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SABODALA GOLD PROJECT MDL & Senegalese Government Finalise Arrangements for Development

Mineral Deposits Limited is pleased to announce that the supplementary deed to the existing Mining Convention for the development of the Sabodala Gold Project, the subject of extensive negotiations between the company and Senegalese government officials in recent months, has now been executed by MDL and the Government of the Republic of Senegal ("ROS").

The supplementary deed encapsulates the basis for proceeding to the operational phase of the Sabodala Gold Project located in eastern Senegal, the ROS having agreed to grant the company the benefit of conversion from an Exploitation Permit to a Mining Concession.

The key terms of the supplementary deed which comprise part of the current Mining Convention are:

- a discrete exploitation (mining) company in which the ROS will be issued a 10% non-contributory interest is to be established for the project. Its formation will be exempt from taxes and duties normally imposed on deeds registering the incorporation of Senegalese companies;
- project expenses incurred by MDL presented to and approved by the ROS will be classified as a contracted debt of the new exploitation company and become repayable in accordance with the relevant articles of the Mining Convention which accord priority of repayment of such debts over the declaration of dividends by the exploitation company going forward;
- the investment period will run from the date of notification of grant of the Mining Concession to first gold production for a maximum duration of 18 months;
- over a period of eight years from the date of notification of the grant of the Mining Concession, the holder of this concession (to become the exploitation company once established) will benefit from a total exemption from taxation including Value Added Tax and Company Tax;
- the Mining Concession holder (to be the new exploitation company) will also be allowed to import without financial penalty its own equipment or leased/rented equipment to be deployed on the project, and goods and services required for its activities in Senegal;
- the exploitation company (or appointed contractor) is authorised to generate electrical power to meet the needs of its various on-site operations and facilities and to place any surplus energy at the disposal of the authorised provider (Senelec) on commercial terms. This concession is of considerable financial benefit to the viability of the project;
- the exploitation company may freely export mined mineral substances, their concentrates and primary or other derivatives subject to complying with the formalities for the export of such substances;
- the exploitation company will invest an amount of USD425,000 per annum on social development of local authorities in the Tambacounda region and, in particular, the rural community of Khossanto in which the project is located;



- the exploitation company will contribute, on the basis of a Heads of Agreement to be executed with the Governor of the Tambacounda region, a sum of USD30,000 per year to logistical support of the territorial administration of the region; and
- the ROS retains the right reflected in the existing Mining Convention, in addition to its non-contributory 10% of shares in the exploitation company to be incorporated, to reserve for itself or for a national private sector person, a paid equity interest up to a further 30% of the capital of the exploitation company. The procedures for the independent valuation of these paid shares (and any shares to be issued in the exploitation company from time to time) are governed by the terms stipulated in the Shareholders' Agreement pertaining to the new exploitation company to be formed on receipt of the Mining Concession. Should the ROS exercise this right, there will be a reduction in the quantum of external borrowings to finance the project with a corresponding diminution in interest charges and bank fees.

For further details please contact:

Jeff Williams

Tel: (03) 9909 7633

E-mail: jeff.williams@mineraldeposits.com.au

or visit our Website at: www.mineraldeposits.com.au