

ASX RELEASE

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Mining Lease Negotiations Underway in Senegal

SABODALA GOLD PROJECT

On 2 August 2006, Mineral Deposits Limited (“MDL”) was formally invited by the Senegalese Minister of Energy and Mines to commence negotiations for the Sabodala Mining Lease (called a Concession Miniere). The Mining Lease will make provision for a minimum five year period and not exceeding a period of 25 years.

In consultation with the Minister of Energy and Mines and the Direction of Mines and Geology (“DMG”), MDL has already lodged the Feasibility Study, Environmental Impact Statement (“EIS”), the Constitution and Shareholders’ Agreement to be entered into between MDL and the Government of the Republic of Senegal in relation to the gold mining entity and, as provided, an Addendum to the existing Mining Convention.

The company is pleased to report that, to date, a high level of cooperation has been manifested by the relevant Government departments and progress has been very satisfactory.

Formal negotiations commenced in Dakar on Wednesday, 9 August.

The issues under negotiation for award of the Sabodala Gold Mining Lease are:

- Term of the mining lease
- Tax exoneration period on operating profit
- Other tax-related incentives, e.g. on imports of foodstuffs and diesel fuel for the mine site
- Offshore and local banking arrangements in relation to proceeds of future gold sales
- Environmental considerations
- Acceptance of a 3% royalty
- Other Mining Code provisions including, amongst others, equity interests in the new mining entity

The following formal stages of the mining lease process have been completed:

1. Period of notice for any public objections in respect of the Sabodala EIS has passed without any objections having been lodged.
2. A community awareness programme in the local district was carried out by means of a series of well attended public meetings.

3. The project was approved by the local communities and the district council which ultimately has responsibility for the area in which the project is being established.
4. A geological and resource report of 2.2 million ounces for the Sabodala Project, as previously reported to ASX, was submitted to the Minister of Energy and Mines.
5. A Mine Plan, being a very detailed assessment of every facet of the whole development in report form including mine design and scheduling, gold processing, tailings storage and waste dump design, water supply, environmental rehabilitation and personnel structure has been submitted to the Minister of Energy and Mines.
6. The EIS report prepared to international best practice standard is awaiting final approval from the Director of Environment.

GRANDE CÔTE ZIRCON PROJECT

The Feasibility Study was lodged during March 2006.

The documents required to progress the application for a Mining Concession for the Grande Côte Zircon Project are being prepared for submission to the DMG. These include the Shareholders' Agreement between MDL and the Government of the Republic of Senegal for the zircon mining company and an Addendum to the existing Mining Convention already well advanced.

Preliminary issues under negotiation:

- Local infrastructure development programme
- Environmental considerations, particularly as regards groundwater
- Landowner compensation in the line of the proposed dredge path and site of the mill
- Long term social programme

The following formal stages of the mining lease process have been concluded:

1. The EIS encompassing the entire exploration lease of 446 square kilometres was approved by the Senegalese authorities on 21 January 2006.
2. Regular monthly communication meetings between MDL and both the local administration and representatives of the local population have been formalised and well received.
3. The installation of appropriate boreholes to accurately identify and monitor the water table.

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