

THIS IS AN IMPORTANT DOCUMENT

AND REQUIRES YOUR ATTENTION

If you are in any doubt as to how to deal with it,
please consult your financial or other professional adviser.

MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

(‘MDL’ or ‘Company’)

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY STATEMENT

The annual general meeting will be held:

- at the offices of BDO, Chartered Accountants and Advisers, 563 Bourke Street, Melbourne 3000;
- on Wednesday, 23 November 2005 at 10.30am.

You can vote by:

- attending and voting at the meeting; or
- appointing someone as your proxy to attend and vote at the meeting on your behalf, by completing and returning the proxy form to MDL in the manner set out in the proxy form. The proxy form must be received by the Share Registry of MDL no later than 10.30am on 21 November 2005.

MINERAL DEPOSITS LIMITED
ABN 19 064 377 420

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of the members of **Mineral Deposits Limited** will be held:

- on Wednesday, **23 November 2005**
- at **10.30am**
- at the offices of BDO, Chartered Accountants and Advisers, **563 Bourke Street, Melbourne 3000**

1. RESOLUTIONS

A. Financial statements and reports

To table the following statements and reports and provide members with the opportunity to raise any issues or ask questions generally of the directors concerning those financial statements or the business operations of the Company:

- (a) the financial report of the Company and of the consolidated entities for the year ended 30 June 2005;
- (b) the directors' report; and
- (c) independent auditor's report thereon.

B. Ordinary resolutions

To consider and, if thought fit, to pass the following resolutions each as an ordinary resolution:

Resolution 1: Adoption of Remuneration Report

“**THAT** the Remuneration Report for the year ended 30 June 2005 be adopted.”

Resolution 2: Election of Mr Jacobus C. (Kowie) Strauss as a Director

“**THAT** Mr Jacobus C. (Kowie) Strauss, an additional Director appointed by the Directors in accordance with clause 56.1 of the Company's constitution, having signified his candidature for the office, be elected as a Director of the Company.’

Resolution 3: Re-election of Director

“**THAT** Mr Martin C. Ackland, a director retiring by rotation in accordance with clause 58 of the Company's Constitution, being eligible for re-election and having signified his candidature for the office, be re-elected as a director of the Company.”

Resolution 4: Approval of previous issue of shares

“**THAT**, in accordance with Listing Rules 7.4 and 7.5 of the Listing Rules of Australian Stock Exchange Limited, the issue of a total of 9,000,000 fully paid ordinary shares in the Company on 12 August 2005 is hereby ratified and approved.”

Resolution 5: Approval of issue of options to Mr Jacobus C. (Kowie) Strauss

“**THAT**, subject to the shareholders of the Company approving Resolution 2 and in accordance with Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited, and for all other purposes, the Company approve the issue to Mr Jacobus C. (Kowie) Strauss, a Director of the Company, of 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company at an exercise price of 85 cents per share and otherwise on the terms and conditions set out in Annexure A to the Explanatory Statement forming part of this Notice of Meeting.”

Resolution 6: Approval of issue of options to Dr David J. Isles

“**THAT**, in accordance with Listing Rule 10.11 of the Listing Rules of Australian Stock Exchange Limited, and for all other purposes, the Company approve the issue to Dr David J. Isles, a Director of the Company, of 500,000 options to subscribe for 500,000 fully paid ordinary shares in the Company at an exercise price of 85 cents per share and otherwise on the terms and conditions set out in Annexure A to the Explanatory Statement forming part of this Notice of Meeting.”

C. Special resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

Resolution 7: Modification of constitution

“**THAT** clause 61 of the constitution of the Company be modified by deleting the word ‘remuneration’:

- (a) in clause 61.1;
- (b) where secondly appearing in the first sentence of clause 61.5; and
- (c) where secondly appearing in the second sentence of clause 61.5

and in each case substituting the word ‘fees’ therefor.”

2. VOTING RESTRICTIONS

Resolution 4

For the purposes of resolution 4, the Company will disregard any votes cast by:

- (a) a person who participated in the issue; and
- (b) an associate of that person.

Resolution 5

For the purposes of resolution 5, the Company will disregard any votes cast by:

- (a) Mr Jacobus C. (Kowie) Strauss; and
- (b) an associate of that person.

Resolution 6

For the purposes of resolution 6, the Company will disregard any votes cast by:

- (a) Dr David J. Isles; and
- (b) an associate of that person.

However, the Company need not disregard a vote in respect of Resolution 4, 5 or 6 if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. VOTING ENTITLEMENT

The Company has determined, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, that the Company’s shares quoted on Australian Stock Exchange Limited at 7.00pm AEST on 21 November 2005 will be taken for the purpose of the annual general meeting to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote (if not excluded) at the meeting.

4. HOW TO VOTE

Shareholders entitled to vote at the Annual General Meeting may vote by attending the Meeting in person, by attorney or proxy or, in the case of corporate shareholders, by a corporate representative.

5. VOTING IN PERSON OR BY ATTORNEY

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Persons are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that their shareholding may be checked against the register and their attendance recorded. Shareholders intending to attend the Meeting by attorney must ensure that they have, not later than 48 hours prior to the time the Meeting is to commence, provided the original or a certified copy of the power of attorney to the Company, in the same manner prescribed below for the giving of proxy forms to the Company.

6. VOTING BY PROXY

- (a) Shareholders wishing to vote by proxy must complete, sign and deliver the enclosed personalised proxy form or forms, in accordance with the instructions on the form, prior to 10.30am Melbourne time on 21 November 2005 by:
- Post in the reply paid envelope provided
 - Hand delivery to: Mineral Deposits Limited c/- Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street Abbotsford, Victoria 3067 or
 - Fax to: Mineral Deposits Limited C/- Computershare Investor Services Pty Limited on +61 3 9473 2555.
- (b) A shareholder who is entitled to vote at the meeting may appoint:
- (1) one proxy if the shareholder is only entitled to one vote; or
 - (2) one or two proxies if the shareholder is entitled to more than one vote.
- (c) If a shareholder appoints one proxy, that proxy may vote on a show of hands. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
- (d) Where the shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not do so, each proxy may exercise one-half of the votes, and any fraction of votes will be disregarded.
- (e) A proxy need not be a shareholder of the Company. In the case of joint holders, all should sign the proxy form. In the case of corporations, proxies must be executed in accordance with the Corporations Act.
- (f) To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.
- (g) If the abstention box on the proxy form for the item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant shares will not be counted in calculating the required majority on a poll. If no box is marked, the proxy will not have been directed as to how to vote and may therefore vote as he or she thinks fit.
- (h) If the proxy form is signed by the shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Annual General Meeting, the chairperson of the Meeting may either act as proxy or complete the proxy by inserting the name of one or more Directors or the Company Secretary.
- (i) The chairperson of the Annual General Meeting intends to vote all undirected proxies from shareholders (who are eligible to vote in favour of the Resolutions) in favour of the Resolutions to be voted on at the Annual General Meeting. The chairperson will not vote any undirected proxies from shareholders ineligible to vote in favour of the Resolutions.
- (j) If you require an additional proxy form, the Company will supply it on request to the undersigned.

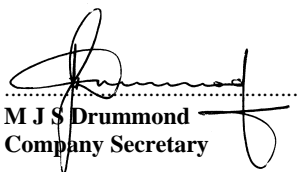
7. VOTING BY CORPORATE REPRESENTATIVE

Corporate shareholders wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from the Registry;
- (b) complete and sign the form in accordance with the instructions on it; and
- (c) bring the completed and signed form with them to the Annual General Meeting.

DATED 20 October 2005

By order of the Board


M J S Drummond
Company Secretary

MINERAL DEPOSITS LIMITED
ABN 19 064 377 420

EXPLANATORY STATEMENT

1. INTRODUCTION

The purpose of this Explanatory Statement is to provide shareholders with an explanation of the business of the meeting and the Resolutions proposed to be considered at the Annual General Meeting on 23 November 2005 and to assist shareholders in determining how they wish to vote on those Resolutions. This Explanatory Statement should be read in conjunction with the Notice of Meeting and forms part of the Notice of Meeting.

2. BUSINESS OF THE MEETING - SUMMARY

- a. To table the financial statements of the Company for the year ended 30 June 2005 and to give the members the opportunity to raise issues and ask questions generally concerning the financial statements or business operations of the Company.
- b. To consider and vote on the following Resolutions:
- (i) *Resolution 1 - to adopt the Remuneration Report for the year ended 30 June 2005;*
 - (ii) *Resolution 2 - to elect Mr Jacobus C. (Kowie) Strauss as a Director;*
 - (iii) *Resolution 3 - to re-elect Mr Martin C. Ackland as a Director;*
 - (iv) *Resolution 4 - to approve a previous issue of shares;*
 - (v) *Resolution 5 - to approve the issue of options to Mr Jacobus C. (Kowie) Strauss;*
 - (vi) *Resolution 6 - to approve the issue of options to Dr David J. Isles; and*
 - (vii) *Resolution 7 - to modify the constitution of the Company.*

3. WHY THE MEETING IS BEING HELD

a. Financial Statements and Reports

The Board is required to lay before the meeting the financial statements, Directors' report and independent auditor's report for the year ended 30 June 2005.

Copies of the concise financial statements and aforesaid reports are contained in the Annual Report for the year ended 30 June 2005 which will be despatched to shareholders with this Notice of Meeting on or about 21 October 2005.

A copy of each of the Annual Report, the full financial report and the auditor's report will be tabled at the meeting. Shareholders can also request additional copies of the Annual Report and/or the full financial statements by telephoning the Company Secretary, Mr Melvyn Drummond on (+61 3) 9909 7633.

The chairperson of the meeting will take shareholders' questions and comments about the management of the Company. The auditor of the Company will be available to take shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements or the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the meeting, written questions to the auditor about the content of the auditor's report or the conduct of the audit of the annual financial report to be considered at the meeting may be submitted not later than five business days before the meeting to:

The Company Secretary
Mineral Deposits Limited
Level 7, 530 Little Collins Street
Melbourne Victoria 3000

Facsimile: 613 9621 1460
E-mail: mel.drummond@mineraldeposits.com.au

Copies of any questions received will be made available at the meeting. The chairperson of the meeting will allow the auditor to answer written questions submitted to the auditor before the meeting. If the auditor has prepared a written answer to a question, the chairperson of the meeting may permit the auditor to table that written answer. A written answer tabled at the meeting will be made reasonably available to members as soon as practicable after the meeting.

Shareholders are not required to pass any resolution in relation to the financial statements and reports (other than Resolution 1 being the adoption of the Remuneration Report for the year ended 30 June 2005).

b. Resolution 1 – Adoption of Remuneration Report for year ended 30 June 2005

The Directors' report in the Annual Report for the year ended 30 June 2005 contains (in a separate and clearly defined section) a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the Managing Director, specified executives and the non-executive Directors.

Recent amendments to the *Corporations Act 2001* require the Company to put to the vote at the annual general meeting a resolution that the Remuneration Report be adopted. The Company is also required to inform shareholders in the notice of the annual general meeting that a resolution to this effect will be put at the meeting.

Before calling for votes in relation to this resolution, the Chairman of the meeting will allow a reasonable opportunity for the members present to ask questions about, or make comments on, the Remuneration Report.

It should be noted that the vote on this resolution is advisory only and does not bind the Directors or the Company. Accordingly, the Company will not be required to alter any arrangements detailed in the Remuneration Report, should the Report not be adopted. However, notwithstanding the strict legal position, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy of the Company.

The Directors make no voting recommendation to shareholders in relation to Resolution 1. All of the Directors entitled to vote on Resolution 1 intend to vote in favour of the Resolution.

c. Resolution 2 – Election of Mr Jacobus C. (Kowie) Strauss as a Director

Until June 2005, Kowie Strauss (53) was Vice President and Chief Commercial Officer of BHP Billiton's Diamonds and Specialty Products Customer Sector Group (CSG), based in Antwerp, Belgium. His main responsibilities included diamonds business strategy, marketing and business development. Under his stewardship, BHP Billiton's diamonds group developed an innovative multi-channel diamond marketing system and achieved a favourable positioning in diamonds exploration and development in new, highly prospective environments in Botswana, India, Angola, Democratic Republic of Congo and Russia.

Mr Strauss emigrated to Australia in 1995 and joined Resource Finance Corporation, an Australian resource merchant and investment bank. From 1996 until joining BHP Billiton in February 2001, he was the Managing Director of Iscor (now Kumba) Australia Pty Limited, based in Perth. While with Kumba in Australia, Kowie was a director of several Kumba affiliates as well as Australian public companies Ticor Limited and Mincor Resources NL. He therefore has considerable knowledge of the global mineral sands industry.

Before emigrating to Australia, his experience included 15 years with Shell/Billiton in South Africa and The Netherlands in exploration, mineral economics, mine management, minerals marketing and project management.

Mr Strauss was appointed by the Directors as an additional non-executive Director of the Company on 18 October 2005.

Clause 56.2 of the constitution has the effect that Mr Strauss will, unless elected at the annual general meeting, automatically cease to hold office at the conclusion of the meeting.

The Directors (other than Mr Strauss) recommend that you vote in favour of Resolution 2. Mr Strauss makes no recommendation to shareholders. All of the Directors entitled to vote on Resolution 2 intend to vote in favour of the Resolution.

d. Resolution 3 – Re-election of Mr Martin C. Ackland as a Director

Clause 58.1 of the Company's constitution provides that, at the close of each annual general meeting, one third of the Directors (or, if their number is not a multiple of three, then the number nearest to but not more than one third of the Directors) must retire from office. The Directors retire by rotation, with the Director(s) who have been the longest in office since being appointed or re-appointed being the Director(s) who must retire in any year. If two or more Directors were elected or appointed on the same day, they are required to agree among themselves or determine by lot which of them must retire. The constitution ensures that no Director is able to remain in office for longer than three years without facing re-election. Under clause 58.4, a retiring Director is entitled to offer himself for re-election as a Director at the annual general meeting which coincides with his retirement.

Mr Ackland has been a Director of the Company since 21 July 2003. He was originally appointed as a non-executive Director of MDL but became an executive Director in February 2005, following his appointment as a group executive. Details of his qualifications and experience can be found on page 33 of the Annual Report. Mr Ackland will retire in accordance with the requirements of the Company's constitution at the close of the annual general meeting. As he is entitled to, and eligible for, re-election, he seeks re-election as a Director of the Company at the meeting.

The Directors (other than Mr M. Ackland) recommend that you vote in favour of Resolution 3. Mr Ackland makes no recommendation to shareholders. All of the Directors entitled to vote on Resolution 3 intend to vote in favour of the Resolution.

e. Resolution 4 – Approval of a previous issue of shares

Summary of proposal

In August 2005, a total of 9,000,000 shares were issued to Senegal Nominees SURL (“Nominees”) and Taif Telecom Trading SARL (“Taif”) pursuant to an agreement with Nominees and Taif for the acquisition by MDL of their 30% minority interest in the Sabodala Gold Project in Senegal. MDL allotted 7,000,000 shares to Nominees and 2,000,000 shares to Taif. The total price payable for this minority interest in the Sabodala Gold Project is these 9,000,000 shares plus US\$5,000,000 in cash of which US\$2,500,000 remains to be paid in instalments, the last of which is due on 1 March 2006. The shares that were issued rank equally in all respects with the existing ordinary shares in the Company. There were no funds raised by this issue.

Legal and Regulatory Requirements

ASX Listing Rule 7.1

Under Listing Rule 7.1, the prior approval of the shareholders of the Company is required to an issue of equity securities if the securities, when aggregated with securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that, where a company in general meeting ratifies a previous issue of equity securities, the issue will be treated as having been made with the requisite approval for the purpose of Listing Rule 7.1, thereby enabling the company to issue further securities without exceeding the 15% in 12 months limitation. This will allow the Company to raise further capital without the delay involved with the requirement to seek prior shareholder approval, so that the Company can readily take advantage of opportunities as and when they arise.

If approved, Resolution 4 will ratify and approve the previous issue of a total of 9,000,000 Shares as set out in the Resolution.

ASX Listing Rule 7.5

ASX listing Rule 7.5 requires the Notice of Meeting, at which shareholders are required to consider Resolution 4 pursuant to Listing Rule 7.4, to include certain specified information in relation to the equity securities that have been issued. This information is set out below:

- (a) *the number of securities allotted:* 9,000,000 Shares;
- (b) *the price at which the securities were issued:* the consideration for the issue of these shares was other than cash. They were issued as part of the total price, comprising the subject shares and US\$5,000,000, the Company has agreed to pay in order to acquire the 30% minority interest in the Sabodala Gold Project in Senegal. Based on the closing price of the Company’s shares on ASX on the date of issue (12 August 2005) the deemed issue price of the shares was 77 cents per share.
- (c) *the terms of the securities:* the shares issued to the allottees were all fully paid ordinary shares ranking equally in all respects with the other fully paid ordinary shares then on issue;
- (d) *the names of the allottees:*

Senegal Nominees SURL
Taif Telecom Trading SARL
- (e) *the use (or intended use) of the funds raised:* there were no funds raised by the issue of these shares because, as stated above, they were issued for a consideration other than cash; and
- (f) *a voting exclusion statement:* this statement is included in the Notice of Meeting of which this Explanatory Statement forms part.

The Directors recommend that you vote in favour of Resolution 4. All of the Directors entitled to vote on Resolution 4 intend to vote in favour of the Resolution.

f. Resolution 5 – Approval of issue of options to Mr Jacobus C. (Kowie) Strauss

As stated above in relation to Resolution 2, Kowie Strauss was appointed as an additional Director of the Company on 18 October 2005. Prior to his appointment, the Directors agreed with Mr Strauss that, subject to prior approval by the shareholders in general meeting, as now sought, it would be appropriate that his remuneration package include the new options the subject of this Resolution.

The Company has valued the unlisted options to be granted to Mr Strauss using the Black-Scholes Option Pricing Model (“BS Model”), which is the most widely used and recognised model for valuing options. The value of an option calculated by the BS Model is a function of a number of variables and the assessment of the value of the proposed new options has been prepared using the following assumptions:

Variable	Input
Share Price	70 cents
Exercise Price	85 cents
Risk Free Interest Rate	5.13%
Volatility	56.12%
Annual Dividend	Nil
Time (years) to expiry	Five years

For the purposes of this valuation, the Company has assumed 7 October 2005 as the issue date of the options. The ASX closing share price of MDL's ordinary shares on 6 October 2005 was 70 cents. Based on the above assumptions, it is considered that the estimated value of the unlisted options to be issued to Mr Kowie Strauss is 34 cents each, or \$339,808 in total.

In addition to these options, if approved, Mr Strauss will be paid a fee of \$30,000 per annum, plus superannuation at the current superannuation guarantee levy rate of 9%, for his services as a Director. He will also be entitled to receive additional remuneration, calculated at arm's-length commercial rates, for performing investor relations services for the Company in Western Europe, outside the scope of his ordinary duties as a Director.

The Board is of the view that the overall remuneration for Mr Strauss, including the proposed grant of new options to him, is reasonable having regard to the circumstances of the Company and his duties and responsibilities.

Legal and Regulatory Requirements

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Rule 10.12 applies, an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary securities:

10.11.1 A related party.

10.11.2 A person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained.

Mr Strauss is a related party of the Company for the purposes of Listing Rule 10.11 because he is a Director of the Company.

ASX Listing Rule 10.12

Exception 10 in Listing Rule 10.12 excepts from the operation of Listing Rule 10.11 an agreement to issue equity securities that is conditional on holders of ordinary securities approving the issue before the issue is made. However, an entity which relies on this exception must not issue the equity securities without shareholder approval.

ASX Listing Rule 10.13

This Rule provides that the notice of meeting to approve an issue of equity securities under Listing Rule 10.11 must include the following information:

- (a) *the name of the person:* Mr Jacobus C. (Kowie) Strauss;
- (b) *the number of securities to be issued (if known):* 1,000,000 options to subscribe for that number of ordinary shares;
- (c) *the date by which the entity will issue the securities:* the options will be issued not later than 16 December 2005;
- (d) *the issue price of the securities and a statement of the terms of the issue:* there is no issue price of the options and the terms of the issue of the options are set out elsewhere in this Explanatory Statement (including Annexure A) and the Notice of Meeting of which it forms part;
- (e) *a voting exclusion statement:* this is included in the Notice of Meeting of which this Explanatory Statement forms part; and
- (f) *the intended use of the funds raised:* the issue of the options will not raise any funds for the Company unless and until they are exercised.

ASX Listing Rule 7.2

Exception 14 in Listing Rule 7.2 provides that the "15% in 12 months" restriction in Listing Rule 7.1 does not apply to an issue of equity securities made with the approval of holders of equity securities under Listing Rule 10.11 if the notice of meeting states that, if approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

Accordingly, the Company states that, if approval is given to the issue of the options to Mr Strauss under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

Subject to shareholder approval of the issue of the options under Listing Rule 10.11, the Company intends to rely upon Exception 14 in the future application of the Listing Rule 7.1 restriction on issues and agreements to issue equity securities.

The Directors (other than Mr Strauss) recommend that you vote in favour of Resolution 5. Mr Strauss makes no recommendation to shareholders. All of the Directors entitled to vote on Resolution 5 intend to vote in favour of the Resolution.

g. Resolution 6 – Approval of issue of options to Dr David J. Isles

Dr David J. Isles has been a Director of the Company since 23 December 2002. The Directors of the Company (other than Dr Isles) recently reviewed the remuneration of Dr Isles and agreed, subject to prior approval by the shareholders in general meeting, as now sought, that it would be appropriate that his remuneration package include the new options the subject of this Resolution.

The Company has valued the unlisted options to be granted to Dr Isles using the Black-Scholes Option Pricing Model (“BS Model”), which is the most widely used and recognised model for valuing options. The value of an option calculated by the BS Model is a function of a number of variables and the assessment of the value of the proposed new options has been prepared using the following assumptions:

Variable	Input
Share Price	70 cents
Exercise Price	85 cents
Risk Free Interest Rate	5.13%
Volatility	56.12%
Annual Dividend	Nil
Time (years) to expiry	Five years

For the purposes of this valuation, the Company has assumed 7 October 2005 as the issue date of the options. The ASX closing share price of MDL’s ordinary shares on 6 October 2005 was 70 cents. Based on the above assumptions, it is considered that the estimated value of the unlisted options to be issued to Dr Isles is 34 cents each, or \$169,904 in total.

In addition to these options, if approved, Dr Isles will continue to be paid a fee of \$30,000 per annum, plus superannuation at the current superannuation guarantee levy rate of 9%, for his services as a Director. He will also be entitled to receive additional remuneration, calculated at arm’s-length commercial rates, for performing specialised geophysical services for the Company in relation to the Sabodala Gold Project in Senegal.

The Board is of the view that the overall remuneration for Dr Isles, including the proposed grant of new options to him, is reasonable having regard to the circumstances of the Company and his duties and responsibilities.

Legal and Regulatory Requirements

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that unless one of the exceptions in Rule 10.12 applies, an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary securities:

10.11.1 A related party.

10.11.2 A person whose relationship with the entity or a related party is, in ASX’s opinion, such that approval should be obtained.

Dr Isles is a related party of the Company for the purposes of Listing Rule 10.11 because he is a Director of the Company.

ASX Listing Rule 10.12

Exception 10 in Listing Rule 10.12 excepts from the operation of Listing Rule 10.11 an agreement to issue equity securities that is conditional on holders of ordinary securities approving the issue before the issue is made. However, an entity which relies on this exception must not issue the equity securities without shareholder approval.

ASX Listing Rule 10.13

This Rule provides that the notice of meeting to approve an issue of equity securities under Listing Rule 10.11 must include the following information:

- (a) *the name of the person:* Dr David J. Isles;
- (b) *the number of securities to be issued (if known):* 500,000 options to subscribe for that number of ordinary shares;
- (c) *the date by which the entity will issue the securities:* the options will be issued not later than 16 December 2005;

- (d) *the issue price of the securities and a statement of the terms of the issue:* there is no issue price of the options and the terms of the issue of the options are set out elsewhere in this Explanatory Statement (including Annexure A) and the Notice of Meeting of which it forms part;
- (e) *a voting exclusion statement:* this is included in the Notice of Meeting of which this Explanatory Statement forms part; and
- (f) *the intended use of the funds raised:* the issue of the options will not raise any funds for the Company unless and until they are exercised.

ASX Listing Rule 7.2

Exception 14 in Listing Rule 7.2 provides that the “15% in 12 months” restriction in Listing Rule 7.1 does not apply to an issue of equity securities made with the approval of holders of equity securities under Listing Rule 10.11 if the notice of meeting states that, if approval is given under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

Accordingly, the Company states that, if approval is given to the issue of the options to Dr D. Isles under Listing Rule 10.11, approval will not be required under Listing Rule 7.1.

Subject to shareholder approval of the issue of the options under Listing Rule 10.11, the Company intends to rely upon Exception 14 in the future application of the Listing Rule 7.1 restriction on issues and agreements to issue equity securities.

The Directors (other than Dr D. Isles) recommend that you vote in favour of Resolution 6. Dr Isles makes no recommendation to shareholders. All of the Directors entitled to vote on Resolution 6 intend to vote in favour of the Resolution.

h. Resolution 7 – Modification of the constitution

Clause 61 of the constitution of the Company deals with the remuneration of the non-executive Directors of the Company. For ease of reference, it is set out in full in Annexure B to this Explanatory Statement, as presently in force and also as it would be modified if shareholders approve Resolution 7.

ASX Listing Rule 10.17 says that an entity must not increase the total amount of directors’ fees payable by it, or any of its subsidiaries or controlled entities, without the approval of holders of its ordinary securities. The rule does not apply to the salary of an executive director. Sub-rule 10.17.2 says that if a non-executive director is paid, he or she must be paid a fixed sum.

Because it refers to “remuneration” rather than “fees”, clause 61.1 is much wider in its scope than required by the Listing Rules. In clause 61.1 “remuneration” has the same meaning as in the *Corporations Act 2001* (“the Act”). “Remuneration” is defined in the Act as any benefit, whether by way of payment of cash or otherwise, that would be remuneration of the director for the purposes of an accounting standard which deals with disclosure in companies’ financial reports of information about directors’ remuneration.

The relevant accounting standard requires a variety of benefits to be disclosed as remuneration in a company’s remuneration report each year. Not all of these benefits diminish the funds of the Company. For example, options issued to a non-executive Director will have to be valued and disclosed in the remuneration report, notwithstanding that their grant does not reduce the funds of the Company.

The Directors seek to amend clause 61.1 to avoid any suggestion that, notwithstanding the prior approval of shareholders to their issue, MDL will nevertheless breach the aggregate permitted amount of non-executive director remuneration (being \$150,000 per annum) by issuing options to its non-executive Directors. Whilst this is the principal purpose of the proposed amendment to clause 61.1, shareholders must be aware that the modification, if approved by them, will have the effect of also excluding from the limit permitted by the constitution certain other payments or benefits (for example, payment of a D & O insurance premium) which would not be regarded as “fees” but may nevertheless diminish the funds of the Company. Of course the Company may not make or give these other payments or benefits unless permitted to do so by the Act or its constitution.

Subject to the passing of Resolution 2, there will be two non-executive Directors of MDL, being Mr Kowie Strauss and Dr D Isles. If Resolution 7 is passed, the Company will have to take into account, for the purposes of the clause 61.1 limit, the aggregate fees (totalling \$60,000 per annum), the 9% compulsory superannuation and all additional remuneration paid to either of them for the provision of services but will **not** have to count the value of the options the subject of Resolutions 5 and 6 or any insurance premium(s) paid for the benefit of either of them (e.g. in respect of D & O insurance).

The Directors (other than Mr K Strauss and Dr D. Isles) recommend that you vote in favour of Resolution 7. Neither Mr Strauss nor Dr Isles makes any recommendation to shareholders. All of the Directors entitled to vote on Resolution 7 intend to vote in favour of the Resolution.

4. QUERIES

If you have any queries about the meeting, the Resolutions to be put to the meeting or the proposals being considered, please contact the Company Secretary, Mr Melvyn Drummond, on (03) 9909 7633.

ANNEXURE A

Resolutions 5 and 6

TERMS AND CONDITIONS OF OPTIONS TO BE ISSUED, SUBJECT TO SHAREHOLDER APPROVAL, TO MR JACOBUS C. (KOWIE) STRAUSS AND DR DAVID J. ISLES

1. Entitlement

Each Option shall entitle the holder of an Option ('**Option Holder**') to subscribe for and be allotted one fully paid ordinary share ('**Share**') in the Company on the terms and conditions set out below.

2. Exercise Period

Each Option is exercisable at any time from the granting of the Option to a date up to and including the fifth anniversary of the date the Option was granted ('**Option Period**').

If the Option is not exercised during the Option Period, the Option shall automatically lapse..

3. Method of Exercise of Options

The whole or part of the Options may be exercised in multiples of 10,000, by giving a completed and signed notice, in a form approved by the Board ('**Notice of Exercise**'), to the Board at any time during the Option Period, together with the money payable on the exercise of the Options.

Within 14 days of receipt of the Notice of Exercise, the Company must allot to the Option Holder the number of Shares in respect of which the Options are exercised.

4. Issue and Exercise Prices

No amount is payable on issue of the Options. Subject to clauses 7 and 8, the exercise price for each Option is 85 cents per Option ('**Exercise Price**') and is payable immediately on exercise.

5. Ranking and Quotation of Shares Issued

Shares issued on the exercise of any Options will rank equally in all respects with the then existing issued ordinary fully paid Shares in the Company.

The Company will apply to ASX for official quotation of Shares issued pursuant to the exercise of Options.

6. Participation in Pro Rata Cash Offers and Pro Rata Bonus Issues

The Option Holder will not be entitled to participate in an offer for cash of Shares pro rata to the holders of Shares or a bonus issue of Shares or other securities convertible into Shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any shareholder election) pro rata to the holders of Shares unless the Option Holder has exercised all or part of the Options before the record date for that offer or issue. The Company will notify the Option Holder at least seven business days before the record date for determining entitlements to such an offer or issue of the proposed terms of the offer or issue and the right to exercise his Options under this clause 6.

7. Adjustments for Pro Rata Cash Offers and Pro Rata Bonus Issues

Adjustment to the number of Shares over which Options exist and/or the Exercise Price will be made to take account of changes to the capital structure of the Company by way of pro rata cash offers and pro rata bonus issues as follows:

(a) Pro Rata Cash Offer

Where a pro rata cash offer is made to the holders of Shares in the Company, the Exercise Price of an Option shall be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

where:

O' = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Shares into which one Option is exercisable.

P = the average market price per Share (weighted by reference to volume) of the Shares during the five trading days ending on the date before the ex rights date or ex entitlements date.

S = the subscription price for a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing Shares (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

(b) *Pro Rata Bonus Issues*

If the Company makes a bonus issue of Shares or other securities convertible into Shares pro rata to holders of ordinary shares (other than an issue in lieu of dividends, or by way of dividend reinvestment pursuant to Shareholder election), the number of Shares received on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the record date for the bonus issue. The Exercise Price will not change.

8. Reconstruction

8.1 Subject to clause 8.2, in the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Options and/or the Exercise Price will be reconstructed (as appropriate) in the following manner:

- (a) in the event of a consolidation of the share capital of the Company, the number of Options shall be consolidated in the same ratio as the ordinary share capital of the Company, and the Exercise Price shall be amended in inverse proportion to that ratio;
- (b) in the event of a subdivision of the share capital of the Company, the number of Options shall be sub-divided in the same ratio as the ordinary share capital of the Company, and the Exercise Price shall be amended in inverse proportion to that ratio;
- (c) in the event of a return of share capital, the number of Options shall remain the same and the Exercise Price of each Option must be reduced by the same amount as the amount returned in relation to each ordinary security;
- (d) in the event of a reduction of the share capital of the Company by way of a cancellation of the share capital that is either lost or not represented by available assets where no securities are cancelled, the number of Options and the Exercise Price of each Option shall remain unaltered;
- (e) in the event of a pro rata cancellation of Shares, the number of Options shall be reduced in the same ratio as the ordinary share capital and the Exercise Price of each Option shall be amended in inverse proportion to that ratio; and
- (f) In the event of any other reconstruction of the issued capital of the Company, the number of Options or the Exercise Price of the Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Option Holders which are not conferred on shareholders and, subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital, in all other respects the terms for the exercise of the Options shall remain unchanged.

8.2 If there is a reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules of ASX applying to a reorganisation of capital at the time of the reorganisation.

9. Takeover

If, during the currency of any Options and prior to their exercise, a takeover offer or a takeover announcement (within the meaning of the *Corporations Act*) is made to holders of shares then, within 10 business days after the Company becomes aware of the offer, the Company must forward a notice notifying each Option Holder of the offer and from the date of such notification each Option Holder has 60 days within which to exercise the Options notwithstanding any other terms and conditions applicable to the Options. If the Options are not exercised within 60 days after notification of the offer, the Options may be exercised at any other time according to their terms of issue.

10. Scheme of Arrangement

If an offer for the Shares is made to shareholders of the Company pursuant to a scheme of arrangement which has been approved in accordance with the *Corporations Act*, Option Holders will be entitled to exercise Options held by them within the period notified by the Company.

11. Transfer and Quotation of Options

The Options are not transferable except with the prior written consent of the Company. If the Company consents to the transfer of the Options, the Company may impose any conditions, including a condition that the transferee agrees to be bound by the above terms and conditions, that the Company in its sole discretion determines to be appropriate. The Options will not be listed for quotation on ASX or any other recognised stock exchange.

12. Notices

Notices may be given by the Company to the Option Holder in the manner prescribed by the Constitution of the Company for the giving of notices to the Shareholders of the Company and the relevant provisions of the Constitution of the Company will apply with all necessary modification to notices to be given to Option Holders.

ANNEXURE B

Resolution 7

CLAUSE 61 OF CONSTITUTION

AS PRESENTLY IN FORCE

61. Remuneration of Non-Executive Directors

- 61.1 Subject to the Listing Rules, the Directors (other than Executive Directors) may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum from time to time determined by the Company in general meeting or, if no such aggregate sum has been determined, \$150,000 per annum.
- 61.2 The notice calling a general meeting at which it is proposed that Members approve an increase of the aggregate maximum sum must state the amount of the increase and the aggregate maximum sum, and any other matters required by the Listing Rules.
- 61.3 Subject to the Listing Rules, the aggregate maximum sum will be divided among the Non-Executive Directors in such proportion and manner as the Directors agree and, in default of agreement, equally and shall be deemed to accrue from day to day.
- 61.4 Non-Executive Directors may not be paid a commission on or a percentage of profits or operating revenue.
- 61.5 If a Non-Executive Director is required to perform services for the Company which in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, the Company may pay the Director remuneration determined by the Directors which may be either in addition to or instead of the Director's remuneration under clause 61.1. No remuneration may be paid under this clause 61.5 if the effect would be to exceed the aggregate maximum sum of Directors' remuneration determined by the Company in general meeting.
- 61.6 Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.
- 61.7 The Company may also pay a premium for a contract insuring a person who is or has been a Non-Executive Director against liability incurred by the person as a Director, except in circumstances prohibited by the *Corporations Act 2001* (Cth).

AS PROPOSED TO BE AMENDED

61. Remuneration of Non-Executive Directors

- 61.1 Subject to the Listing Rules, the Directors (other than Executive Directors) may collectively be paid as ~~remuneration~~ fees for their services a fixed sum not exceeding the aggregate maximum sum from time to time determined by the Company in general meeting or, if no such aggregate sum has been determined, \$150,000 per annum.
- 61.2 The notice calling a general meeting at which it is proposed that Members approve an increase of the aggregate maximum sum must state the amount of the increase and the aggregate maximum sum, and any other matters required by the Listing Rules.
- 61.3 Subject to the Listing Rules, the aggregate maximum sum will be divided among the Non-Executive Directors in such proportion and manner as the Directors agree and, in default of agreement, equally and shall be deemed to accrue from day to day.
- 61.4 Non-Executive Directors may not be paid a commission on or a percentage of profits or operating revenue.
- 61.5 If a Non-Executive Director is required to perform services for the Company which in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, the Company may pay the Director remuneration determined by the Directors which may be either in addition to or instead of the Director's ~~remuneration~~ fees under clause 61.1. No remuneration may be paid under this clause 61.5 if the effect would be to exceed the aggregate maximum sum of Directors' ~~remuneration~~ fees determined by the Company in general meeting.
- 61.6 Non-Executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.
- 61.7 The Company may also pay a premium for a contract insuring a person who is or has been a Non-Executive Director against liability incurred by the person as a Director, except in circumstances prohibited by the *Corporations Act 2001* (Cth).