

## DE-MERGER PROPOSAL

Mineral Deposits Limited (ASX: MDL, TSX: MDM) is pleased to provide an update in relation to the separation of its two core assets, the Sabodala gold operation ("Sabodala") and the Grande Côte Mineral Sands Project ("Grande Côte"), both located in Senegal, West Africa, into two separate, publicly traded entities.

After consideration of a number of factors, it is now currently proposed to de-merge Sabodala rather than Grande Côte, from MDL.

It is proposed that the de-merger of Sabodala is expected (subject to any necessary regulatory or third party approvals or requirements) to include the following:

- ▶ MDL will incorporate a new Canadian-based company ("NewCo") and transfer the Sabodala holding companies into this new company;
- ▶ MDL will, subject to the approval of its shareholders, distribute 80% of the NewCo shares it owns to MDL shareholders with the intention of obtaining de-merger tax relief for Australian domiciled shareholders;
- ▶ NewCo will conduct an Initial Public Offering ("IPO") involving the issue of new shares in NewCo and apply to list on a major North American stock exchange, with potentially a secondary listing on the Australian Securities Exchange ("ASX"). It is not intended that the IPO will be offered in Australia;
- ▶ Some of the funds raised through the IPO will be distributed to MDL; and
- ▶ MDL will own approximately 15% of NewCo post the IPO.

While work is continuing on the particular details of the proposal, planning for the de-merger is well advanced, including discussions with the proposed underwriters of the IPO. MDL shareholders will be advised of further details in coming months.

The management team of NewCo is proposed to be led by **Alan Hill**, as Chairman and Chief Executive Officer, and **Richard Young**, as President and Chief Financial Officer.

**Alan Hill** has had an extensive career in the mining business, most notably as the Executive Vice President, Development of Barrick Gold Corporation, a role in which he managed the development of and brought into production a number of Barrick's projects. He retired from Barrick in September 2003 and was with Gabriel Resources Ltd as its President and CEO from May 2005 until March 2009. He is currently a director of Gold Fields Limited, one of the world's largest gold miners.

**Richard Young** has extensive financial, mine development and capital markets experience. He was with Barrick Gold Corporation for 13 years where he served as the Vice President of Investor Relations and Manager, Corporate Development. He was then with Gabriel Resources Ltd from May 2005 until March 2010 in the position of Chief Financial Officer.

The current proposed timing of the IPO / listing of NewCo is November this year, subject to equity market conditions. The distribution of NewCo shares to MDL shareholders is also proposed to be made at around the time of the IPO / listing of NewCo. The de-merger will be subject to MDL shareholder approval under the ASX Listing Rules.

There will be no change to the company structures in Senegal following the separation. NewCo's interest in Sabodala will continue to be 90% with the other 10% owned by the Government of the Republic of Senegal, which is a non-contributory interest.

Post the de-merger and IPO / listing of NewCo, MDL will continue to be led by the existing management team and is planned to have as its key assets:

- ▶ cash, both from the transfer of the Sabodala gold assets as well as existing cash resources;
- ▶ an approximate 15% shareholding in NewCo; and
- ▶ the Grande Côte Mineral Sands Project – with its financing and development (at a current estimated cost of US\$406 million) being the primary focus of management.

The cash, combined with the value of MDL's residual interest in NewCo, will contribute towards the financing of Grande Côte.

**MDL Executive Chairman, Nic Limb, said “It has been obvious for some time that from a market perspective, Sabodala and Grande Côte were not compatible in the one listed company. We believe this de-merger should provide an excellent opportunity to realise substantial value for shareholders. Our shareholders should benefit through having direct ownership of both a pure West African gold producer with exciting growth prospects, and the Grande Côte Mineral Sands project, which has the potential to be a Tier One asset. The split of the two assets also provides the opportunity to fund a significant portion of the equity required for the Grande Côte project in a non-dilutive manner”.**

**Alan Hill, the proposed Chairman and CEO of NewCo, commented, “Our vision for NewCo, which comes into existence with a producing mine and large exploration position, is to grow it both organically and through strategic acquisitions into a mid-tier West African gold producer. The Sabodala district is an emerging gold belt and we will have a land position of some 1,400 square kilometres with a number of gold targets to be drilled. Our growth will always be undertaken with a view of creating value for shareholders and benefiting the communities in which we operate.”**

For further information please contact:

**Nic Limb**, Executive Chairman  
T: +61 3 9909 7633 | E: nic.limb@mineraldeposits.com.au

**Jeff Williams**, Managing Director  
T: +61 3 9909 7633 | E: jeff.williams@mineraldeposits.com.au

### About MDL

Mineral Deposits Limited is an ASX and TSX listed mining company with a current focus in Senegal, West Africa through a producing gold mine, the Sabodala Gold Operation, and a to be developed mineral sands project, the Grande Côte Mineral Sands Project.

The Sabodala Gold Operation, which poured its first gold in March 2009, is located 650 kilometres east of the capital Dakar within the West African Birimian geological belt in Senegal, and about 90 kilometres from major gold mines and discoveries in Mali. The area has only recently been opened for mining and exploration and is emerging as a significant new gold camp, with more than 10M ounces of resources already discovered.

The Grande Côte Mineral Sands Project is located on the coast of Senegal starting approximately 50 kilometres north of Dakar and extending northwards for more than 100 kilometres. The large scale of the ore body and the high quality of the zircon provides the potential to establish an operation of international significance.

Senegal is one of Africa’s most successful democracies, having gained independence in 1960. It enjoys a stable and investor friendly political and social environment. The government of the Republic of Senegal is MDL’s valued partner and holds a 10% free carried interest in both projects, which will accrue dividends once MDL has recovered its capital invested.

### Forward Looking Statements

Certain information contained in this release, including any information on MDL’s plans or future financial or operating performance and other statements that express management’s expectations or estimates of future performance, constitute forward-looking statements. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. MDL cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of MDL to be materially different from the company’s estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of gold and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of MDL. Nothing in this release should be construed as either an offer to sell or a solicitation to buy or sell MDL or any other securities.