

**ASX Announcement**

**29 October 2008**

**Anduramba Molybdenum Project Update**

**Highlights:**

- Pre-feasibility review is complete and proposed financing and development schedule finalised for the Anduramba Project located 150km west of Brisbane, Qld, Australia.
- Pre-feasibility review indicates an 11 year, 2 to 3mtpa conventional molybdenum sulphide mine delivering a 2.5 year payback of A\$86M Capital cost and an NPV of A\$235M with an IRR of 48.5%.
- Definitive Feasibility Study (DFS) is scheduled to commence November 2008.
- Preliminary testwork has identified the potential to produce up to 1.33mtpa of industrial grade silica feldspar sand as a by-product sold into SE Qld industrial developments.
- Metallurgical testwork is due to be completed by mid November 2008.
- Hydrogeology water supply study stage 1 has been completed. Stage 2 has commenced.
- Mining Lease application in preparation.
- Mineralogical studies and environmental tests have been completed.

**Key Pre-feasibility Financials and revised pit optimisation show:**

Operating Cost	A\$14.70 / tonne
Capital Cost	A\$86 M
Payback	30 months (from 1 <sup>st</sup> Cashflow)
Mine Life	11 years (from 1 <sup>st</sup> production)
Average EBITDA	A\$60 M pa
NPV (pre tax/ post finance)	A\$235 M
IRR (pre tax/ post finance)	48.5%
Cumulative Operating Surplus	A\$558 M
Average Annual Production:	
Molybdenum (Mo)	2.1 M lbs
Copper (Cu)	0.67 M lbs
Silver (Ag)	0.3 M oz
Sand products	Up to 1.33 M tonne

**Total resources of 31.6 million tonnes averaging 0.059% Molybdenum Equivalent\* (Mo Eq)**

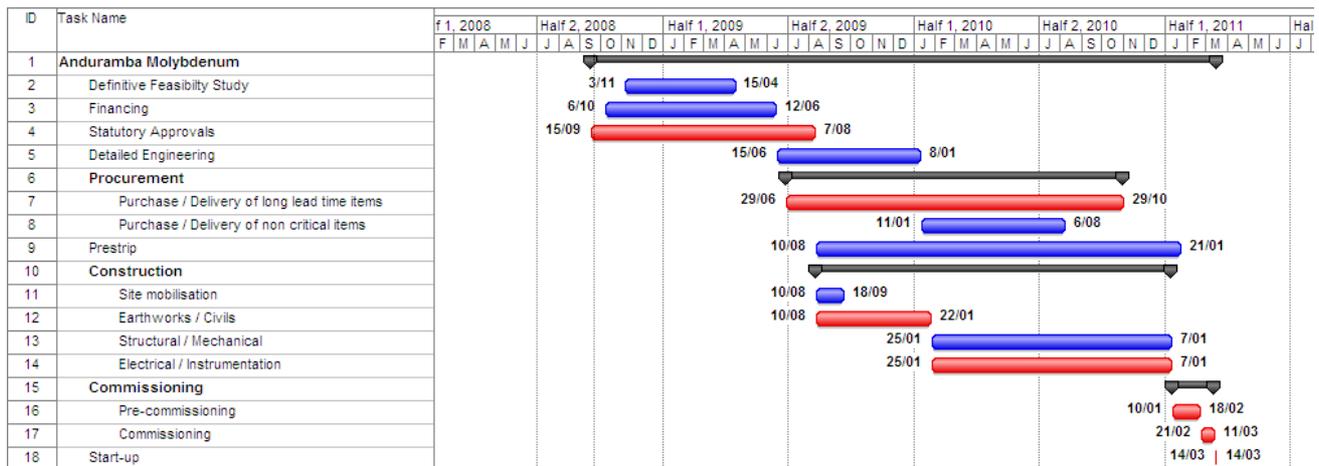
Category	Tonnes	Mo (ppm)	Oxide Mo (ppm)	Sulphide Mo (ppm)	Ag (ppm)	Cu (ppm)	Mo Eq (ppm)
Indicated	21,013,961	567	114	425	5.69	159	628
Inferred	10,614,273	487	88	369	2.81	94	519
Total	31,628,234	540	105	406	4.72	137	591

**Parameters Used for Pit Optimisation:**

**Resource:** 31.6 million tonnes: Indicated 21 Mt, Inferred 10.6 Mt (see Appendix)  
**Cut-Off Grade:** 0.03% Mo Eq  
**Milling Rate:** 1.95 million tonnes per annum increasing to 3 million ton per annum in year 3  
**Waste to Ore ratio:** 0.83 : 1      **Density** of ore and waste = 2.52 tonnes per cubic metre  
**Revenue Parameters:**

	Mill Feed Grade (ppm)	Mill Recovery (%)	Net smelter returns (% of price)	Prices (\$US)
Mo as sulphides	406 ppm	85%	87.5%	US\$30.00/lb
Mo as oxides	N/A	70%	87.5%	US\$30.00/lb
Silver	4.72 ppm	65%	80%	US\$9.37/oz
Copper	137 ppm	70%	80%	US\$1.69/lb
US\$ to A\$ exchange rate	0.65	Royalties: 2.7% of net smelter returns		Discount rate 10%

**Pre –Feasibility Project Schedule:**



**Water Supply Study:**

The study revealed that the Anduramba site is conducive to the collection of significant runoff during heavy rain falls and with ground water supply will provide in excess of the necessary water requirements for the project.

### **Mining Lease Application:**

A Mining Lease Application along with ancillaries Plan of Operations (POO), Environmental Management Plan (EMP) and application for an Environmental Authority for the project development is in preparation and subject to financing is expected to be submitted in the next quarter (Q1/2009).

### **Mineralogy Studies:**

Mineralogical studies have not identified any negative environmental issues arising from the mineral extraction and tailing disposal process.

It is anticipated that the average annual production of sand will be up to approximately 1.33 M tonnes of industrial quality sand suitable for various applications. Various markets are targeted with in South East Queensland.

### **Project Upsides:**

The new assessment has used conservative strip ratios (based on an average pit slope of 45 degrees including haul roads). The completed pre-feasibility study has assumed conservative mill operating costs pending the completion of metallurgical testing and process plant specification.

A program of oriented HQ diamond core drilling completed in January 2008 has been reviewed by Coffey Geotechnics and a formal report is pending. Preliminary findings indicate that the host rock is sufficiently competent to provide for increased slope stability. Once the report is complete another pit optimisation revaluation will be carried out, with the potential to further enhance project economics.

Significant potential to produce industrial grade silica feldspar sand from the tailings of the proposed operation has been identified. This may reduce the overall mining footprint and accordingly reduce development and operating costs and increase earnings.

At this stage no allowance has been made for the treatment of oxide ore however current testwork is underway and if a commercially viable recovery technique is achieved significant value will be added to the projects economics as a result of Mo Oxide recovery.

On behalf of the board,  
D P Cornish  
Company Secretary

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Electronic copies and more information are available on the Company website: [www.daguilar.com.au](http://www.daguilar.com.au)

**Footnote regarding estimation and metal equivalents assumptions:**

Cut-off grades are based on Molybdenum Equivalence (“Mo Equiv”) and the inputs for this calculation are:

1	troy ounce (oz)	=	31.103477	grams (gm)
1	pound (lb)	=	453.5924	grams (gm)

Metal*	Prices (US\$) July 2008 outlook	Units	Price per gram (gm) (US\$)	Ratio
Mo	\$30.00	/ lb	\$0.0743 / gm	1.00
Ag	\$9.37	/ troy ounce	\$0.3295 / gm	4.14
Cu	\$1.69	/ lb	\$0.00507 / gm	0.051

Where Mo = Molybdenum, Ag = Silver and Cu = Copper (all in ppm)

In the Company’s opinion all elements included in the metal equivalents calculation have a reasonable potential to be recovered, approximately in the proportions of 70% to 85% for Mo, 75% to 85% for Ag and 70% to 80% for Cu based on preliminary metallurgical testwork results to date. Recoveries may change as testwork proceeds. On this basis, the formula used to calculate Mo Equiv is as follows (note no recoveries have been included in this calculation):

$$\text{Mo Equiv} = \text{Mo} + 4.44 \times \text{Ag} + 0.068 \times \text{Cu}$$

**Appendix: Explanatory Notes regarding Resource Statement:****Competent Person and JORC Code**

The resource report was prepared in accordance with the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (“JORC Code”) by Alex Virisheff, Principal Resource Geologist and Troy Lowien, Resource Geologist, of consultants Coffey Mining Pty Ltd, who are Members of The Australasian Institute of Mining and Metallurgy (“AusIMM”). and have a minimum of five years of experience in the estimation, assessment and evaluation of Mineral Resources of this style and are the Competent Persons as defined in the JORC Code. Troy Lowien conducted the geological modelling, statistical analysis, variography, grade estimation, and report preparation. This announcement accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears.

**Estimation Procedures**

Molybdenum mineralisation occurs as coarse molybdenum associated with quartz veining and also disseminated through the host rock in areas. Exploration has been conducted in the area since 1967. The investigations of the Anduramba porphyry have include detailed mapping, soil sampling, stream sediment sampling, the rock chip sampling of an adit, geophysical surveys and various diamond, percussion and reverse circulation drilling programs.

Adequate quality control procedures have been implemented for all data collection by the Company from 2006 onwards so that appropriate levels of analytical precision and accuracy have been achieved for use in resource estimation. A limited amount of quality control data was collected for the pre-2006 drilling. What data is available indicates a reasonable level of quality. Coffey Mining is satisfied that the pre-2006 exploration data is appropriate for use in resource estimation.

The usual sampling interval is 2 metres in each drill hole. Mineralised domain boundaries for the purpose of constraining grade estimation have been interpreted and modelled based on the geological logging, grade constraints and interpreted geological and structural controls. Statistical and geostatistical analyses within domains were carried out on 2m composites. An outlier analysis resulted in the cutting of some high grade composites to avoid overestimation of grade. All Mineral Resources quoted in this report are based on grade estimates contained in 3 dimensional block models created with Surpac® Software. All metal grades were interpolated using an Ordinary Kriging algorithm and validated by visual and statistical comparison. Tonnage calculation was based on limited in situ bulk density measurements obtained from diamond core. Resource classification was in accordance with guidelines as set out in the JORC Code (2004). The key criteria used in classification were drill density, geological and grade continuity, and quality of grade estimates.