | **33,975** | **4,275** |
| **Non–current assets** | | | |
| Receivables | | 6,041 | – |
| Property, plant and equipment (net) | | 3,964 | 1,072 |
| Exploration expenditure | 8 | 3,688 | 1,788 |
| Intangibles (net) | | 41 | 88 |
| **Total non–current assets** | | **13,734** | **2,948** |
| **Total assets** | | **47,709** | **7,223** |
| **Current liabilities** | | | |
| Payables | | 4,005 | 336 |
| Interest bearing liabilities | | 52 | 118 |
| Provisions | | 895 | 1,279 |
| **Total current liabilities** | | **4,952** | **1,733** |
| **Non–current liabilities** | | | |
| Interest bearing liabilities | | – | 6 |
| Provisions | | 767 | 150 |
| **Total non–current liabilities** | | **767** | **156** |
| **Total liabilities** | | **5,719** | **1,889** |
| **Net assets** | | **41,990** | **5,334** |
| **Equity** | | | |
| Contributed equity | 9 | 72,200 | 29,645 |
| Reserves | | 1,042 | (22) |
| Accumulated losses | 10 | (31,252) | (24,289) |
| **Equity attributable to members of the parent entity** | | **41,990** | **5,334** |
| Outside equity interests in controlled entities | | – | – |
| **Total equity** | | **41,990** | **5,334** |

## Condensed consolidated statement of cash flows

| | Note | 2005 $'000 | 2004 $'000 |
|---|---|---|---|
| **Cash flows related to operating activities** | | | |
| Receipts from customers | | 434 | 7,180 |
| Payments to suppliers and employees | | (5,422) | (5,180) |
| Interest and other items of similar nature received | | 243 | 72 |
| Interest and other costs of finance paid | | (13) | (20) |
| **Net operating cash flows** | | **(4,758)** | **2,052** |
| **Cash flows related to investing activities** | | | |
| Payments for capitalised expenditure | | (2,723) | (1,812) |
| Recoupment of capitalised expenditure | | – | 440 |
| Payment for purchases of property, plant and equipment | | (2,378) | (388) |
| Payment for investment in subsidiaries | | (2,763) | – |
| Proceeds from sale of property, plant and equipment | | 6 | 283 |
| **Net investing cash flows** | | **(7,858)** | **(1,477)** |
| **Cash flows related to financing activities** | | | |
| Proceeds from share issue | | 44,403 | 2,550 |
| Payment for share issue costs | | (1,848) | (40) |
| Proceeds from monies held in trust | | 7 | 6 |
| Proceeds from borrowings | | 157 | 206 |
| Repayment of borrowings | | (250) | (268) |
| **Net financing cash flows** | | **42,469** | **2,454** |
| **Net increase (decrease) in cash held** | | **29,853** | **3,029** |
| Cash at beginning of period | | 4,008 | 979 |
| Effects of exchange rate on cash balances held in foreign currencies | | (348) | – |
| **Cash at end of period** | 7 | **33,513** | **4,008** |

# Notes to the condensed consolidated financial statements

## 1. Summary of accounting policies

This Preliminary Report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. There have been no changes in accounting policies since 30 June 2004 as set out in the published Annual Report for that year. Differences arising from the adoption of IFRS have been disclosed in Note 18.

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| **2. Revenue from ordinary activities** | | |
| (a) Operating activities: | | |
| Sale of mineral sands | 139 | 3,860 |
| Interest revenue | 244 | 72 |
| Other revenue: | | |
| – rents received | 87 | 53 |
| – other | 166 | 247 |
| | 497 | 372 |
| (b) Non–operating activities: | | |
| Net gain on disposal of non–current assets | – | 92 |
| | 497 | 464 |
| Total revenue from ordinary activities | 636 | 4,324 |

## 3. Expenses from ordinary activities

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| Expenses from ordinary activities | | |
| Cost of sales comprises: | | |
| – mining costs (note (i)) | (3,154) | (5,800) |
| – amortisation of intangibles | (13) | (105) |
| – employee benefits | (329) | 168 |
| Administration expenses | (3,268) | (1,842) |
| Other expenses from ordinary activities: | | |
| – exploration expenditure relating to areas of interest written off | (822) | (30) |
| | (7,586) | (7,609) |

*Note (i):*

Included in expenses disclosed by function are:

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| – depreciation and amortisation expenses (excluding intangibles) | (247) | (771) |

# Notes to the condensed consolidated financial statements

## 4. Intangible and extraordinary items

| | *Consolidated – current period* | | | |
|---|---|---|---|---|
| | **Before tax $'000** | **Related tax $'000** | **Related outside equity interests $'000** | **Amount (after tax) attributable to members $'000** |
| | **(a)** | **(b)** | **(c)** | **(d)** |
| Amortisation of goodwill | – | | | |
| Amortisation of other intangibles | 13 | | | |
| **Total amortisation of intangibles** | **13** | | | |
| Extraordinary items (details) | – | | | |
| **Total extraordinary items** | – | | | |

| | **2005 $'000** | **2004 $'000** |
|---|---|---|
| **5. Capitalised outlays** | | |
| Interest costs capitalised in asset values | – | – |
| Outlays capitalised in intangibles (unless arising from an acquisition of a business) | – | 11 |
| **6. Comparison of half year profits** | | |
| Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year | (2,617) | (1,810) |
| Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year | (4,346) | (1,494) |
| | (6,963) | (3,304) |

# Notes to the condensed consolidated financial statements

## 7. Reconciliation of cash

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows: | | |
| Cash on hand and at bank | 32,892 | 3,620 |
| Deposits at call | 451 | 199 |
| Bank overdraft | – | – |
| Other – term deposits | 170 | 189 |
| **Total cash at end of period** | **33,513** | **4,008** |

**Non–cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

Not applicable.

## 8. Exploration expenditure

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| Opening balance | 1,788 | 438 |
| Expenditure incurred during current period | 2,722 | 1,790 |
| Expenditure written off during current period | (822) | – |
| Acquisitions, disposals, recoupment, etc. | – | (440) |
| Expenditure transferred to Development Properties | – | – |
| **Closing balance as shown in the consolidated statement of financial position** | **3,688** | **1,788** |

## 9. Movement in contributed equity

| | 2005 $'000 | 2004 $'000 |
|---|---|---|
| Contributed equity at the beginning of the year | 29,645 | 27,135 |
| Shares issued during the year: | | |
| – under share placement, 10,200,000 at $0.25 in May 2004 | – | 2,550 |
| – under shareholder share purchase plan, 2,795,000 at $0.40 in December 2004 | 1,118 | – |
| – under share placement, 25,000,000 at $0.42 in January 2005 | 10,500 | – |
| – exercise of 5,000,000 options at $0.33 in February 2005 | 1,650 | – |
| – exercise of 2,000,000 options at $0.33 in March 2005 | 660 | – |
| – under share placement, 57,500,000 at $0.53 in June 2005 | 30,475 | – |
| Less costs associated with issue of shares | (1,848) | (40) |
| **Total equity at the end of the year** | **72,200** | **29,645** |

## Notes to the condensed consolidated financial statements

### 10. Accumulated losses

| | **2005 $'000** | **2004 $'000** |
|---|---|---|
| Accumulated losses at the beginning of the financial period | (24,289) | (20,985) |
| Net profit (loss) attributable to members | (6,963) | (3,304) |
| Net transfers from (to) reserves *(details if material)* | – | – |
| Net effect of changes in accounting policies | – | – |
| Dividends and other equity distributions paid or payable | – | – |
| **Accumulated losses at end of financial period** | **(31,252)** | **(24,289)** |

### 11. Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows:

| | **2005 $** | **2004 $** |
|---|---|---|
| (a) Reconciliation of earnings to net loss: | | |
| Net loss | (6,962,982) | (3,305,555) |
| Net loss attributable to outside equity interest | – | 1,286 |
| Earnings used in the calculation of basic EPS | (6,962,982) | (3,304,269) |
| Notional earnings on converting options | 50,325 | 162,085 |
| Earnings used in the calculation of dilutive EPS | (6,912,657) | (3,142,184) |
| (b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS | 103,886,339 | 74,866,572 |
| Weighted average number of options outstanding | 4,277,260 | 12,589,041 |
| Weighted average number of potential ordinary shares outstanding during the year used in the calculation of diluted EPS | 108,163,599 | 87,455,613 |

### 12. Net tangible assets per ordinary share

| | | |
|---|---|---|
| Net tangible asset backing per ordinary share (cents) | 22.8 | 6.27 |

### 13. Details of controlled entities acquired or disposed of

During the period the following companies were acquired:

- Sabodala Mining Company SARL by 2 March 2005.
- Ownership of the other Senegalese group company, MDL Senegal SARL, was transferred from Mineral Deposits Limited to a wholly-owned sub-subsidiary, Mineral Deposits Mauritius Limited, in August 2004.

# Notes to the condensed consolidated financial statements

## 14. Details of aggregate share of profits (losses) of associates and joint venture entities

There were no associates or joint venture entities associated with the consolidated group for the period.

## 15. Dividends

During the financial year, no dividends were paid. The directors have not recommended the payment of a dividend.

**Dividends per share**

| | | Amount per security | Franked amount per security at 30% tax | Amount per security of foreign source dividend |
|---|---|---|---|---|
| Final dividend: | Current year | – | – | – |
| | Previous year | – | – | – |
| Interim dividend: | Current year | – | – | – |
| | Previous year | – | – | – |

**Total dividend per share**

| | | Current year | Previous year |
|---|---|---|---|
| Final dividend: | Paid/payable on | – | – |
| Interim dividend: | Paid/payable on | – | – |

**Dividend reinvestment plans**

The company does not have a dividend reinvestment plan.

# Notes to the condensed consolidated financial statements

## 16. Statement of operations by segments

| | Mineral sands operations | | Gold and mineral exploration | | Total | |
|---|---|---|---|---|---|---|
| | **2005 $'000** | **2004 $'000** | **2005 $'000** | **2004 $'000** | **2005 $'000** | **2004 $'000** |
| **(a) Primary reporting – business segments** | | | | | | |
| ***Revenue:*** | | | | | | |
| Sales to customers outside the group | 139 | 3,860 | – | – | 139 | 3,860 |
| Other revenue | 17 | 178 | – | – | 17 | 178 |
| Unallocated revenue | | | | | 480 | 286 |
| Total revenue from ordinary activities | | | | | 636 | 4,324 |
| ***Results:*** | | | | | | |
| Segment result | (2,243) | (1,504) | (1,510) | (137) | (3,753) | (1,641) |
| Unallocated expenses net of unallocated revenue | | | | | (3,210) | (1,663) |
| Loss from ordinary activities before income tax expense | | | | | (6,963) | (3,304) |
| Income tax expense | | | | | – | – |
| Loss from ordinary activities after income tax expense | | | | | (6,963) | (3,304) |
| ***Assets:*** | | | | | | |
| Segment assets | 8,487 | 1,855 | 9,225 | 390 | 17,712 | 2,245 |
| Unallocated assets | | | | | 29,997 | 4,978 |
| Total assets | | | | | 47,709 | 7,223 |
| ***Liabilities:*** | | | | | | |
| Segment liabilities | 1,105 | 1,192 | 3,282 | 11 | 4,387 | 1,203 |
| Unallocated liabilities | | | | | 1,332 | 686 |
| Total liabilities | | | | | 5,719 | 1,889 |

# Notes to the condensed consolidated financial statements

## 16. Statement of operations by segments continued

### (b) Geographical segments

| | Segment revenues from external customers | | Segment results | | Carrying amounts of segment assets | |
|---|---|---|---|---|---|---|
| | **2005 $'000** | **2004 $'000** | **2005 $'000** | **2004 $'000** | **2005 $'000** | **2004 $'000** |
| ***Geographical location:*** | | | | | | |
| Australia | – | 54 | (4,418) | (3,167) | 32,655 | 6,833 |
| Europe | – | 2,927 | – | – | – | – |
| USA | 139 | – | – | – | – | |
| Asia | – | 879 | – | – | – | – |
| India | – | – | – | (117) | – | 109 |
| Mauritius | – | – | (475) | – | 2,304 | – |
| Republic of Senegal – Grande Côte Zircon Project | – | – | (883) | (20) | 4,293 | 281 |
| Republic of Senegal – Sabodala Gold Project | – | – | (1,187) | – | 8,457 | – |
| | 139 | 3,860 | (6,963) | (3,304) | 47,709 | 7,223 |

## 17. Contingent liabilities

(a) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its NSW exploration and mining tenements. The nature of these rehabilitation obligations includes water monitoring, revegetation, dredge/plant removal and pond restoration. Some aspects of the rehabilitation obligation extend for a period in excess of 10 years after the cessation of mining activities. Ongoing rehabilitation work continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW. No adverse situations were reported and work continued to schedule as expected. At the time of this report, the company has insurance bonds in place for $1.8 million and $1.0 million respectively covering NSW government and MidCoast Water rehabilitation obligations.

(b) There are no outstanding native title claims against the company which could or would have a financial impact.

The directors are not aware of any other contingent liabilities at 30 June 2005.

## Notes to the condensed consolidated financial statements

### 18. Reconciliation of reported amounts under Australian Accounting Standards to AIFRS

Under AIFRS a balance sheet approach will be adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable and accounting profit. In addition, a future income tax benefit must be recognised for tax losses where their realisation is considered probable. Under current Australian accounting standards tax losses may only be recognised where realisation is considered to be virtually certain.

**(b) Reconciliation of operating profit after tax for the year ended 30 June 2005**

| Operating profit after tax for the financial year to 30 June 2005 | **$'000** |
|---|---|
| As reported under Australian Accounting Standards | (6,963) |
| Share-based payments earned during the year | (1,542) |
| Operating profit after tax as restated under AIFRS for the year ended 30 June 2005 | (8,505) |

**(c) Reconciliation of total equity at 30 June 2005**

| Total equity at 30 June 2005 | **$'000** |
|---|---|
| As reported under Australian Accounting Standards | 41,990 |
| Adjustments to operating profit for the year as described above | (1,542) |
| Foreign currency translation adjustments for foreign subsidiary arising during the year | – |
| Increase/decrease in fair value of financial instruments designated as cash flow hedging instruments for the year | – |
| **Total equity at 30 June 2005 as restated under AIFRS** | **40,448** |

## Commentary on the results for the year ended 30 June 2005

***Statement of financial performance***

The group's net loss after income tax attributable to members was $6.96 million, an increase of $3.66 million.

The company's dormant subsidiary Mineral Deposits (Operations) Pty Ltd ("MDO") reported a loss of $852,100. Its activity principally comprised the disassembly of the Viney Creek dredges and concentrator and the Hawks Nest wet/dry mill in preparation for their relocation to the Grande Côte Zircon Project in Senegal mid 2006.

Sales revenue and commissions at $139,000 were minimal this year. MDO received commissions from sales of ilmenite produced by its Indian partner BMC. During the period, MDO arranged two such shipments. The remaining 20 tonnes of zircon at Hawks Nest was also sold prior to year-end. No inventories remain on hand in Australia as a result.

The company's other mineral sands subsidiary, MDL (Mining) Limited and its dedicated controlled entities, reported a loss of $1.37 million. This company, through its wholly-owned Mauritian subsidiary, owns 100% of MDL Senegal SARL ("MDLS") which houses the Grande Côte Zircon Project. MDLS itself incurred a loss for the period of $883,069.

Mineral Deposits Mauritius Limited acquired the former Viney Creek dredge and concentrator and Hawks Nest wet and dry mill from MDL (Mining) Limited at valuation.

The company's new gold subsidiary, Nimbus Gold Pty Ltd and its controlled entities, reported a loss of $1.51 million. This company, through its wholly-owned Mauritian subsidiary Sabodala Gold (Mauritius) Limited, controls Sabodala Mining Company SARL ("SMCS"). The Sabodala gold project reported a loss of $1.18 million for the period.

The parent entity, Mineral Deposits Limited, reported a loss of $3.23 million compared to $0.842 in the previous corresponding period. Its extensive activities overseas have seen overall costs in supporting the two Senegalese projects increase. The write-off of the earlier Fullerton dismantling costs, representing the remaining carrying value in relation to the Indian (BMC) alliance, amounted to $821,213.

Other non-cash charges such as:

- depreciation and amortisation charges - $49,972 and
- employee entitlements - $307,165,

contributed to the loss in the holding company.

***Statement of financial position***

Total assets increased by $40.5 million to $47.7 million, principally the result of growth in cash at bank due to capital raisings during the period just concluded.

The two projects in Senegal have required a significant increase in the acquisition of property, plant and equipment by the respective sub-subsidiaries, MDLS and SMCS, all self-funded.

Total liabilities increased by $3.83 million to $5.71 million at period end.

Total equity of the group increased by $36.6 million during the year. The net movement reflected the issue of additional shares issued in various tranches during the period just concluded. The number of shares on issue increased by 100,295,000 to 183,992,257 at 30 June 2005.

***Statement of cash flows***

Cash on hand was $33.53 million at 30 June 2005 compared to $4.0 million at the end of the previous financial year.

During the period, the company's extensive capital raising programme generated a total of $44.4 million (before costs). A placement of 57.5 million shares at $0.53 per share to institutional clients of Haywood Securities Inc. was the principal contributing factor, raising $30.48 million.

## Developments

### 1. Sabodala

The Sabodala deposit is located within the West African “Birimium” gold province in the east of Senegal near the Mali border. The deposit lies within a typical greenstone belt, similar to those of the Eastern Goldfields of Western Australia. The region hosts a number of very significant gold discoveries including Sadiola (9.8 million ounces), some 80 kilometres from Sabodala but in the adjacent country of Mali. Prospectivity for the establishment of a large, exploitable gold resource at Sabodala is good and the company is seeking to expedite the establishment of a start-up size operation with a view to financing a more significant mine once the full potential of the resource becomes better known.

- As part of its Sabodala feasibility study, the company is undertaking a large drilling programme on its wholly-owned Sabodala gold project. The programme is designed to better define mineralisation earlier identified by other explorers. It is intended that approximately 40,000 metres of drilling will be completed by early 2006 allowing a “JORC” compliant resource and reserve statement to be published.

  The Phase I programme of approximately 14,000 metres of reverse circulation (“RC”) and diamond drilling (“DD”) intended to test relatively shallow mineralisation previously identified commenced in July.

  To 1 September 2005, the company had completed 101 drill holes, including three water bore holes, for a total of 9,366 metres including 6,958 metres of RC and 2,408 metres of DD. Assay data to hand represented some two-thirds of the completed drilling.

  Early intersections from the central and northern zones are seen to have confirmed excellent gold grades determined historically and, subject to validation, appear to have extended the size and tenor of the mineralised zone.

  A large number of economic grade intersections were made. However, to date, insufficient drilling has been completed to gain a full understanding of the geometry of the mineralised system.

  During the December 2005 quarter, a third drill rig will be deployed in support of the drilling of the Sabodala South deposit, other exploration targets, sterilisation drilling for treatment plant location and hydrological testwork.

  The company is much encouraged by the results of its Phase I programme and confidence in the successful completion of a feasibility study and a fast-track mine development appears well placed at this stage.

- On 12 August 2005, the company issued 9,000,000 ordinary shares credited as fully paid in part consideration for the purchase of the 30% minority interest in SMCS, the holding company of the Sabodala gold project, pursuant to its earlier exercise of its option in this regard. The balance of the consideration (US$2.5 million) will be paid in cash in two tranches by 1 March 2006. As a result, the Senegalese partners became sizeable shareholders in the company with a stake of around 12.5%.

  As with the current interest in the Grande Côte Zircon Project, the company will hold a 100% interest until commencement of production at which time the Republic of Senegal will assume a 10% interest in SMCS. Pursuant to the governing Convention and the Mining Code, the Senegalese government will not receive entitlements to dividends until the company has recovered its capital outlays.

### 2. Grande Côte

At this stage, the company remains focused on the high quality zircon product that would result from mining. Any future extractive operation would be well supported by good local infrastructure and one of Africa’s major seaports at Dakar at the most westerly point of the African coastline. The major advantages of the project include favourable local logistics, close proximity to major end-users in Europe and the United States thereby substantially reducing freight and holding costs, low country risk and, most importantly, the full support of the Senegalese authorities at all levels.

Demand for the products to be generated 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 existing customers and they report confirmation of the high product quality previously indicated by the company.

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.

The company is substantially engaged in the production of a bankable feasibility study of its Grande Côte Zircon Project. A wide range of geological, engineering, environmental and financial work is currently well in hand, the target date for the completion of which is early 2006.

It is anticipated that the current round of drilling to at least five metres beneath the water table to allow for the proposed dredge operation, expected to run continuously for another four months, will increase the size of the resource and allow the calculation of a Reserve to “JORC” standard for the first three to five years of the extensive mine life.

Early in July, the company established a third Senegalese entity, Mineral Deposits (Operations) Senegal SARL, to be the local mineral sands mining entity on commencement of mineral extraction.

**3. Administration**

- The company opened a national head office in Dakar to support its field offices at Thies, Tivaouane (Grande Côte) and Sabodala in August 2005. This office will become the principal centre for the company in Senegal and will support administration, accounting, project development, government and community relations. Key staff members with relevant experience have since been employed and are in the process of assuming their individual positions.

- The company has retained Social Sustainability Services as consultants to ensure a comprehensive community relations plan is put in place and executed and also to assist with the identification and appointment of local staff in Senegal to manage the responsibilities on a long-term basis. Its Dr Catherine Macdonald has wide-ranging experience developing such programmes 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.

Other than the above and already separately disclosed, in the opinion of the directors of the company there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely to affect substantially the results of the operations of the company during the remainder of the current financial year.

## Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views.

2 This report, and the accounts upon which the report is based, use the same accounting policies.

3 This report gives a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.

- ☐ The accounts have been audited.
- ☐ The accounts have been subject to review.
- ☑ The accounts are in the process of being audited or subject to review.
- ☐ The accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

6 The entity does have a formally constituted audit committee.

Sign here: ............................................................ Date: 13 September 2005
Company Secretary

Print name: M.J.S. Drummond