

SEPTEMBER QUARTER HIGHLIGHTS

KEY POINTS

- ▶ **Demerger of Sabodala gold assets from the company proposed**
- ▶ **Equity position in Oromin Explorations Ltd. acquired**
- ▶ **Sabodala gold production of 35,103 ounces at a cash cost of US\$581 per ounce**

OPERATIONAL OVERVIEW

Sabodala Gold Operation

- Gold production for the September quarter was 35,103 ounces at a gross cash cost (excluding royalties) of US\$581/oz
- Total tonnes mined for the quarter was 3.8M tonnes, at an above average strip ratio of 9.4:1 waste/ore. Ore tonnes mined and ore grade were below plan due to the inability for certain periods to mine in Phase 1 as a result of heavy rains from the annual wet season
- Mill throughput for the quarter was 561,632 tonnes, which was essentially in line with plan, however, the head grade of 2.04 g/t was below plan due to increased reliance on ore from the ROM stockpile rather than ore from the pit
- Additional mining equipment as part of the planned expanded operations (increasing the nominal capacity of the processing plant from 2.0 Mtpa to approximately 4.0 Mtpa) is now either at site or will soon be arriving, and is beginning to become operational
- The focus of exploration on the mine lease was on: (i) the Sabodala Main Flat Extension – where the latest drill holes have confirmed a mineralised zone north of the Sabodala pit; (ii) Sutuba – where some high grade zones of limited strike length have been defined; and (iii) the Sambaya Hill prospect – where an initial drill program has commenced to define the structural framework of the target
- Exploration on the regional landholding was limited as a result of the annual wet season. Geological modelling of the Gora deposit has supported a preliminary inferred mineral resource estimate of 387,000 tonnes at 5.6 g/t Au for 70,000 ounces of gold at a 0.5 g/t Au cut off grade

Grande Côte Mineral Sands Project

- Following completion of the Definitive Feasibility Study (“DFS”) for the Project during the last quarter, planning has commenced for the development of the Project and discussions are underway with banks to secure debt financing
- Adam Smits has been appointed to the position of Project Manager, and Mark Arnesen has been recruited to the position of Manager – Project Finance

CORPORATE

Demerger Proposal

During the quarter, the Company announced its intention to separate its two core assets, namely the Sabodala gold assets and the Grande Côte mineral sands project, via the demerger of the Sabodala gold assets from the Company.

As part of the demerger proposal, it is intended that:

- the shares held in the Sabodala holding companies and Oromin Explorations Ltd. (“Oromin”) (refer below) are transferred to Teranga Gold Corporation (“Teranga”), a new Canadian-incorporated company, in exchange for shares in Teranga
- MDL will in-specie distribute not less than 80% of its Teranga shares to MDL shareholders on a proportional basis
- Teranga will conduct an IPO involving the offer of new Teranga shares, and
- a loan of C\$50 million will be payable by Teranga to MDL from the IPO proceeds (and to the extent unpaid, payable under the terms of a loan agreement).

It is proposed that, subsequent to the demerger, in-specie distribution and IPO, MDL shareholders will own (i) shares in Teranga, which will own the Sabodala gold project, and (ii) their shares in MDL, which will continue to own the Grande Côte mineral sands project as well as a minority interest of around 17% (depending on the number of shares issued under the IPO) in Teranga.

The proposed timing for the demerger and IPO is the latter part of November 2010 – subject to obtaining shareholder approval to effect certain transactions as part of the demerger proposal at the Company’s Special and Annual General Meeting to be held on 9 November 2010.

Equity Position in Oromin Explorations Ltd.

During the quarter, the Company also acquired 18,699,500 common shares in Oromin, representing approximately 15.0% of the issued and outstanding common shares of Oromin.

Oromin is a TSX listed company (TSX: OLE) with its principal property being an interest in a joint venture covering a landholding which is contiguous with MDL’s Sabodala mining concession.

SABODALA GOLD OPERATION

Production Statistics

		Sep 2010 Quarter	Jun 2010 Quarter	Mar 2010 Quarter	Dec 2009 Quarter	Sep 2009 Quarter
Ore mined	('000t)	364	877	708	820	807
Waste mined	('000t)	3,406	2,739	2,896	3,420	2,485
Total mined	('000t)	3,770	3,615	3,604	4,240	3,292
Strip ratio	waste/ore	9.4	3.1	4.1	4.2	3.1
Ore processed	('000t)	562	544	592	600	499
Head grade	(g/t)	2.04	2.31	2.05	2.63	3.66
Gold recovery	(%)	90.8	90.3	90.5	90.6	92.2
Gold produced ⁽¹⁾	(oz)	35,103	36,874	35,214	45,792	54,260
Gold sold	(oz)	37,202	30,543	34,494	50,078 ⁽²⁾	57,443
Average price received	US\$/oz	1,238	916	924	941	890
Gross cash costs (excl. royalties)	US\$/oz	581	541	575	532	382
Gross cash costs (incl. royalties)	US\$/oz	626	571	612	564	412

Notes:

(1) Gold produced is gold poured and does not include gold-in-circuit at period end

(2) Includes 5,665 ounces shipped before period end but not converted to cash

Performance Overview

Sabodala's September quarter production was 35,103 ounces at a gross cash cost (excluding royalties) of US\$581/oz.

Total tonnes mined for the quarter was 3.8M tonnes, comprising 364K tonnes of ore and 3,406K tonnes of waste (at an above average strip ratio of 9.4:1 waste/ore). Ore tonnes mined and ore grade were below plan due to the inability for certain periods to mine in Phase 1 as a result of heavy rains from the annual wet season and pump breakdowns. A specialist drilling contractor commenced operations during the quarter (providing drilling services and maintenance support for the company owned drills), with improvements in drill availability already being seen.

The majority of the additional mining equipment to increase mining capacity ahead of the planned plant expansion (from a nominal capacity of 2.0 million tonnes per annum (Mtpa) to approximately 4.0 Mtpa) is now either at site or will soon be arriving, and is beginning to become operational.

Mill throughput for the quarter was 561,632 tonnes, which was essentially in line with plan, however the head grade of 2.04 g/t was below plan due to increased reliance on ore from the ROM stockpile rather than ore from the pit.

During the quarter all gold was sold into the spot market, as 53,000 ounces of hedges that were due for delivery in August 2010 and November 2010 have been rolled forward (or deferred) to 2013.

Mine Lease Exploration

During the quarter, the focus was once again on the Sabodala Main Flat Extension to the north and Sutuba to the south of the Sabodala pit, as well the first holes into the Sambaya Hill prospect, located between the Masato deposit of Oromin and the Sabodala deposit.

Sabodala Main Flat Extension

Latest drill holes have confirmed a mineralised zone north of the pit. Intercepts appear to be a stepped-down extension of the main flat structure. Thus far the mineralisation has been intercepted in 4 holes over a strike length of 160 metres. A follow up program will include further drilling along strike of known mineralisation, as well as infill drilling.

Sutuba

An initial drill program was successful in geologically defining the high grade zones in southern sections of the Sutuba prospect. The NW trending shears occur in parallel sets, have a limited strike length, but in sections have sufficiently high grades to be potentially of economic significance. Resource definition is in process.

Sambaya Hill

An initial drill program has commenced to define the structural framework of the target, which is defined by a 1km long geochemical anomaly which coincides with an interpreted structural complexity along the Niakafiri structure.

Regional Exploration

Exploration on the Regional landholding during the September quarter was limited as a result of the annual wet season. Work comprised:

- geological modelling of the Gora deposit, which supported a preliminary inferred mineral resource estimate of 387,000 tonnes at 5.6 g/t Au for 70,000 ounces of gold at a 0.5 g/t Au cut off grade
- commencement of RC drilling at the Diabougou prospect, with the intersection of a number of largely low grade intervals providing support for the concept of several parallel structures potentially making up the system. A number of deeper diamond drill holes are planned, and
- RAB drilling at Diegoun South, KA prospect and Zone ABC (in the Gora deposit area), which returned a number of low grade intercepts and further work is planned.

CORPORATE / FINANCE

CORPORATE

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As part of the demerger proposal, it is intended that:

- the shares held in the Sabodala holding companies and Oromin (refer below) are transferred to Teranga, a new Canadian-incorporated company, in exchange for shares in Teranga
- MDL will in-specie distribute not less than 80% of its Teranga shares to MDL shareholders on a proportional basis
- Teranga will conduct an IPO involving the offer of new Teranga shares, and
- a loan of C\$50 million will be payable by Teranga to MDL from the IPO proceeds (and to the extent unpaid, payable under the terms of a loan agreement).

It is proposed that, subsequent to the demerger, in-specie distribution and IPO, MDL shareholders will own:

- shares in Teranga, which will own the Sabodala gold assets, and
- their shares in MDL, which will continue to own the Grande Côte mineral sands project as well as a minority interest of around 17% (depending on the number of Teranga shares issued under the IPO) in Teranga.

MDL will continue to be led by the existing management team.

The management team of Teranga will be led by **Alan Hill**, as Chairman and Chief Executive Officer, and **Richard Young**, as President and Chief Financial Officer.

Alan Hill has had a lengthy and varied 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.

As part of the demerger proposal, a preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada (except Quebec) for a proposed IPO of common shares of Teranga.

The approval of shareholders will be sought to effect certain transactions as part of the demerger proposal at the Company's Special and Annual General Meeting to be held on 9 November 2010.

Equity Position in Oromin Explorations Ltd.

During the quarter, the Company also acquired 18,699,500 common shares in Oromin, representing approximately 15.0% of the issued and outstanding common shares of Oromin.

MDL issued 24,870,335 ordinary shares to the vendors as consideration, as well as an additional 994,813 ordinary shares to GMP Securities Europe LLP as financial adviser to the share purchase, all at an issue price of AUD\$0.93 per share (equivalent to approximately CAD\$0.87 per share). The Oromin shares were acquired pursuant to the terms of certain Share Sale Agreements with the vendors containing customary representations, warranties, covenants and other terms and conditions.

Oromin is a TSX listed company (TSX: OLE) with its principal property being an interest in a joint venture covering a landholding in Senegal, West Africa which is contiguous with MDL's Sabodala Mining Concession (containing the Sabodala mine and processing plant) and regional exploration tenements.

FINANCE

At 30 September 2010:

- Cash and cash equivalents = US\$16.6m
- Project Finance facility = nil (balance of US\$6m at June 2010 was fully repaid over the quarter)
- Mining Fleet Lease facility = US\$25.4m. Facility limit was increased to US\$27.8m in July 2010 to provide for the acquisition of additional mining equipment associated with the Sabodala expansion (US\$15.1m) and re-gearing of existing equipment (US\$2.2m)
- Hedge Facility = 246,500 ounces (at US\$834/oz). During the quarter 53,000 ounces that were due for delivery in August 2010 and November 2010 were rolled forward (or deferred) to 2013 to allow current gold sales to be undertaken into the spot market, thus realising increased cash proceeds.

CORPORATE INFORMATION

Corporate Directory

Directors

Nic Limb, Executive Chairman
Jeff Williams, Managing Director
Martin Ackland, Executive Director
Clever Fonseca, Executive Director
Robert Danchin, Deputy Chairman, Non-Executive Director
David Isles, Non-Executive Director
Oliver Lennox-King, Non-Executive Director
Murray Grant, Non-Executive Director

Senior Management

Rick Sharp, Chief Financial Officer
Kathryn Davies, Company Secretary

Registered Office

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Auditor

Deloitte Touche Tohmatsu

Share Registries

Australia: Computershare Investor Services Pty Ltd
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 Canada: Computershare Trust Company of Canada
 T: +1 800 564 6253

Stock Exchange Listings

Australian Securities Exchange, ASX code: **MDL**
 Toronto Stock Exchange, TSX code: **MDM**

Issued Capital

Issued shares	606,441,673
Unlisted options	30,700,000

Unlisted Options – Exercise Profile

Exercise Price (A\$)	Options (m)
\$0.75	0.750
\$0.85	0.500
\$1.40	20.000
\$1.60	9.200
\$2.00	0.250
VWAP = \$1.44	30.700

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 report, 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, zircon, ilmenite 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 report should be construed as either an offer to sell or a solicitation to buy or sell MDL securities.

Competent Persons Statement

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" and as defined in NI43-101. Mr Young has consented to the inclusion of this information in the form and context in which it appears in this report.

For further information please contact:

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