



## DECEMBER 2009 QUARTERLY ACTIVITIES REPORT

### ASX Release

29 January 2010

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For the latest news:  
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**Directors / Officers:**  
Michael Haynes  
Hugh Bresser  
Anthony Polglase  
Gibson Pierce  
Scott Funston

**Issued Capital:**  
85.1 million shares

**ASX Symbol:** OVR

### HIGHLIGHTS

#### *Yukon Base Metal Project Economic Mining Study*

- **Economics of developing the Yukon Base Metal Project improved substantially following refinement of preliminary mining evaluation data**
- **Positive DMS test results and reduced transport costs incorporated into the mine plan and financial model for Project development**
- **Total mining inventory doubled**
- **Capital cost estimate reduced by 30%**
- **Project modelled to generate \$174 million undiscounted cash flow after CAPEX**
- **Definitive feasibility study into Project development underway**
- **Agreement reached with Macquarie Bank giving it the right to provide up to 50% of debt finance required to develop the Project**

#### *Exploration Potential*

- **Considerable potential to extend resources at the known deposits and to make further discoveries**

#### *Placement*

- **Placement of \$6 million nearing completion**
- **Share Purchase Plan to raise up to a further \$1.89 million**
- **Funds to be used to advance the Yukon Base Metal Project through a definitive feasibility study**

During the December quarter Overland Resources Limited (ASX: OVR and "Overland Resources" or "Company") announced the commencement of a definitive feasibility study on the Yukon Base Metal Project. This follows the completion of mine optimisation and economic assessment work that incorporated the results from recent dense media separation (DMS) test work and an operational optimisation review.

In December the Company entered into subscription agreements to raise \$6 million through the issue of approximately 70.6 million new shares ("Placement") and opened a Shareholder Purchase Plan (SPP), for the issue of up to a further 22.2 million shares. The SPP will enable existing shareholders to participate in the continued growth and development of the Company.

In December the Company also announced that it had entered into an agreement whereby Macquarie Bank Limited (Macquarie Bank) has the right to provide up to 50% of any future debt finance required to develop the Yukon Base Metal Project (at commercially competitive terms).

## REFINEMENT OF THE PRELIMINARY MINING EVALUATION

During the December 2009 quarter the Company completed a review to identify possible ways to reduce capital and operating costs, primarily through evaluation of dense media separation technology and assessment of potential reductions in transport costs for the Yukon Base Metal Project. Results from the review were very encouraging, prompting the Company to commission a definitive feasibility study into development of the Project.

### Dense Media Separation Results

In November Overland Resources Limited received results of heavy liquid separation (HLS) test work conducted by independent laboratory SGS Lakefield in Canada. HLS is used in the laboratory to simulate the process of Dense Media Separation (DMS) which would be undertaken on a commercial scale.

The results of the HLS test work conducted on the material from the Andrew Zinc Deposit were exceptional, achieving over 90% waste rejection while retaining over 80% of the zinc metal. In all three test cases zinc grade was increased at least eight times that of the head grade of the initial sample (2.4% zinc).

### Mine Design and Optimisation

In December the Company announced the results of re-optimisation of the open pit mine design for the Yukon Base Metal Project, taking into account the positive DMS test results together with anticipated lower transport costs.

Mine design results indicated that the optimised open pit mining inventory at the Andrew Zinc Deposit can be increased to 8.2Mt at 4.1% Zn and 1.4% Pb (compared to the previously optimised open pit of 1.1Mt at 5.7% Zn and 1.8% Pb). This represents a seven fold increase in the open pit mining inventory at the Andrew Zinc Deposit since the May 2009 mining study (Figure 1).

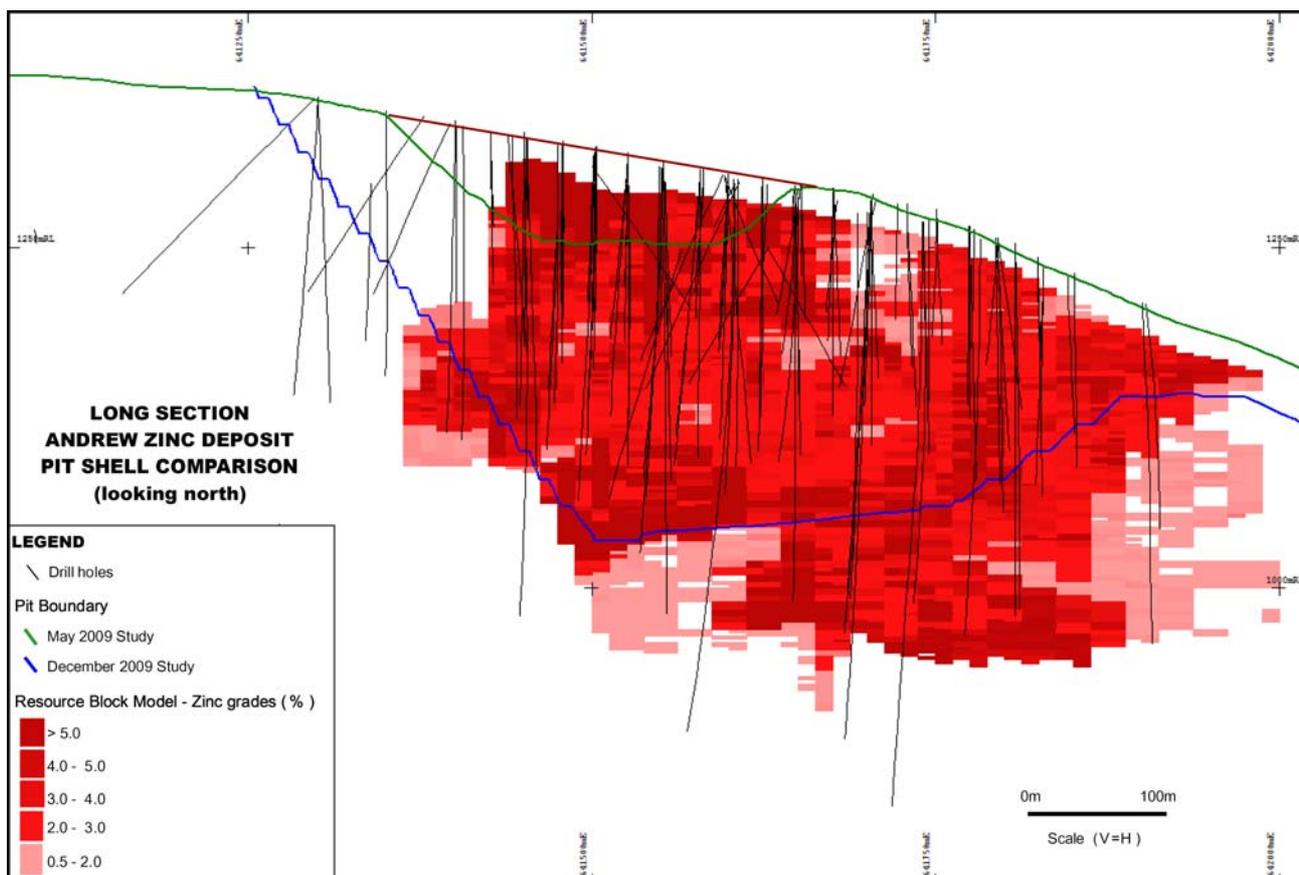


Figure 1: Long section of Andrew Zinc Deposit showing resource ore blocks and comparing open pit shells with and without DMS application.

The optimised open pit mining inventory at the Darcy Zinc Deposit has been increased to 1.7Mt at 5.8% Zn (from a previous 1.2Mt at 7.8% Zn).

The total open pit mining inventory for the Yukon Base Metal Project, allowing for 10% mining dilution and 95% ore recovery, now stands at 9.9Mt at 4.3% Zn and 1.2% Pb, over double the number of mineable tonnes indicated in the previous study.

## **Economic Assessment**

### ***Reduced Capital Costs***

The increased size of the open pit operation mitigates the requirement to initially establish a higher cost underground mining operation. This equates to a saving of more than US\$30 million, or 32%, of the previously estimated initial capital expenditure. Initial capital cost for the Project is now forecast to be US\$63 million.

### ***Increased Cash Flow***

It is anticipated that the overall project economics will be improved substantially due to:

- (i) The expectation that trucking costs can be reduced from US\$0.14/t/km to US\$0.10/t/km;
- (ii) Achieving lower mining cost per tonne of ore by eliminating high cost underground mining; and
- (iii) Increasing the total amount of saleable product (due to DMS application).

The Company's financial modelling indicates the new larger proposed open pits at the Andrew and Darcy Zinc Deposits, combined with DMS technology, and allowing for reduced transport costs, could provide an undiscounted cash flow of US\$174 million after capital expenditure (compared to the Company's May 2009 forecast of US\$116 million – all other parameters remaining the same). This represents a 75% increase in forecast cash flow over the current life of the project.

## **Definitive Feasibility Study**

The Company is very encouraged by the results of the recent economic assessment and in December 2009 announced the commencement of a definitive feasibility study (DFS) into the development of the Yukon Base Metal Project. A team of professionals has been assembled and feasibility work has commenced. Additional preparations are underway for further drilling and target evaluation in 2010.

The Company anticipates the definitive feasibility study into the development of the Yukon Base Metal Project will be completed towards the end of 2010.

## **EXPLORATION POTENTIAL**

Mineralisation at both the Andrew Zinc Deposit and the Darcy Zinc Deposit remains open in all directions. There is considerable potential for mineralisation to extend beyond the bounds of the current drilling. The Company intends undertaking additional work to expand the resource bases at both deposits. This would add considerable value to any mining operation established at the Yukon Base Metal Project.

The Andrew and Darcy Zinc Deposits are 600m apart and lie within a NW-SE trending mineralised corridor. Soil geochemistry samples collected from this mineralised corridor show it to be highly anomalous in zinc over at least 2,500 metres of strike. The entire mineralised corridor is yet to be adequately tested. The Company has identified six high priority zones for drilling including the Darin Zone, to the south east, where analytical results returned from limited diamond drilling include:

- **21.2m at 4.8% zinc from 103.1m, and**
- **10.5m at 3.6% zinc from 3.7m**

The Company believes that potential exists to double the resource base at the Yukon Base Metal Project by conducting a systematic drilling programme over these exploration targets (Figure 2.).

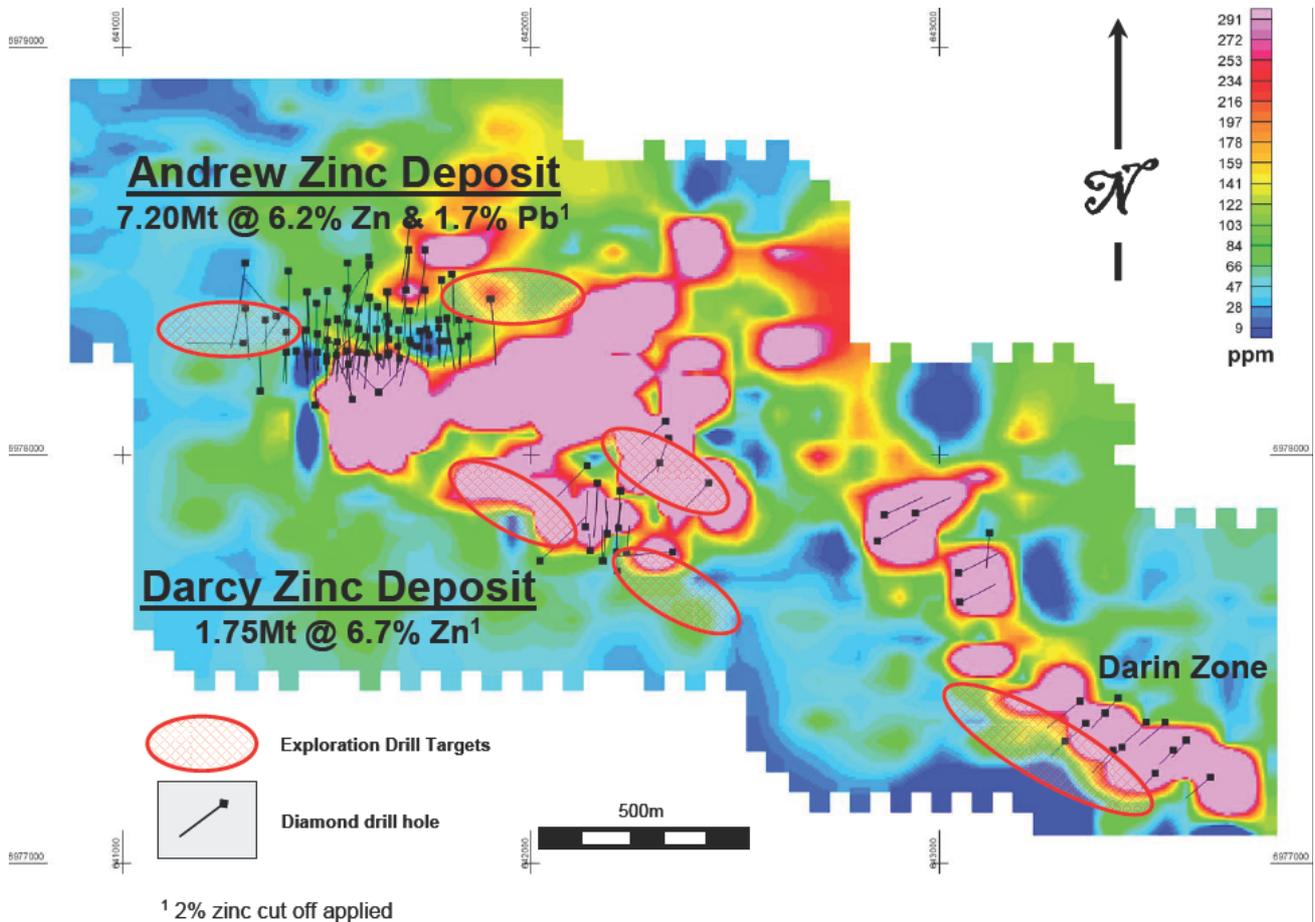


Figure 2: Zinc in soil geochemistry extending 2,500m south east from the Andrew Zinc Deposit.

It is anticipated that all new resources discovered within this 2,500m mineralised corridor would have similar metallurgical characteristics to the material from the Andrew Zinc Deposit and could be processed through the same treatment facility, increasing the economic life of the project. As a result minimal additional capital expenditure would be required to bring these new discoveries into production.

## **PLACEMENT**

In December 2009 the Company entered into agreements with institutional, sophisticated and industry investors to raise \$6 million through the issue of approximately 70.6 million new shares at \$0.085 per share. The Placement is conditional on shareholder approval, which shall be sought at a general meeting of shareholders to be held on 5 February 2010.

## **SHARE PURCHASE PLAN**

The Company also announced in December 2009 that existing shareholders will be entitled to participate in an SPP comprising the issue of up to 22.2 million shares at \$0.085 per share to raise up to \$1.89 million. Shareholders registered on 31 December 2009 were entitled to participate in the SPP.

## **PROJECT FINANCE**

During December 2009 Overland Resources entered into an agreement whereby Macquarie Bank has the right to provide up to 50% of any future debt finance required to develop the Yukon Base Metal Project (at commercially competitive terms).

As part of this agreement Macquarie Bank has agreed to subscribe for \$2 million worth of shares in the Placement.

This strategic partnership with Macquarie Bank provides the Company with confidence that funding for the development of the Project, following the completion of a positive DFS, will be available from major and highly regarded financial institutions.

## **Hugh A Bresser** **Managing Director**

*The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Mr Peter Ball who is a Member of the Australian Institute of Mining and Metallurgy. Mr Peter Ball is the Manager of Data Geo. Mr Peter Ball has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Peter Ball consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to Exploration Result is based on information compiled by Mr Hugh Alan Bresser who is a Member of the Australian Institute of Mining and Metallurgy. Mr Hugh Alan Bresser is a Director of Overland Resources Limited, he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Hugh Alan Bresser consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*