



ASX RELEASE – 26 OCTOBER 2006

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QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2006

HIGHLIGHTS

❑ Sabodala Gold Project - drilling now focused on top 150 metres

- On the Sabodala deposit, step-out drilling has intercepted further high grade intersections to the most northerly line 20770N. All holes were inclined at 60 degrees. The significant step-out gold intersections include:

14.0 metres grading 6.8g/t from 351 metres (all downhole);

7.8 metres grading 6.8g/t from 172 metres; and

24.0 metres grading 3.9g/t from 183 metres.

- First pass regional rotary air blast ("RAB") drilling north along strike of the Sabodala deposit has reported highly encouraging results. Anomalous results were found up to 600 metres north from line 20770N.
- The final negotiations on the fiscal and customs provisions of the Sabodala Mining Convention should be concluded in early November.
- Since start-up of drilling on 30 June 2005, 68,834 metres were completed through 30 September 2006. During the September quarter, 15,122 metres were completed.
- On 1 September 2006, approval of the Sabodala Environmental Impact Study ("EIS") was received from the Director of Environment.
- Committed expenditure of US\$432,000 of an approved US\$500,000 on the social programme at Sabodala was notified to and well received by the Senegalese Government.

❑ Grande Côte Zircon Project

- The installation of 48 piezometer holes was completed in July together with the nine geotechnical holes as authorised by the Direction of Mines and Geology ("DMG"). The piezometer holes will enable the company to accurately identify the water table to assist in mine planning.
- For the local social programme, MDL has committed expenditure of US\$200,000 to the end of calendar 2006.

❑ Corporate

Cash at end of quarter, A\$130 million. No debt.



SABODALA GOLD PROJECT

Further High Grade Results at Sabodala North

At the Sabodala gold deposit, extension and infill drilling to the north of section 20450N to 20770N - a distance of 320 metres - has continued to return gold grade intersections (see Attachment 1).

The main lode structure has been determined to plunge deeper in a northwards direction. The 40 metre square drilling pattern to identify the direction and extent of this down plunge zone was **postponed in mineralisation** at line 20770N (see Attachment 2).

The revised drill plan will now concentrate on the identification of mineralisation within the initial open pit shell to a depth of approximately 150 metres beneath surface both north and south of the main Sabodala gold deposit.

Northern Zone

This main lode, which is also associated with a flat-lying link structure, has been intercepted more than 300 metres vertically below surface. As well as the main lode zone, significant mineralisation is also recognised in the link structure itself, including:

SBRC263D	9.46m	@	3.6g/t Au from 180.77m
SBRC276	12.95m	@	2.5g/t Au from 186.05m
SBRC332D	23.53m	@	2.3g/t Au from 189.47m

Other mineralised zones include the basal mylonite shear and the footwall position. Intersections from the mylonite and footwall zones include:

SBRC294D	8.2m	@	8.0g/t Au from 230m
SBRC332D	4m	@	5.2g/t Au from 243m
SBRC333D	9m	@	3.2g/t Au from 179m
and	5m	@	6.5g/t Au from 243m
SBRC336D	2.87m	@	6.1g/t Au from 181m
SBRC313D	14m	@	6.8g/t Au from 351m
SBRC329D	7.8m	@	6.8g/t Au from 172.2m
and	24m	@	3.9g/t Au from 183m

Additional drill results from the northern extension area are awaited.

Shallow mineralisation intersected in SBRC301D; 15m @ 2.8g/t Au from 30m, is significant in terms of the initial open pit mine design. Further results are pending.

Southern Zone

Drilling to a maximum vertical depth of 150 metres is ongoing to the south of the main Sabodala deposit in the direction of the Sutuba prospect. The southern programme consists of four 40 metre lines over the first 160 metres, then three lines 80 metres apart. Assay results for the southern region are pending.

Mineralisation has been identified in the Sutuba area some 400 metres south of Sabodala. At Sutuba, significant near-surface artisanal workings over a 200 metre by 300 metre square area have been extensively worked to depths of up to 10 metres.



At Sutuba, and 100 metres along strike from the artisanal workings, previous exploration work by BRGM included three short drill holes all of which intersected gold mineralisation. A best intersection of 3.5g/t Au over 7.65 metres was achieved. In the same area, an exploration trench is reported to have assayed 2.5g/t gold over an interval of 50 metres. Features include a strongly silicified, brecciated and locally pyrite-rich “mylonite” ridge that is apparently terminated by a west-northwest trending structure that crosses the prospect. The artisanal workings demonstrate that gold mineralisation is sourced from quartz-vein saprolite beneath about two metres of alluvium.

Regional Drilling

An extensive soil sampling programme over the Sabodala permit of 20.3 square kilometres identified anomalous gold-in-soil zones throughout the lease including north and south along strike from the Sabodala deposit.

RAB geochemical drilling commenced on 31 August. This drilling programme is testing for new mineralisation along strike of the Sabodala deposit.

Initial drilling of 3,657 metres focused north of line 20770N, with lines 160 metres apart and holes spaced every 20 metres across each line (see Attachment 3). Five lines encompassing 800 metres north of line 20770N have been completed.

At this early stage, the first pass reconnaissance drilling to a vertical depth of about 40 metres produced highly encouraging results. Drilling below the oxide zone confirmed gold mineralisation within the primary rock.

Several areas of highly anomalous gold values above 1.0g/t were encountered along the Sabodala strike.

Project Development

Sterilisation drilling comprising 68 drill holes of 5,238 metres has identified suitable areas for the plant site, major water dam, run-of-mine site, tailings dam, 560 person accommodation facility and the proposed waste dump site.

Metallurgical and geotechnical drilling of some 850 metres has been completed. The metallurgical testwork demonstrates that 90% recoveries are likely. The initial geotechnical drilling shows that the geological structures located near the proposed pit wall perimeter are very robust.

The small dam now contains about 245,000 cubic metres (31% of maximum capacity). Rainfall for the year-to-date, however, is well below average at 715mm.

A review of the project development schedule has identified an opportunity for substantial cost savings by demobilising Ausenco Limited and internally supervising the construction of the two large dams.

The construction programme going forward will include a major water storage dam with a planned capacity of some eight million cubic metres, tailings storage, construction of the permanent mine village and the quarrying and crushing of diorite rock for construction purposes. Progressive demobilisation is underway with the last of the Ausenco personnel due to leave the Sabodala site by 8 November.

The Ausenco team has completed in-depth engineering drawings and is awaiting the approval of the Mining Convention (Mine Lease), Presidential Decree and the Notification Letter formally inviting MDL to commence full-scale plant construction.

With Ausenco, MDL has identified critical lead items as a result of which the company has ordered the ball and sag mills to treat two million tonnes per year. Considerable discussion with manufacturing companies for the construction, delivery to site and maintenance of electricity generating equipment is ongoing.



Feasibility Study Preparation

Amendments having been made to the Sabodala EIS, the document was lodged with the Environment Department in late April. The Technical Committee Meeting to consider the recommendations contained in the EIS was conducted in early May. Following the distribution of the minutes of the Technical Meeting and approval of the recommendations, a final public forum was held at Khossanto, some 27 kilometres east of Sabodala, on 7 July. No issues arose from the meeting. Later approval from the Director of Environment was received on 1 September 2006.

Mining Convention Negotiations

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

In consultation with the Minister of Energy and Mines and the DMG, MDL has already lodged the Feasibility Study, 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 required to be established and, as provided, an Addendum to the existing Mining Convention.

As a result of the high level of cooperation between all parties to date, the final negotiations on taxation and customs provisions, notably relating to food for consumption on site and spare parts, should be completed in early November.

Social Programme

Preparations are being made for a follow-up of the malaria spraying programme initiated by the company at Sabodala. The neighbouring Canadian group Oromin has decided that it would like to again participate in spraying the villages in its project area. Anecdotal evidence from the village chiefs indicates that the incidence of malaria is noticeably lower than the villagers experienced last year and they have expressed their gratitude for MDL's assistance in alleviating this problem.

By the end of 2006, MDL will have completed the kindergarten at the Sabodala village.

Committed expenditure of US\$432,000 on the social programme at Sabodala was well received by a committee meeting chaired by the Minister of Energy and Mines on 16 October. The budget of US\$500,000 up to pre-production at the Sabodala Gold Project was previously approved in the granted Sabodala Mining Convention.

GRANDE CÔTE ZIRCON PROJECT

100% (through wholly-owned subsidiary MDL Senegal SARL ("MDLS"))

Background

The Grande Côte zircon deposit is located some 100 kilometres north of the capital city Dakar. The project lies within a granted 446 square kilometre Exploration Permit (100 kilometres by 4.5 kilometres). Access to the project area from the excellent deepwater Dakar port is via a good, all-weather, sealed road north to Mboro, then poorly sealed and laterite-surfaced roads to access the dunal system itself.

Social Programme

MDLS has committed expenditure of US\$200,000 through the end of calendar 2006.



Regular monthly communication meetings are being held between MDLS and both the Local Administration and representatives of the local population. The MDLS Community programme for the Grande Côte Zircon Project has commenced with the completion of a windmill for water supply to the Diogo village, provision of an ambulance and commencement of work on a kindergarten. MDLS estimates that the kindergarten within the confines of the Diogo village will be completed by the end of calendar 2006.

Site Preparation

A small dredge purchased by MDLS, suitable for preparing construction of the main pond of about 150 square metres for positioning the main dredge and floating concentrator, has arrived in Dakar.

Mobile equipment such as two 35 tonne Bell trucks suitable for operating on the dunal system to transport valuable heavy mineral from the dredge to the main separation plant are in place at the Diogo exploration camp.

Water Table Monitoring

A total of 48 piezometer drill holes were located in the upper aquifer hosted by the littoral dunal sands in order to follow up the fluctuations of the water table over time. To date, some 57 piezometers have been completed and monthly readings of the water table levels are being taken.

Geotechnical Testwork

A total of nine geotechnical holes of 270 metres as authorised by the DMG in Dakar have since been completed.

The one metre interval samples collected from the geotechnical drilling were used to make two metre interval composites. These composites were divided into treated and non-treated samples and sent to independent consultant CEREEQ laboratories in Dakar for geotechnical testwork. For the former, heavy mineral was separated from the composite in MDLS' Tivaouane laboratory.

The results reported by CEREEQ show that the geotechnical parameters of the treated and non-treated sands are almost identical and no changes to the soil profile occurred as a result of treatment.

Engineering

Ausenco, as the principal engineering contractor, has developed detailed design and construction plans for the project (see Attachment 4). The company has now completed an updated capital estimate for the construction of a 50 million tonne per annum sand processing plant. The capital estimate of US\$163 million includes a \$12 million contingency. The new estimate is based on purchasing mainly new equipment and utilising steel structures from the decommissioned Hawks Nest dry processing mill.

The information in this report that relates to Exploration Results is based on information compiled by Mineral Deposit Limited's Chief Geologist, Chris Young BSc, who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Young has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken. He is qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Young has consented to the inclusion of this information in the form and context in which it appears in this report.

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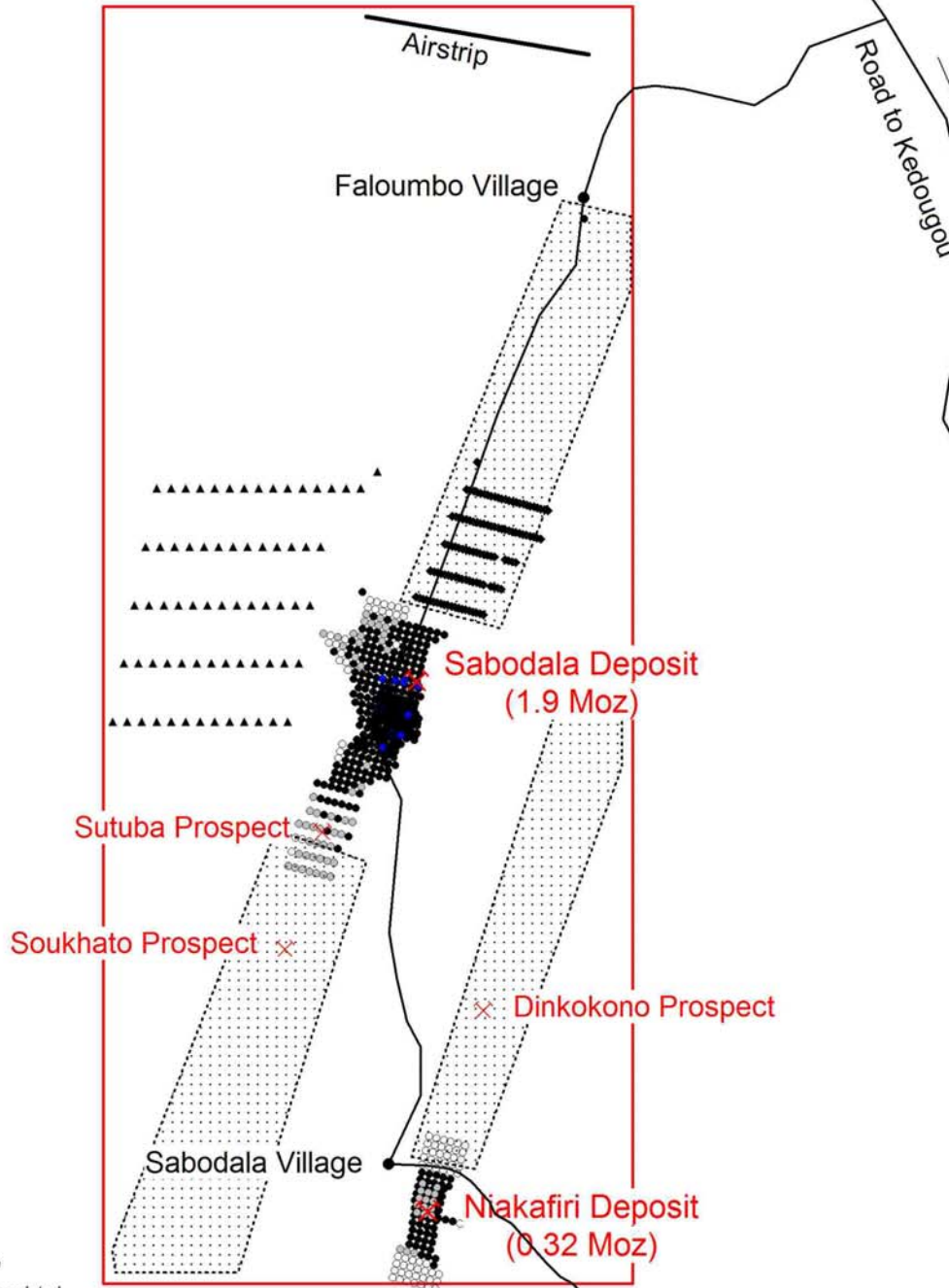
Attachment 1

Sabodala Gold Deposit Preliminary Grade Tonnage Report (Multiple Indicator Kriging; 5mE x 10mN x 2.5mRL Selective Mining Unit)			
Lower Cut-off Grade (g/t gold)	MT	Ave Grade (g/t gold)	Kozs
Measured			
0.5	7.234	2.6	652
0.8	5.952	3.0	623
1.0	5.286	3.2	602
1.2	4.712	3.5	579
Indicated			
0.5	12.254	1.9	804
0.8	9.165	2.3	734
1.0	7.717	2.5	687
1.2	6.564	2.8	643
Inferred			
0.5	11.61	1.8	741
0.8	8.45	2.2	669
1.0	6.99	2.5	623
1.2	5.90	2.8	580
Total Resource			
0.5	31.096	2.0	2,197
0.8	23.566	2.4	2,025
1.0	19.998	2.7	1,912
1.2	17.174	3.0	1,802





SABODALA GOLD PROJECT RESOURCE AND EXPLORATION DRILLING 21 OCTOBER 2006



- Legend
- ▲ Sterilisation drillhole
 - RC/DD drillhole - completed
 - Drillhole - RC collar completed, diamond tail planned
 - RC/DD drillhole - planned
 - Geotech drillhole - completed
 - Geotech drillhole - to drill
 - ◆ RAB drillhole - completed
 - Proposed RAB geochemical drilling

