



# Annual Report 2010



**MDL Mineral Deposits Limited**  
ABN 19 064 377 420



Expressed in **United States dollars** unless otherwise stated

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

*This report contains "forward-looking statements" which are subject to various risks and uncertainties that could cause actual results and future events to differ materially from those expressed or implied by such statements. Investors are cautioned that such statements are not guarantees of future performance and results. Risks and uncertainties about the company's business are more fully discussed in the company's disclosure documents filed from time to time with the Australian securities authorities and certain Canadian securities authorities.*

**CONTENTS**
**Page No.**

<b>CORPORATE GOVERNANCE STATEMENT</b>	<b>1</b>
<b>DIRECTORS' REPORT</b>	<b>9</b>
<b>AUDITOR'S INDEPENDENCE DECLARATION</b>	<b>22</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>23</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>24</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>25</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>26</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>27</b>
1. GENERAL INFORMATION .....	27
2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS.....	27
3. SIGNIFICANT ACCOUNTING POLICIES.....	28
4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY.....	36
5. CHANGE IN ACCOUNTING POLICY .....	38
6. REVENUE .....	38
7. FINANCE COSTS .....	39
8. LOSS FOR THE YEAR BEFORE TAX.....	39
9. INCOME TAXES.....	40
10. TRADE AND OTHER RECEIVABLES .....	41
11. INVENTORIES .....	41
12. DERIVATIVE FINANCIAL ASSETS .....	42
13. OTHER FINANCIAL ASSETS.....	42
14. OTHER ASSETS.....	42
15. PROPERTY, PLANT AND EQUIPMENT.....	43
16. EXPLORATION AND EVALUATION EXPENDITURE .....	44
17. MINE DEVELOPMENT EXPENDITURE .....	44
18. CAPITALISED MINING CONVENTION AND CONCESSION COSTS .....	45
19. OTHER INTANGIBLE ASSETS .....	46
20. TRADE AND OTHER PAYABLES .....	47
21. BORROWINGS.....	47
22. DERIVATIVE FINANCIAL LIABILITIES .....	48
23. PROVISIONS .....	48
24. ISSUED CAPITAL.....	49
25. RESERVES .....	51
26. EARNINGS PER SHARE (EPS).....	51
27. DIVIDENDS.....	51
28. COMMITMENTS FOR EXPENDITURE.....	51
29. LEASES .....	52
30. CONTINGENT LIABILITIES.....	52
31. JOINTLY CONTROLLED OPERATIONS AND ASSETS .....	53
32. SUBSIDIARIES.....	54
33. PARENT ENTITY DISCLOSURE.....	57
34. CASH FLOW INFORMATION.....	58
35. FINANCIAL INSTRUMENTS.....	59
36. SEGMENT REPORTING .....	64
37. SHARE-BASED PAYMENTS.....	66
38. AUDITORS' REMUNERATION .....	69
39. SUBSEQUENT EVENTS.....	69
40. KEY MANAGEMENT PERSONNEL COMPENSATION .....	70
41. RELATED PARTY TRANSACTIONS.....	71
42. DISCLOSURE REQUIRED BY NATIONAL INSTRUMENT 71-102.....	73
<b>DIRECTORS' DECLARATION</b>	<b>74</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>75</b>
<b>AUDITOR'S REPORT IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS</b>	<b>77</b>
<b>ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES</b>	<b>78</b>
<b>CORPORATE DIRECTORY</b>	<b>80</b>

## CORPORATE GOVERNANCE STATEMENT

Mineral Deposits Limited (“MDL” or “Company”) seeks to achieve high standards of corporate governance and has designed its corporate governance practices to be consistent with this objective. As an Australian listed public company, the Board of Directors (“Board”) has adopted governance practices which are, to the maximum extent considered appropriate in the Company’s present circumstances, in line with the Australian Securities Exchange (“ASX”) Corporate Governance Council’s (“Council”) second edition of the Corporate Governance Principles and Recommendations (“Recommendations”). The Recommendations were originally published in March 2003 and were revised in August 2007.

Under ASX Listing Rule 4.10.3, Australian-listed companies are required to report annually on the extent to which they have complied with the Recommendations in the reporting period. Where a company has not followed all of the Recommendations, it must identify the Recommendations that have not been followed and give reasons for not doing so.

This Statement:

- ▶ sets out the eight core principles identified by the Council as underlying good corporate governance;
- ▶ outlines the main corporate governance practices of the Company. Unless otherwise stated, the Company’s corporate governance practices were in place throughout the 2009/10 year and comply with the Recommendations;
- ▶ should be read in conjunction with the Statutory Financial Report 2010 which will automatically be sent to those who opted to receive it, or is accessible on the Company’s website at [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au).

As recognised by the Council, corporate governance is “the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations.” It encompasses the mechanisms by which companies, and those in control, are held to account. Corporate governance influences how the objectives of the company are set and achieved, how risk is monitored and assessed and how performance is optimised. There is no single model of good corporate governance. Corporate governance practices will evolve in the light of the changing circumstances of a company and must be tailored to meet prevailing circumstances. Corporate governance practices must also evolve in the context of developments both in Australia and overseas.

### 1. ROLE OF THE BOARD AND MANAGEMENT

#### **Council Principle 1**

*Lay solid foundations for management and oversight.*

#### **Council Recommendation 1.1:**

*Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

**MDL practice:** The Board has not adopted a formal mandate. The Board has adopted, on an informal basis, the following roles and responsibilities.

In general, the Board:

- ▶ performs its duties and responsibilities in accordance with the laws of the jurisdiction of incorporation of the Company;
- ▶ oversees and monitors the performance of the Company in the context of the long-term interests of its shareholders;
- ▶ promotes a culture of integrity and responsibility; and
- ▶ together with management of the Company, develops a process for the timely and accurate disclosure of information which is material to the Company.

Specifically, the Board:

- ▶ is responsible for the stewardship of the Company and has final accountability for the governance of the Company’s business;
- ▶ is actively involved in the adoption of the Company’s strategic plan by working with management to determine how the strategic plan is implemented and taking responsibility for monitoring the implementation of that plan;
- ▶ has delegated the day-to-day management of the business and affairs of the Company to the senior management of the Company, subject to compliance with strategic and capital plans approved from time to time by the Board;
- ▶ is responsible for succession planning, including the recruitment, training, supervision, compensation and performance assessment of senior management of the Company;
- ▶ keeps its shareholders informed through its interim statements, annual reports and announcements and maintains a website that is designed to provide summary information on the Company as well as easy access to press releases and regulatory filings;
- ▶ monitors and assesses the integrity of the internal controls and management information systems designed and implemented by management; and
- ▶ monitors and assesses the integrity of the risk management strategies developed and implemented by management.

A strategic balance is maintained between the responsibilities of the Chairman (in his executive capacity), the Managing Director, each of the executive and non-executive directors and the Company Secretary.

As Executive Chairman, the specific executive responsibilities of Mr N Limb are:

- ▶ raising funds for the Company to progress its projects, as required; and
- ▶ maintaining relations with investors, analysts, brokers and the Company’s appointed advisers.

## CORPORATE GOVERNANCE STATEMENT

As Managing Director, Mr J Williams is accountable to the Board for the management of the Company within the policy and authority levels prescribed by it. He has the authority to approve capital expenditure, asset disposals and business transactions within predetermined commitment limits set by the Board.

The Managing Director's specific responsibilities include:

- ▶ preparing the Company's annual strategic plan in conjunction with other management;
- ▶ keeping the Board informed of all major project proposals and developments by way of specific reports;
- ▶ ensuring that resource development is in accordance with the Company's approved business strategy and any specific directions of the Board;
- ▶ making presentations and undertaking periodic "road shows" alone or with the Executive Chairman; and
- ▶ responding to written or telephonic institutional shareholder enquiries.

Other Board members assist the Executive Chairman and Managing Director as necessary.

### **Council Recommendation 1.2:**

*Companies should disclose the process for evaluating the performance of senior executives.*

*MDL Practice:* The performance of senior executives who are not also members of the Board is reviewed annually by the remuneration committee against appropriate measures. Where considered necessary or desirable, the committee conducts confidential discussions with the Chairman and other persons in relation to the performance of the Company's senior executives including matters such as work programmes, interaction with management and perceived strengths and weaknesses. The committee's recommendations are then brought to the Board for adoption.

### **Council Recommendation 1.3:**

*Companies should provide the information indicated in the Guide to reporting on Principle 1.*

*MDL Practice:* Performance evaluations of senior executives did take place in the reporting period.

A copy of this Corporate Governance Statement will be made publicly available by posting it to the Company's website in a clearly marked corporate governance section.

## 2. COMPOSITION OF THE BOARD

### **Council Principle 2:**

*Structure the board to add value.*

### **Council Recommendation 2.1:**

*A majority of the board should be independent directors.*

*MDL practice:* The Board currently comprises four executive directors (including the executive Chairman) and four independent, non-executive directors.

Mr Grant is a Partner of Actis LLP, a substantial shareholder of MDL as to a 6.085% interest, and therefore technically not an independent director under the ASX Corporate Governance guidelines. However, Mr Grant has not had any involvement in the management of the Company either prior to or since his appointment as a director in May 2009, nor has there been any existing professional advisory, commercial or business relationship with MDL either prior to or since his appointment to the Board of Directors. Actis LLP has not, at any time, provided any services to the Company. The Board has considered whether or not Mr Grant is independent from the perspective of both the Company and Mr Grant, and has determined that the relationship does not interfere with Mr Grant's exercise of independent and objective judgement and decision-making. Mr Grant has significant business and commercial experience and expertise both in Africa and worldwide and the Board of MDL believes that his appointment is invaluable to the Company and in its best interests.

The Board is currently balanced in its composition with each director bringing a range of complementary skills, experience and expertise to the Company as indicated under Recommendation 2.6. In the present circumstances of the Company, it is considered that the number of executive directors on the Board is justified. The Board will consider the appointment of further directors if it is felt that additional expertise is required in specific areas as projects underway evolve, when an outstanding candidate is identified or should it be required to do so by any regulatory agency or law.

The Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes, which include the following:

- ▶ directors are entitled to seek independent professional advice at the Company's expense, subject to the prior approval of the Executive Chairman;
- ▶ the non-executive directors are encouraged to meet or, if not reasonably practicable in view of their place(s) of usual residence, confer by electronic means, at least once a year for private discussion of management issues; and
- ▶ directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion and the taking of a vote on the matter.

## CORPORATE GOVERNANCE STATEMENT

### **Council Recommendation 2.2:**

*The chair should be an independent director.*

*MDL practice:* The Company's Chairman, Mr N Limb, is employed in an executive capacity by the Company and therefore is not independent in terms of the Council's definition of independent director.

Mr Limb has been a director of the Company since it was listed more than 13 years ago and has an intimate knowledge of its affairs. He is an experienced company director with special expertise in the resources sector and is committed to providing the time necessary to effectively discharge his role as Chairman, taking into account his executive responsibilities for the Company and time commitments associated with his other roles. His executive responsibilities are limited (see under "Council Recommendation 1.1" above) and he is not the chief executive officer of the Company. The directors consider that Mr Limb continues to be capable of discharging his role as Chairman but are cognisant of Council recommendation 2.2 and will, with Mr Limb, continue to review his position and performance in that capacity in the context of prevailing circumstances in Australia and Canada.

Dr R Danchin, who is an independent, non executive director, is Deputy Chairman of the Company with special responsibility for corporate governance and related areas.

### **Council Recommendation 2.3:**

*The roles of chair and chief executive officer should not be exercised by the same individual.*

*MDL practice:* The Company's Chairman, Mr N Limb, and Managing Director (chief executive officer), Mr J Williams, have separate roles. The Chairman has limited executive responsibilities (see under "Council Recommendation 1.1" above) and is primarily responsible for leading the Board in the overall discharge of its duties and responsibilities.

### **Council Recommendation 2.4:**

*The board should establish a nomination committee.*

*MDL practice:* The Company does not have a nomination committee and consequently does not comply with this Recommendation. The Board considers that it continues to be of a size, composition and experience which is conducive to making the relevant decisions itself efficiently and expeditiously. As the size and composition of the Board and the skill sets of its members change, the Board will reconsider the need for a separate nomination committee.

### **Council Recommendation 2.5:**

*Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

*MDL practice:* The Board has adopted processes to measure its own performance and that of its committees and individual directors. The annual performance evaluation reviews the performance of the Board against its responsibilities and the performance of committees against the terms of their respective charters. It also reviews the contribution of each member of the Board and each committee and considers the changes that may be required to relevant charters, taking into account developments in the Company and its businesses over the preceding year, and in corporate governance practices. The annual performance evaluation also sets forth the goals and objectives of the Board for the following year. The Chairman conducts confidential discussions with each director in relation to matters such as work programme, interaction with management and perceived strengths and weaknesses of the Board and its committees. The Company Secretary, is accountable to the Board, through the Chairman, on all governance and compliance matters. After discussion between the Chairman and Company Secretary, any significant performance related issues identified, or changes recommended, are referred to the Board for action in its ongoing development programme.

The Board conducts an annual review of the performance of the Managing Director (as chief executive officer of the Company) against appropriate measures including the goals established by the Board.

### **Council Recommendation 2.6:**

*Companies should provide the information indicated in the Guide to reporting on Principle 2.*

*MDL practice:* The skills, experience and expertise relevant to the position of director held by each director in office as at 30 June 2010 are set out in the Company's annual report and on its website.

As stated above in relation to Council Recommendation 2.1, the directors considered by the Board to constitute independent directors are Dr D Isles, Dr R Danchin, Mr O Lennox-King and Mr J M Grant. None of the relationships which the Council considers may affect independent status applies to any of these directors except as noted in Council Recommendation 2.1.

Also as stated above, there is a procedure agreed by the Board for directors to take independent professional advice at the expense of the Company.

In the absence of a separate nomination committee, the functions of a nomination committee are carried out by the full Board.

A performance evaluation for the Board, its committees and directors did not take place during the reporting period.



## CORPORATE GOVERNANCE STATEMENT

### 3. ETHICAL AND RESPONSIBLE DECISION-MAKING

#### **Council Principle 3:**

*Promote ethical and responsible decision-making.*

#### **Council Recommendation 3.1:**

*Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- 3.1.1** *the practices necessary to maintain confidence in the company's integrity;*
- 3.1.2** *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- 3.1.3** *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

*MDL practice:* The Board has responsibility for protecting, guiding and monitoring the business affairs of the Company in the interests and for the benefit of all stakeholders. It continues to be the policy of the Company for directors, senior executives and employees to observe high standards of conduct and ethical behaviour in all of the Company's activities. This includes dealings with suppliers, business partners, public servants and the general communities in which it operates domestically and now, principally, abroad. On 30 June 2004, the Board formally adopted a Code of Ethics that sets out the principles and standards with which all Company officers and employees are expected to comply in the performance of their respective functions. A revised version of the Code was approved by the Board on 26 September 2008. Under the code, officers and employees are expected to:

- ▶ comply with the law;
- ▶ act honestly, fairly and with integrity;
- ▶ be sensitive to and respectful of cultural and religious differences, sites and objects;
- ▶ not place themselves in situations which result in divided loyalties;
- ▶ use MDL's assets responsibly and in the interests of the Company;
- ▶ respect the confidentiality of information received while performing their duties; and
- ▶ be responsible and accountable for their actions.

The group conducts its business within the Code of Ethics, and in accordance with the group's core values which are to:

- ▶ act with integrity and fairness;
- ▶ create a safe, challenging and rewarding workplace;
- ▶ respect and protect the environment;
- ▶ be commercially competitive; and
- ▶ foster a performance driven culture.

#### **Council Recommendation 3.2**

*Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose that policy or a summary of that policy.*

*MDL practice:* The Board adopted a Securities Trading Policy on 30 June 2004 and a revised version of the Policy was approved by the Board on 26 September 2008. Directors are required to notify the Company Secretary timeously before buying or selling securities in the Company. It is the individual responsibility of each director, senior executive and employee in possession of market sensitive information to ensure that he/she complies with the spirit and the letter of insider trading laws. Notification to the Company Secretary and, through that person, the Board and market, as provided for under the Listing Rules of ASX, in no way implies Board approval of any such transaction.

Members of the Board, executives of the Company, including the Company Secretary and Chief Financial Officer, and other employees may not trade shares in the Company except in the month following the announcement of half yearly or annual results, the publication of a quarterly report or the close of a prospectus relating to equity securities.

#### **Council Recommendation 3.3:**

*Companies should provide the information indicated in the Guide to reporting on Principle 3.*

*MDL Practice:* A copy of both the Code of Ethics and the Securities Trading Policy is available on the Company's website and will be provided to any shareholder on request to the Company Secretary.



## CORPORATE GOVERNANCE STATEMENT

### 4. INTEGRITY OF FINANCIAL REPORTING

#### **Council Principle 4:**

*Safeguard integrity in financial reporting*

#### **Council Recommendation 4.1:**

*The board should establish an audit committee.*

*MDL practice:* An audit committee was established by the Board on 10 February 2004.

#### **Council Recommendation 4.2:**

*The audit committee should be structured so that it:*

- ▶ *consists only of non-executive directors;*
- ▶ *consists of a majority of independent directors;*
- ▶ *is chaired by an independent chair who is not chair of the board; and*
- ▶ *has at least three members.*

*MDL practice:* The audit committee comprises three members. The current members of the MDL audit committee are Dr D Isles, Dr R Danchin and Mr O Lennox-King, all of whom are independent, non-executive directors of the Company. Dr D Isles, who is not the Chairman of the Board, is the Chairman of the audit committee.

#### **Council Recommendation 4.3:**

*The audit committee should have a formal charter.*

*MDL practice:* On 30 June 2004, the Board adopted a formal Charter for the audit committee. A revised version of the Charter was approved by the Board on 26 September 2008. The Charter is structured so as to separately address objectives, membership, authority, responsibilities and procedures.

The responsibilities of the audit committee are to:

- ▶ ensure the integrity of external financial reporting;
- ▶ ensure that the directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them;
- ▶ ensure that controls are established and maintained in order to safeguard the Company's financial and physical resources;
- ▶ ensure that systems or procedures are in place so that the Company complies with relevant statutory, regulatory and reporting requirements and achieves best practice including implementation of these principles and recommendations; and
- ▶ assess financial risks arising from the Company's operations and consider the adequacy of measures taken to moderate those risks.

#### **Council Recommendation 4.4:**

*Companies should provide the information indicated in the Guide to reporting on Principle 4.*

*MDL Practice:* A copy of the Charter of the audit committee is available on the Company's website and will be provided to any shareholder upon request to the Company Secretary. It includes information in relation to the appointment and review of the external auditor.

### 5. CONTINUOUS DISCLOSURE TO ASX

#### **Council Principle 5:**

*Make timely and balanced disclosure.*

#### **Council Recommendation 5.1:**

*Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

*MDL practice:* The Board is responsible for monitoring compliance with ASX Listing Rule and TSX disclosure requirements. The Company Secretary is responsible, under the ASX Listing Rules, for all communications with ASX. The Executive Chairman, Managing Director, Company Secretary and Chief Financial Officer belong to a Disclosure Committee which has been established to manage the Company's continuous disclosure obligations reporting to the Board.

MDL listed on the TSX in December 2007 and additionally meets the continuous disclosure requirements of the TSX and applicable Canadian securities regulatory authorities.

## CORPORATE GOVERNANCE STATEMENT

### **Council Recommendation 5.2:**

*Companies should provide the information indicated in the Guide to reporting on Principle 5.*

*MDL Practice:* On 17 March 2006, the Board adopted a formal Market Disclosure and Communications Policy for the Company and a revised version of the Policy was approved by the Board on 26 September 2008. The policy covers the obligations under the Listing Rules of ASX, the TSX Company Manual and applicable Canadian securities regulatory authorities. A copy of the Policy is available on the Company's website and will be provided to any shareholder upon request to the Company Secretary.

## 6. COMMUNICATION WITH SHAREHOLDERS

### **Council Principle 6:**

*Respect the rights of shareholders.*

### **Council Recommendation 6.1:**

*Companies should design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

*MDL practice:* It is the policy of the Company to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. Mechanisms used to communicate with shareholders include:

- ▶ the statutory financial report is distributed to all shareholders who have "opted in" as that term is now understood and otherwise made available in accordance with the Corporations Act 2001. The Board also ensures that the statutory financial report is provided to any shareholder requesting it at the annual general meeting;
- ▶ the half-yearly report as at 31 December contains condensed financial information and a review of the operations of the consolidated entity during the period. This financial report is sent to any shareholder requesting it;
- ▶ the quarterly report summarising activities on the Company's projects on a quarterly basis. This report is sent to any shareholder requesting it;
- ▶ circular information letters;
- ▶ using Computershare Investor Services, the Company's share registry service provider, to facilitate the electronic delivery of documents to shareholders as permitted by the Corporations Act if so requested by shareholders;
- ▶ proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders pursuant to ASX Listing Rules;
- ▶ notices of all meetings of shareholders in printed or electronic form; and
- ▶ in addition, several new reports have been generated as a result of the TSX listing including the quarterly management discussion and analysis of financial condition and results of operations and an annual information form.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and understanding of the Company's strategy and goals. Generally, every shareholder meeting is followed by a presentation by the Chairman and/or Managing Director.

### **Council Recommendation 6.2:**

*Companies should provide the information indicated in the Guide to reporting on Principle 6.*

*MDL Practice:* On 17 March 2006, the Board adopted a formal Market Disclosure and Communications Policy and a revised version of the Policy was approved by the Board on 26 September 2008. The policy includes measures to ensure that timely and accurate information is provided equally to all shareholders and market participants. A copy of the Policy is available on the Company's website and will be provided to any shareholder upon request to the Company Secretary.

All announcements made to the market and related information (for example, information provided to analysts during briefings) are placed on the Company's website at [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au) and also on SEDAR at [www.sedar.com](http://www.sedar.com) after they have been released to ASX. These announcements include the full text of notices of meeting and explanatory material. The Company's website also contains financial data for the last three years and the Company provides information updates to subscribing investors.

## 7. RISK MANAGEMENT

### **Council Principle 7:**

*Recognise and manage risk.*

### **Council Recommendation 7.1:**

*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

*MDL practice:* The Board is responsible for the oversight of the group's risk management and control framework. The audit committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the framework.

## CORPORATE GOVERNANCE STATEMENT

The Board has implemented a policy framework designed to ensure that the group's risks are identified in each of Australia, the Republic of Senegal and Canada and that controls are adequate, in place and functioning effectively.

Arrangements put in place by the Board to monitor risk management include:

- ▶ regular monthly reporting to the Board in respect of operations and the financial position of the group and weekly reporting of the financial position;
- ▶ reports by the Chairman of the audit committee to the Board at least twice a year;
- ▶ attendance of appropriate managers/personnel at Board meetings whenever required by the Board;
- ▶ commissioning of special reports on aspects of risk mitigation as considered necessary; and
- ▶ presentations to the Board by appropriate managers/personnel (and/or independent advisers, where necessary) on the nature of particular risks and details of the measures which have been or can be adopted to manage or mitigate the risk.

### **Council Recommendation 7.2:**

*The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

*MDL practice:* The Managing Director and Company Secretary of MDL are responsible to the Board for the global risk management and control framework. That responsibility includes the identification of material business risks and the design and implementation of strategies and systems to manage and insure, where possible, the Company's material business risks, where appropriate in conjunction with the audit committee. Areas of significant business risk are highlighted in the strategic plan presented to the Board by the Managing Director each year. The Managing Director and Company Secretary are required to report to the Board annually as to whether the Company's material business risks are being managed effectively.

### **Council Recommendation 7.3:**

*The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

*MDL practice:* MDL's Managing Director and Chief Financial Officer report in writing to the Board (through the audit committee) that:

- ▶ the declaration given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control; and
- ▶ the Company's system of risk management and internal control is operating effectively in all material respects in relation to financial reporting risks.

### **Council Recommendation 7.4:**

*Provide information on reporting on Principle 7.*

The Board has received the report from management under Recommendation 7.2 and assurance from the Managing Director (chief executive officer) and the Chief Financial Officer under Recommendation 7.3.

*The Company's risk oversight and management policy, as updated, is posted on the Company's website.*

## 8. REMUNERATION

### **Council Principle 8:**

*Remunerate fairly and responsibly.*

### **Council Recommendation 8.1:**

*The board should establish a remuneration committee.*

*MDL practice:* A remuneration committee was established by the Board on 24 August 2006.

In establishing the remuneration committee, the Board recognised the recent growth achieved by the business and the anticipated growth in the future through the projects now well underway in Senegal.

The remuneration committee comprises three members. The current members of the MDL remuneration committee are Dr D Isles, Dr R Danchin and Mr O Lennox-King, all of whom are independent, non-executive directors of the Company. Dr D Isles, who is not the Chairman of the Board, is the Chairman of the remuneration committee. During the reporting period the remuneration committee met on one occasion.



## CORPORATE GOVERNANCE STATEMENT

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### **Council Recommendation 8.2:**

*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

*MDL practice:* It is the policy of the Company that, except in special circumstances, non-executive directors normally be remunerated by way of fixed fees (determined by the executive directors having regard to the aggregate remuneration fixed for the time being by the shareholders in general meeting and the level of fees paid to non-executive directors by other companies of similar size and stature), should not receive options or bonus payments and should not be provided with retirement benefits other than statutory superannuation.

Each of the non-executive directors receives a fixed annual fee (which, in the case of residents of Australia, includes superannuation) and none of them is entitled to be provided with any other retirement benefits. However, the Company does not comply fully with this recommendation as Dr Isles continued to hold the 500,000 options previously granted to him with the approval of shareholders at the 2005 annual general meeting and the remuneration package of Mr O Lennox-King, appointed as a non-executive director on 29 November 2007, included the grant of 1,000,000 options approved by shareholders at the 2007 annual general meeting. An exception to the policy was made in Mr O Lennox-King's case in order to secure the services of a suitably qualified, Toronto-resident director in view of the imminent listing of MDL on the TSX. That exception having been made, the Board was of the opinion that it would be unfair to treat Dr R Danchin differently. Accordingly, the grant of 1,000,000 options to Dr R Danchin was also approved by shareholders at the 2007 annual general meeting.

### **Council Recommendation 8.3:**

*Companies should provide the information indicated in the Guide to reporting on Principle 8.*

*MDL practice:* Where required by law, the Company ensures that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. The "MDL Employee Option Plan", pursuant to which a number of executives have been issued options, was approved by shareholders at a general meeting held on 31 December 2004.

A charter for the remuneration committee was adopted on 26 September 2008 and is available on the Company's website. A copy will be provided to any shareholder on request to the Company Secretary.

It is the policy of the Company that persons to whom options have been granted should not enter into any transaction in any associated product which is designed to limit the economic risk of participating in unvested entitlements under an equity-based remuneration scheme.

## DIRECTORS' REPORT

The directors of Mineral Deposits Limited ("MDL" or the "company") herewith submit the annual financial report of the company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names of directors in office during the year and up to the date of this report are:

Nicholas Limb  
Jeffrey Williams  
Martin Ackland  
Clever Fonseca  
Robert Danchin  
David Isles  
Oliver Lennox-King  
James (Murray) Grant

### INFORMATION ON DIRECTORS

The names and details of the directors in office at the date of this report are:

#### **Nicholas Limb (Executive Chairman) BSc (Hons) MAusIMM ASIA**

Mr Limb is a qualified exploration geophysicist. His early career was spent in the Australian exploration industry with mining majors CRA Limited and BHP Limited. Subsequently he worked for many years in stockbroking and investment banking, specialising in mining corporate finance. In 1994 he struck out on his own and developed gold miner New Hampton Goldfields Limited from an explorer to a large producer. New Hampton Goldfields Limited was taken over in 2000. During that time, he also developed a number of other interests in the resources industry. Period of office: 16 years.

*Directorships of other listed companies since 1 July 2007:*

Cockatoo Ridge Wines Limited (January 2002 to October 2007)

Flow Energy Limited formerly Gippsland Offshore Petroleum Limited (November 2004 to present)

Gravity Diamonds Limited (December 1995 to August 2007 – company was delisted in May 2007)

#### **Jeffrey Williams (Managing Director) BSc (Mining Engineer) MBA MAusIMM**

Mr Williams has 16 years' experience as a professional mining engineer in Australia and seven years in the stockbroking industry. In the mining industry, his experience ranges from mine planning, underground management and feasibility study through to mine development. From 1972 to 1984, he held various positions with CRA Limited at Broken Hill in New South Wales. At the underground silver/lead/zinc mine, he gained his Mine Manager's Certificate and practical experience in mine planning and underground management. Following his Masters of Business Administration (MBA) programme in 1987, he played a major role as a Senior Project Engineer with North Limited. From 1989 to 1996, he spent seven years in stockbroking specialising in gold mining research. Prior to joining the company in 1997, he was Head of Resources Research at James Capel Australia. Period of office: 13 years.

*Directorships of other listed companies since 1 July 2007:*

Morning Star Gold NL (February 2004 to present)

#### **Martin Ackland (Executive Director) B App Sc (Prim Met) MAusIMM MAIME FAICD**

Mr Ackland is a qualified metallurgist and has spent over 30 years in the resources industry in a variety of roles that involved the creation of major resource groups from small capital bases. From 1997 to 2003, Mr Ackland was President and Chief Executive Officer of Southern Cross Resources Inc. (now SXR Uranium One Inc.). From 1987 to 1995, he was an executive director of Ticor Limited (formerly Minproc Holdings Limited) where he was responsible for the successful implementation of the Tiwest Project; the world's only integrated mineral sands mine, synthetic rutile and TiO<sub>2</sub> pigment operation. He brings to the company a very strong background in project development, particularly in mineral sands and gold, at a time when the company's Grande Côte Mineral Sands Project is currently its primary focus of attention, plant commissioning of the Sabodala Gold Mine having commenced in March 2009. His experience embraces a range from project development through financing and capital raising in both the project and corporate areas. Mr Ackland has prime responsibility for the project implementation and engineering aspects of the company's projects and is Chairman of Grande Cote Operations SA. Period of office: 7 years.

*Directorships of other listed companies since 1 July 2007:*

Lodestone Energy Limited (July 2002 to present)

#### **Clever Fonseca (Executive Director) BMEng MBA**

Mr Fonseca has more than 25 years of successful leadership and extensive experience in areas of business development worldwide, mining, global supply chain management, project management and international market development. From 1998 to 2006, Mr Fonseca held numerous senior positions including Vice President Global Supply Chain with Millennium Chemicals, one of the largest titanium dioxide producers in the world. From 2001 to 2005 Mr Fonseca was a member of the Millennium do Brasil board. Mr Fonseca joined the company on 1 October 2007, engaged as President and Chief Executive Officer of the Mineral Sands Division, and was appointed to the board in April 2008. Period of office: 2 years.

*No directorships of other listed companies held since 1 July 2007.*

## DIRECTORS' REPORT

### **Robert Danchin (Non-Executive Director) BSc BSc (Hons) MSc PhD FAusIMM**

Dr Danchin has over 40 years' experience in the exploration industry. He was Chief Executive Officer of Anglo American plc's Exploration and Acquisition Division and the Anglo American Group's Deputy Technical Director (Geology). From 1997 to 2002, he was an executive director of Anglo American Corporation of South Africa Limited. In 1980, he joined Stockdale Prospecting Limited (an Australian subsidiary of De Beers) as Chief Geologist based in Australia. He remained with that company for 15 years, eventually becoming Exploration Manager heading up its Australian-based diamond exploration programme. Dr Danchin is also Deputy Chairman of MDL with special responsibility for corporate governance and related areas. Period of office: 3 years.

*Directorships of other listed companies since 1 July 2007:*

Cluff Gold plc (May 2004 to present)  
GMA Resources plc (June 2003 to February 2008)

### **David Isles (Non-Executive Director) BSc (Hons) PhD SEG ASEG AIG**

Dr Isles is a geophysicist and recognised world expert in aeromagnetic interpretation. He has worked in operational exploration with BHP Minerals and in the area of exploration technology development with World Geoscience Corporation. Between 1995 and 2004 he held executive directorships with New Hampton Goldfields, Grenfell Resources and Gravity Capital Limited. He consults widely in his area of expertise in aeromagnetics. Period of office: 8 years.

*Directorships of other listed companies since 1 July 2007:*

Stellar Resources Limited (April 2004 to present)

### **Oliver Lennox-King (Non-Executive Director) BComm**

Mr Lennox-King has over 30 years of experience in the mineral resource industry and has a wide range of experience in financing, research and marketing. He was instrumental in the formation of Southern Cross Resources Inc. in 1997. Mr Lennox-King was formerly President of Tiomin Resources Inc. from 1992 to 1997. From 1980 to 1992, he was a mining analyst in the Canadian investment industry. From 1972 to 1980, he worked in metal marketing and administrative positions at Noranda Inc. and Sherritt Gordon Limited. Period of office: 3 years.

*Directorships of other listed companies since 1 July 2007:*

Aurora Energy Resources Inc. (February 2006 to March 2009)  
CGX Energy Resources Inc. (March 1997 to present)  
Fronteer Development Group Inc. (November 2003 to present)  
Metallica Resources Inc. (June 1999 to June 2008)

### **James (Murray) Grant (Non-Executive Director) BSc (Hons) (Engineering) MBA**

Mr Grant has been a Partner of Actis LLP since its formation in 2004 and prior to that was a Director of CDC Group plc. He joined CDC in 2001 after a 13 year investment career with 3i Group plc. Prior to working at 3i, Mr Grant spent four years in the construction industry working on large infrastructure projects in Africa, Australia and Papua New Guinea. Mr Grant was a director of both Rashidi El Mizan (Egypt) and Flamingo Holdings (Kenya) prior to their successful exits in 2007 and Starcomms Nigeria Ltd in 2008. He remains on the boards of DFCU Limited (Uganda), Banque Commerciale du Rwanda (Rwanda), Copperbelt Holdings Limited (BVI) and Candax Energy Inc. (Canada). Mr Grant holds an MBA from London Business School and a BSc (Hons) in Engineering from Edinburgh University. Period of office: 16 months.

*Directorships of other listed companies since 1 July 2007:*

Candax Energy Inc. (August 2006 to June 2008 and January 2009 to present)

## DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the company as at the date of this report.

Name	Fully Paid Ordinary Shares No.	Share Options No.
Nicholas Limb	3,285,317	1,500,000
Jeffrey Williams	1,878,189	1,500,000
Martin Ackland	1,056,918	1,500,000
Clever Fonseca	-	1,000,000
Robert Danchin	-	1,000,000
David Isles	170,892	500,000
Oliver Lennox-King	-	1,000,000
James (Murray) Grant	-	-

## DIRECTORS' REPORT

### COMPANY SECRETARIES

#### **Kathryn Davies BBus CPA**

Ms Davies was appointed Company Secretary on 6 August 2010. She has 12 years' experience in the resources industry having worked for several listed companies, including six years as Company Secretary of Hardman Resources Limited, a company which held dual listings on ASX and AIM. During that time, Ms Davies also held the position of Chief Financial Officer of Hardman for four years.

#### **Melvyn Drummond BA BCom FCIS FInstCM**

Mr Drummond worked and resided in four countries prior to permanently relocating to Australia in 1985. He has held senior finance and administrative positions (including directorships) in both private and public companies in various business sectors, including the mining sector, in Australasia and the West Indies between 1976 and since coming to Melbourne. Mr Drummond has been responsible for the establishment and management of resources-linked companies in the DRC, Senegal and Mauritius and was closely involved with listings on the ASX and AIM, also the TSX, in recent years.

### FORMER PARTNER OF THE AUDIT FIRM

No audit or former audit partners are directors or officers of the company.

### PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year continued to be focused in Senegal, West Africa through a producing gold mine, the Sabodala Gold Mine, and a to be developed mineral sands project, the Grande Côte Mineral Sands Project.

The Sabodala Gold Mine, 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.

Grande Côte 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 orebody 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.

### OPERATING RESULTS

The net amount of the operating loss after provision for income tax for the financial year was \$28.7 million (2009 – loss of \$2.3 million) for the consolidated entity.

### REVIEW OF OPERATIONS

#### **Gold – Sabodala Gold Mine**

##### ***90% owned through Sabodala Gold Operations SA, 10% Government of the Republic of Senegal***

Gold production for 2010, the first full year of operation, was 172,140 ounces which was in line with expectations. Ore processed through the mill of 2.2 million tonnes exceeded the processing plant nominal capacity of 2.0 million tonnes per annum ("Mtpa"),

The primary constraining factor on mine production throughout the year was the low amount of broken stocks in the pit, a function of the continued low availability of the mine drilling fleet due to mechanical breakdowns and parts supply issues. To improve the availability of the mine drill fleet, a specialist drilling contractor is now providing drilling services and maintenance support for the company owned drills.

Total cash cost of sales were \$412/oz, which takes into account the effects of inventory adjustments and therefore reflects the significant increase in inventories over the course of the year, particularly the run-of-mine ore stockpile which increased from 1.7 million tonnes (valued at \$25.9 million) at 30 June 2009 to 2.5 million tonnes (valued at \$44.4 million) at 30 June 2010. Gross cash operating costs (which exclude inventory movements) were \$495/oz excluding royalties and \$528/oz including royalties.

## DIRECTORS' REPORT

### Sabodala production statistics

		June 2010 Year-end
Ore mined	('000t)	3,212
Waste mined	('000t)	11,540
Total mined	('000t)	14,752
Strip ratio	waste/ore	3.6
Ore processed	('000t)	2,235
Head grade	(g/t)	2.63
Gold recovery	(%)	91.0
Gold produced <sup>1</sup>	(oz)	172,140
Gold sold	(oz)	172,558
Average price received	\$/oz	916
Gross cash costs (per ounce produced) <sup>2</sup>	\$/oz	495
Total cash cost (per ounce sold) <sup>3</sup>	\$/oz	412
Total cash margin <sup>4</sup>	\$/oz	504

#### Notes:

1. Gold produced is gold poured and does not include gold-in-circuit at period end.
2. Gross cash operating cost excludes royalties and is calculated using ounces produced and dry tonnes processed.
3. Total cash cost represents the gross cash cost plus royalties as well as the effects of inventory adjustments.
4. Total cash margin is calculated using the average price received less the total cash cost (per ounce sold).

### Expansion

Planning is being finalised to expand the Sabodala gold plant from a nominal capacity of 2.0 Mtpa to approximately 4.0 Mtpa. The proposed major equipment additions for the processing plant include a second ball mill and associated pumps and cyclones, three new leach tanks and agitators and an additional tailings thickener as well as a secondary crushing circuit to increase the efficiency of the SAG mill and size the milling and leaching circuits for approximately 4.0 Mtpa. It is currently anticipated that the plant expansion will be completed by the end of 2011.

Additional items of mining equipment for the expanded operations, including a third hydraulic shovel, two primary blast hole drill rigs, five haul trucks and two dozers, are ex-works and site, with the expectation they will become operational in October and November 2010. This equipment, costing approximately \$15 million, is being financed by an increase in the fleet lease facility with Societe Generale.

### Mine Lease Exploration

During the latter part of the financial year, one diamond drill hole rig and one reverse circulation rig were active on the mine lease. The focus was on the Sabodala Main Flat Extension to the north and Sutuba to the south of the Sabodala pit.

#### Sabodala Main Flat Extension

Step-out drilling to the north of the Sabodala pit has intersected the continuation of the Sabodala orebody as expected at approximately 350 metres below surface, and a new deeper flat zone approximately 600 metres below surface (with interpretation ongoing).

#### Sutuba

Infill drilling between the Sabodala pit and Sutuba to the south is being undertaken to determine the potential for near term, near surface feed for the mill.

### Regional Exploration

In addition to the mine lease, the company has interests in seven granted exploration permits, some of which are in joint venture. These interests are adjacent to or in close proximity to the Sabodala mine lease and comprise over 1,300 square kilometres in total. A tenement schedule is on page 79 of this financial report.

The exploration programmes on the regional landholdings ramped up during the second half of the financial year. The exploration highlight to date has been at Gora (formerly Zone D) where an initial drilling programme has indicated the potential for a high grade resource comprised of a multiple lode system.

#### Gora (formerly Zone D) (Sounkounkoun Permit)

The Gora deposit is located approximately 25 kilometres northeast of the Sabodala processing plant (accessible from the Faleme pipeline road) within the Sounkounkoun exploration permit, in which MDL and AXMIN Inc. are joint venture partners whereby MDL is earning a majority interest and manages the exploration.

A highly encouraging Phase 1, 51-hole reverse circulation drilling programme was completed during the June 2010 quarter which yielded a number of high-grade intercepts, including 7 metres at 32.0g/t Au from 110 metres depth (including 1 metre @ 181g/t Au from 114 metres). A number of the holes intersected more than one vein and many of the results indicate a significant widening of the vein system at depth. With the depth of the drill holes in the Phase 1 programme averaging only 123 metres down hole (approximately 90 metres vertically), deeper drilling will be required to test the down dip extensions, all of which remain open.

## DIRECTORS' REPORT

### **Mineral Sands – Grande Côte Mineral Sands Project**

**90% owned through Grande Côte Operations SA, 10% Government of the Republic of Senegal**

During 2010, the majority of work undertaken in relation to the Grande Côte Mineral Sands Project focused on compilation of a Definitive Feasibility Study ("DFS"), the results of which were announced in June 2010 and formed the basis for proceeding with the Project.

The DFS, compiled in association with AMC Consultants, commenced in August 2009 and considered all aspects related to development of the Project including mining, metallurgical, processing and engineering, marketing, economics, and social and environmental aspects.

Key highlights of the DFS are:

- ▶ a mine dredge path for the first 14 years of the operation has been developed which has yielded a proved and probable Ore Reserve estimate of 751 million tonnes of 1.8% heavy mineral;
- ▶ the capital cost (including contingency) is estimated at \$406 million;
- ▶ zircon and ilmenite output would represent approximately 7% and 10% respectively of world production which, together with the high quality of the zircon, makes the Project of international significance; and
- ▶ the internal rate of return based on the first 14 years of operation only (with no terminal value) is 21% and the projected payback period is approximately five years after operations commence – confirming the Project's attractive economics.

Other points of note from the DFS include:

- ▶ the orebody characteristics comprise free flowing sands, a consistent grain size, no overburden, minor vegetation, minimal slimes, and no hard lenses – thereby limiting operating costs;
- ▶ the orebody size and characteristics provide for a large scale dredge operation, mining approximately 55 Mtpa, and conventional processing technology;
- ▶ with a dredge path for the first 14 years covering an area approximately 40% of the mine lease, an additional 10 or more years of mine life beyond the current Ore Reserves is considered feasible subject to additional drilling;
- ▶ testwork on a series of bulk samples has determined that the Project can yield a high quality zircon product plus a saleable ilmenite product, along with small amounts of rutile and leucoxene. Average annual production rates are projected at approximately:
  - 80,000 tonnes of zircon
  - 575,000 tonnes of ilmenite
  - 6,000 tonnes of rutile
  - 11,000 tonnes of leucoxene
- ▶ Grande Côte is planned to enter the market in 2013 and consultancy group TZMI is forecasting that the zircon market dynamics from 2012 will be increasingly dominated by tight supply, with the degree of undersupply dependent on the success of bringing new projects into operation. From 2015 onwards, the expectation is for a widening deficit, mainly as a result of major losses of production by existing suppliers and a lack of new projects entering the market;
- ▶ a premium price for the zircon product is anticipated as a result of (1) its high quality, (2) the close proximity of the Port of Dakar to the important European and North American markets and (3) the utilisation of container shipments to sell small lots into a range of niche markets and which allow for just-in-time inventories for customers;
- ▶ cash operating costs are projected to average approximately \$75 million annually; and
- ▶ a high level project development schedule has construction commencing in the third quarter of 2011, a completion date for initial commissioning during the first quarter of 2013 and for first sales of products to be produced by June 2013.

Having already received the necessary mining approvals and established the fiscal arrangements with the Government of Senegal, funding for the Project will now be sought and planning undertaken to expedite its development.

### **Sustainable Development**

*MDL is committed to operating in a responsible manner, seeking to integrate leading international best practices of the mining industry into all its activities.*

MDL continually strives to improve its performance in all areas of sustainable development. The company's operations benefit the people residing in the Grande Côte and Sabodala regions both directly and indirectly. They improve the security, welfare and prosperity of the communities in which its people live and work, and where its business operates.

The company's sustainable development team has continued its initiatives to develop and implement many social programmes aiming to minimise any negative impacts and maximise the many positive impacts of its operations at different stages of the company's development.

### **The Community and Social Programmes**

Through consultation and collaboration with the Government of Senegal, officials and local village chiefs, MDL has continued to foster its relationships with host communities, ensuring the people in close proximity to its operations can work in partnership on agreed social programmes and are well versed in regard to MDL's undertakings. The company has a series of extensive policies in place with respect to the management of its community and social responsibilities.



## DIRECTORS' REPORT

Significant contributions made to local Sabodala communities to date include:

- ▶ sponsoring qualified graduates for mining-related university studies in France, Morocco and Tunisia;
- ▶ building the first middle school in the vicinity of Sabodala, the Khossanto C.E.M.;
- ▶ contributing to the development of an Apprenticeship and Mastery Pavilion at the Kedougou Technical Mining School, supporting local youth to develop skills in the trades and increase technological capacity in the area;
- ▶ a major rehabilitation initiative of the Sabodala water supply, providing clean water for hundreds of villagers through the provision of two borehole pumps to the Sabodala Village. The Government of Senegal's Rural Water Supply Department assisted with the installation of the pumps and a generator. The borehole pumps were inter-linked to ensure sufficient water supply to residents of the village. Village technicians were trained to operate the generator;
- ▶ residual indoor spraying in villages and mining camp facilities and, with the support of MDL's business partners in Sabodala, over 1000 mosquito nets issued free of charge to the local population to reduce the incidence and minimise the impact of malaria; and cooperating closely with Senegal's Public Health Service to implement aggressive programmes to combat malaria in the region;
- ▶ supporting a village health centre including providing a community ambulance and a nurse supervised by an experienced, full-time medical doctor;
- ▶ the provision of medical consultations and medical supplies to the previously established clinic at the Sabodala village. To date, over 6000 patients have been treated for various medical conditions or ailments;
- ▶ the provision of an ambulance for the transportation of patients from the villages in the region that require specialised treatment at Government clinics in larger centres;
- ▶ becoming a partner of the National Campaign for the Fight against HIV/AIDS and sponsor of AIDS awareness programmes in eight villages on AIDS Awareness day. Company representatives conducted HIV/AIDS awareness sessions attended by both employees and village residents;
- ▶ purchasing six grain mills and allocating them to six villages in the region. The mills can each mill 400kg of grain per hour;
- ▶ opening the Sabodala kindergarten and providing uniforms to all its students as well as supplying two computers and potable water;
- ▶ opening the MDL Group's rural electrification programme (which has brought solar lighting and experimental grain mills to five villages in the area surrounding the Sabodala mine) and reparation of diesel powered grain mills in four local villages;
- ▶ construction of an all weather access road joining a number of villages west of the Mining Concession from Bransan to Sounkounkoun;
- ▶ in 2009 water bores were established and equipped in Dialacotoba and Bouroumbou villages; and
- ▶ improvement to regional roads by regular maintenance grading and improving water crossings.

### Health and Safety

The safety of all MDL's employees, business partners and the communities in which it operates forms integral part of the way in which the company undertakes its activities. The successful implementation of safety operating procedures and training programmes at Sabodala post the construction phase of the project provided a sound foundation for building site safety awareness now associated with daily operations.

MDL's philosophy is that all work-related injuries, diseases and property losses are preventable. The company continues to develop and implement programmes that comply with international safety management standards using both system and a behavioural-based approach for safety and training.

The company has a series of extensive policies in place with respect to the management of its health and safety responsibilities.

### The Environment

MDL strives to achieve or better world best practice in regard to the management of the impact it has on the environment in which it operates. The company's Code of Ethics and Sustainability Policy Statement underpin the company approach to implementing environmental and social management strategies.

MDL is committed to developing and maintaining an integrated Management System which incorporates its code of ethics and policies as well as conformance with: International Finance Corporation (IFC) Performance Standards; Equator Principles; AS/NZS ISO 14001 (2004) Environmental management systems; AS/NZS 4801 (2001) Occupational health and safety management systems; and AS/NZS 4360 (2004) Risk Management.

#### Senegal

Numerous laws and regulations of the Government of Senegal are relevant to the environmental and social management of MDL's projects. The relevance of these laws and regulations is reviewed periodically to determine if there has been any change of status.

The Senegal Environment and Mining Codes are also applicable to MDL activities. The aim of the Environment Code (2001) is to manage and protect the environment against all possible forms of degradation arising from economic, social and cultural development. The Environment Code sets out the Government's environmental policies in four key areas:

- ▶ classified installations (mobile or fixed activities capable of affecting the environment);
- ▶ water pollution;
- ▶ noise pollution; and
- ▶ air pollution and unpleasant odours.

## DIRECTORS' REPORT

The Mining Code (2003) Senegal, covers both exploration and mining activities in Senegal. The Mining Code considers environmental and social management in the following sections:

- ▶ Title IX, Chapter 5 'Environmental Protection' – specifies the requirement for an environmental impact study;
- ▶ Title VIII, Article 55, 'Equalisation and Support' – ensures that a portion of income from a mining operation is set aside as a fund for local communities;
- ▶ Article 76 of the Mining Code requires the holder of a mining title to compensate owners or occupants of land occupied by the mining title holder; and
- ▶ Article 78 requires a mining title holder to rehabilitate mine sites at the expiry of each mining title.

### *Australia*

Rehabilitation work continues to be undertaken on a programmed basis at MDL's former mining sites in New South Wales. No adverse situations have been reported and work continues on schedule as expected.

## **Corporate**

### **Equity and Debt Financing**

During the 2010 year, MDL derived \$9.4 million of proceeds from the issue of ordinary shares, comprising:

- ▶ \$1.9 million from the issue of 2,450,575 shares at A\$0.95 under a Share Purchase Plan completed in June 2010;
- ▶ \$5.5 million from the issue of 9,000,000 shares from the exercise of options at A\$0.69 by financiers; and
- ▶ \$2.0 million from the issue of 5,750,000 shares from the exercise of options at varying prices by directors and executives of the company.

During 2010, the company repaid \$32 million of its Project Finance Facility, with the outstanding \$6 million expected to be repaid by 30 September 2010.

In July 2010, the Mining Fleet Lease Facility was increased from \$10.5 million to \$27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion (\$15.1 million) and re-gearing of existing equipment (\$2.2 million).

## CHANGE IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year.

## SUBSEQUENT EVENTS

- ▶ On 27 August 2010, the company announced that it had agreed to acquire 18,699,500 common shares (the "Oromin Shares") in Oromin Explorations Ltd ("Oromin"), representing approximately 15.01% of the issued and outstanding common shares of Oromin. MDL issued 24,870,335 ordinary shares as consideration for the Oromin Shares acquired upon settlement, 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 A\$0.93 per share (equivalent to approximately Cdn\$0.87 per share). The Oromin Shares were acquired pursuant to the terms of Share Sale Agreements with certain vendors.

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.

The Oromin Shares have been acquired by MDL for investment purposes. It is the intention of MDL to evaluate its investment in Oromin on a continuing basis and may, from time to time, increase or decrease its holding of Oromin securities, depending on market conditions and other relevant factors.

- ▶ On 23 August 2010, the company announced an update in relation to the separation of its two core assets, the Sabodala Gold Mine and the Grande Côte Mineral Sands Project, into two separate, publicly traded entities. After consideration of a number of factors, it is now currently proposed to demerge Sabodala, rather than Grande Côte, from MDL.

It is proposed that the demerger 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 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.

## DIRECTORS' REPORT

The current proposed timing of the IPO/listing of NewCo is November 2010, 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 demerger will be subject to MDL shareholder approval under the ASX Listing Rules.

Post the demerger 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
- Grande Côte – with its financing and development (at a current estimated cost of \$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.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### FUTURE DEVELOPMENTS

Over the remainder of the current financial year, the company intends to undertake the demerger of the Sabodala gold assets from the company, and seek funding for and progress the development of Grande Côte.

### ENVIRONMENTAL REGULATIONS

The company's Hawks Nest operations remain subject to significant environmental regulation under the laws of the Commonwealth of Australia and New South Wales State legislation. The company is therefore required to continue to comply with the terms and conditions of the raft of approvals and licences granted until such date(s) as its mining *leases* are relinquished.

During the year ended, there were no instances of non-compliance by the company in relation to licences and approvals.

### DIVIDENDS

During the financial year, no dividends were paid. The directors have not recommended the payment of a dividend.

### SHARE OPTIONS

At the date of this report, the unissued ordinary shares of the company under option are as follows:

ASX Code	Grant Date	Expiry Date	Exercise Price (A\$)	No.
MDLAA	1 July 2008	1 July 2011	1.40	10,000,000
MDLAB	30 June 2009	30 June 2014	0.75	750,000
MDLAQ	23 November 2005	23 November 2010	0.85	500,000
MDLAS	1 May 2006	1 May 2011	2.00	250,000
MDLAU	19 July 2007	18 July 2012	1.60	1,700,000
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000
MDLAY	5 December 2007	5 December 2012	1.60	1,000,000
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000
				<u>30,700,000</u>

During the year ended 30 June 2010, 14,750,000 ordinary shares of the company were issued on exercise of options granted.

Further details of options on issue are contained in Note 37 to the financial statements.

No person entitled to exercise an option had or has any rights by virtue of the option to participate in any share issue of any other body corporate.

### INDEMNIFICATION OF OFFICERS AND AUDITOR

The company has not during, or since the end of the financial year, in respect of any person who has been an officer or auditor of the company or of a related body corporate, indemnified or made any relevant agreement for indemnifying such person against a liability including costs and expenses in successfully defending legal action.

The company has paid premiums to insure each of its directors and the company secretary against liabilities for costs and expenses incurred by any of them in defending any legal proceedings arising out of their conduct while acting in the capacity of director/officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

## DIRECTORS' REPORT

### DIRECTORS' MEETINGS

Name	Held	Eligible	Attended
Nicholas Limb	14	14	14
Jeffrey Williams	14	14	14
Martin Ackland	14	14	14
Clever Fonseca	14	14	12
Robert Danchin	14	14	14
David Isles	14	14	14
Oliver Lennox-King	14	14	11
James (Murray) Grant	14	14	14

Name	Remuneration Committee			Audit Committee		
	Held	Eligible	Attended	Held	Eligible	Attended
David Isles	1	1	1	6	6	6
Robert Danchin	1	1	1	6	6	6
Oliver Lennox-King	1	1	1	6	6	6

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### AUDITOR

Deloitte Touche Tohmatsu continues in office in accordance with the Corporations Act 2001.

### NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 35 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 38 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- ▶ all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- ▶ none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence statement is included on page 22 of the financial report.

### ROUNDING OFF OF ACCOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

## DIRECTORS' REPORT

### REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of MDL's directors and its senior management for the financial year ended 30 June 2010.

#### Directors and senior management details

The names and positions held by key management personnel in office at any time during the financial year were:

Nicholas Limb	Chairman – Executive
Jeffrey Williams	Managing Director – Executive
Martin Ackland	Director – Executive
Clever Fonseca	Director – Executive
Robert Danchin	Director and Deputy Chairman – Non-Executive
David Isles	Director – Non-Executive
Oliver Lennox-King	Director – Non-Executive
James (Murray) Grant	Director – Non-Executive
Melvyn Drummond	Company Secretary
Warwick Sharp	Chief Financial Officer
Christopher Young	Chief Geologist
Peter Spivey	Chief Operating Officer
Bruce Van Brunt	Mining Operations Manager

#### Remuneration Policy

A remuneration committee charter adopted on 26 September 2008 was designed to align director and executive objectives with those of shareholders and the business. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company, as well as create goal congruence between directors, executives and shareholders. The remuneration policy setting the terms and conditions for the executive directors and other senior executives was not developed by a remuneration committee but approved by the board after seeking professional advice from independent external consultants at the time. A separate remuneration committee was established by the board on 24 August 2006 in recognition of the growth achieved by the business over the prior year and the anticipated growth in the future through the projects underway in Senegal. This committee has since taken responsibility for setting and reviewing remuneration policy.

The board's current policy for determining the nature and amount of remuneration for board members and senior executives of the company is as follows:

The remuneration levels of executive directors are determined by the chairperson after taking into consideration those that apply to similar positions in comparable companies in Australia and directors' possible participation in any equity-based remuneration scheme. The chairperson uses industry-wide data gathered by independent remuneration experts annually as his point of reference.

Any options or shares issued to directors pursuant to an equity-based remuneration scheme require approval by shareholders prior to their issue. Options or shares issued to senior executives who are not directors would be proposed by the managing director and issued only after unanimous resolution by the board. Options currently on issue to directors were issued pursuant to shareholder approval at the company's annual general meetings held on 11 November 2004, 23 November 2005 and 29 November 2007 and those granted to senior executives were issued pursuant to the MDL Employee Option Plan approved by shareholders in general meeting on 31 December 2004.

All executives receive a base salary (which is based on factors such as qualifications, expertise, experience etc.), superannuation and fringe benefits and are eligible for the grant of options under the above MDL Option Plan.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities.

The fees payable to individual non-executive directors must be determined by the board within the aggregate sum of A\$500,000 per annum provided for under clause 61.1 of the constitution. That aggregate sum can only be increased with the prior approval of the shareholders of the company at a general meeting. A non-executive director is entitled to a refund of approved expenditure and may also receive payments for consultancy work contracted for and performed separately on the company's behalf.

Whilst it remains the current policy of the company that the remuneration of non-executive directors generally should not include equity-based remuneration, it is recognised that circumstances have arisen and may arise in the future where the services of a particular person on the board might not be able to be secured unless his or her remuneration package includes equity-based remuneration. The board does not have a policy in relation to directors or executives limiting their exposure to risk in relation to the securities granted under executive option schemes.

The board is responsible for the appointment of the managing director and conducts an annual review of his performance as chief executive officer of the company. The performance of the company's other key executives is also reviewed annually by the board, taking into consideration the views and recommendations of the chief executive officer in this regard.

The executive directors and executives also receive a superannuation guarantee contribution required by the Federal Government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase contributions towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors are valued as the difference between the market price of those shares and the amount paid by the director. Options granted to executives are valued using a binomial methodology.

## DIRECTORS' REPORT

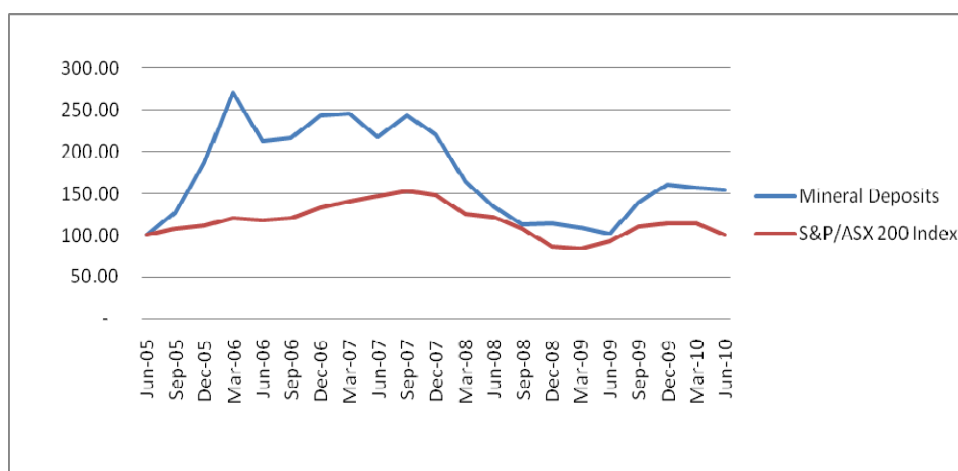
### Performance Based Remuneration

There exist options on issue subject to performance criteria, share options having been issued to directors with certain conditions in the previous period. Fifty percent of the options issued to each director vested on the first commercial product sales in respect of Sabodala. The remaining 50% of the options will vest on the first commercial product sales in respect of the Grande Côte project or in the event the company's interest in the Grande Côte project is sold, joint ventured, farmed out or its value similarly realised. However, all options vest in the event of a takeover event, scheme of arrangement or change in effective control.

Variable remuneration, provided in the form of the grant of options takes into account skills, experience and length of service with the Company. Options are awarded to directors who can reasonably influence or impact the Company's ability to maximise Shareholders returns. These options were issued with an exercise price of A\$1.60 (representing 23% premium on the ordinary share price at the date of issue) and vest over a 5 year period.

### Performance Graph

The following graph compares the yearly percentage change in the company's cumulative total shareholders return on its shares against the cumulative total shareholders return of the S&P/ASX 200 Index for the company's completed financial years from 30 June 2005, assuming an initial investment of A\$100.



	30 June 2005 A\$	30 June 2006 A\$	30 June 2007 A\$	30 June 2008 A\$	30 June 2009 A\$	30 June 2010 A\$
Mineral Deposits Limited	100	213.11	218.03	134.43	101.64	154.10
S&P/ASX 200 Index Total Return	100	118.62	146.70	121.92	92.46	100.56

The company does not set key management personnel compensation solely in relation to share price performance. This measure is relevant to the extent of any benefits realised from non-cash options under the Employee Option Plan or otherwise with shareholder approval. Base remuneration is set reflecting matters such as but not limited to employment market conditions from time to time, the risks and responsibilities of the function and the company's operations, plans and strategic assessment in coming years.

### Relationship Between the Remuneration Policy and Company Performance

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
Revenue (US\$'000)	158,478	47,103	2,212	4,650	4,703
Net loss before tax (US\$'000)	(21,555)	(4,896)	(8,045)	(16,363)	(776)
Net loss after tax (US\$'000)	(28,710)	(2,308)	(8,086)	(16,363)	(776)
Share price at start of year (A\$)	0.62	0.82	1.33	1.30	0.61
Share price at end of year (A\$)	0.94	0.62	0.82	1.33	1.30
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic EPS (US cents)	(4.6)	(0.9)	(1.8)	(5.5)	(0.4)
Diluted EPS (US cents)	(4.6)	(0.9)	(1.8)	(5.5)	(0.4)

As the table indicates, earnings have varied significantly over the past five years. It has been the focus of the board of directors to retain management personnel essential to the development of its gold and mineral sands projects in Senegal by the issue of options to the majority of directors and key management personnel.

## DIRECTORS' REPORT

### Remuneration of Directors and Key Executives

The remuneration of each director and each of the key executives of the group during the year is as follows:

	Short term benefits			Post employment benefits	Equity settled share based payments	Total	Share-based payment
	Salary and Fees A\$	Non-Cash Benefits A\$	Cash Bonus A\$	Superannuation Contributions A\$	Options A\$		A\$
<b>Directors</b>							
<b>2010</b>							
Nicholas Limb	412,291	11,549	-	36,402	129,804	590,046	22.0
Jeffrey Williams	549,916	42,403	-	48,789	129,804	770,912	16.8
Martin Ackland (1)	354,979	-	-	31,244	129,804	516,027	25.2
Clever Fonseca	350,217	-	-	-	116,474	466,691	25.0
Robert Danchin	91,743	-	-	8,257	86,536	186,536	46.4
David Isles (2)	37,273	-	-	3,096	-	40,369	-
Oliver Lennox-King	70,000	-	-	-	86,536	156,536	55.3
James (Murray) Grant	82,541	-	-	-	-	82,541	-
	<b>1,948,960</b>	<b>53,952</b>	-	<b>127,788</b>	<b>678,958</b>	<b>2,809,658</b>	
<b>2009</b>							
Nicholas Limb	401,665	8,356	-	35,342	277,421	722,784	38.4
Jeffrey Williams	539,280	46,707	-	47,727	277,421	911,135	30.4
Martin Ackland	345,333	-	-	30,272	277,421	653,026	42.5
Clever Fonseca	420,810	-	-	-	131,296	552,106	23.8
Robert Danchin	91,743	-	-	8,257	184,947	284,947	64.9
David Isles	46,104	-	-	3,096	-	49,200	-
Oliver Lennox-King	70,000	-	-	-	184,947	254,947	72.5
James (Murray) Grant	9,300	-	-	-	-	9,300	-
	<b>1,924,235</b>	<b>55,063</b>	-	<b>124,694</b>	<b>1,333,453</b>	<b>3,437,445</b>	
<b>Key Executives</b>							
<b>2010</b>							
Melvyn Drummond	260,615	11,165	-	22,752	4,106	298,638	1.4
Warwick Sharp	312,867	4,392	-	28,158	85,065	430,482	19.8
Christopher Young	202,235	8,973	-	18,201	-	229,409	-
Peter Spivey*	377,222	19,834	-	-	4,106	401,162	1.0
Bruce Van Brunt	207,518	57,582	-	-	4,106	269,206	1.5
	<b>1,360,457</b>	<b>101,946</b>	-	<b>69,111</b>	<b>97,383</b>	<b>1,628,897</b>	
<b>2009</b>							
Melvyn Drummond	354,406	8,389	-	22,089	79,096	463,980	17.0
John Dorward**	376,269	56,479	-	4,820	(158,191)	279,377	(56.6)
Warwick Sharp	54,000	-	-	-	85,065	139,065	61.2
Christopher Young	196,345	8,356	-	17,671	-	222,372	-
Peter Spivey	296,789	133,748	-	-	79,096	509,633	15.5
Bruce Van Brunt	241,881	116,900	-	-	158,191	516,972	30.6
	<b>1,519,690</b>	<b>323,872</b>	-	<b>44,580</b>	<b>243,257</b>	<b>2,131,399</b>	

\* Terminated during the period - 17 July 2009

\*\* Resigned during the period - 19 June 2009

No director or senior management person appointed during the period received a payment as part of his consideration for agreeing to hold his position.

- (1) Includes an amount of A\$249,125 (2009 - A\$209,992) paid to Mineral Properties Pty Ltd of which Mr M Ackland was and continues to be a director and beneficial owner for the provision of professional services to the company in relation to the company's Senegalese mining projects.
- (2) Includes an amount of A\$2,869 (2009 - A\$11,700) paid to The Goongarrie Trust of which Dr D Isles is trustee and a beneficiary for the provision of geological services to the company.

### Share options granted as remuneration to company key management personnel during the period:

There were no grants of options to key management personnel to purchase or acquire shares of the company made during the financial year. The company did not reprice or alter arrangements with respect to previous options issuances in prior years. No options were issued to key management personnel subsequent to 30 June 2010.

During the year, the following directors and senior executives exercised options that were granted to them as part of their compensation. Each option converts into one ordinary share of Mineral Deposits Limited.

## DIRECTORS' REPORT

Name	No. of options exercised	No. of ordinary shares issued <sup>1</sup>	Amount paid A\$	Amount unpaid A\$
<b>Directors</b>				
Nicholas Limb	2,500,000	2,500,000	825,000	-
Jeffrey Williams	2,500,000	2,500,000	825,000	-
<b>Executive</b>				
Melvyn Drummond	500,000	500,000	425,000	-

### Value of options issued to directors and executives

The following table summarises the value of options granted to, or exercised or forfeited by directors and executives during the annual reporting period.

Name	Grant Date	Granted Value at grant date <sup>(1)</sup> A\$	Exercised Value at exercise date <sup>(2)</sup> A\$	Forfeited Value at forfeit date A\$	Total value of options granted, exercised and forfeited A\$
<b>Directors</b>					
Nicholas Limb	1 December 2004	696,444	1,825,000	-	2,521,444
Jeffrey Williams	1 December 2004	696,444	1,825,000	-	2,521,444
<b>Executive</b>					
Melvyn Drummond	10 March 2005	150,827	105,000	-	255,827

(1) The value of options at grant date reflects the fair value of options calculated using a Black Scholes option pricing model.

(2) The value of exercise date has been determined by the company's share price at the close of business on the exercise date less the option exercise price multiplied by the number of options exercised during 2009/10.

### Employment Contracts of Directors and Senior Executives

The company entered into an employment contract with each of Messrs N Limb, J Williams, M Ackland, C Fonseca (all executive directors) and Mr M Drummond (company secretary). The employment agreements provide for current base salary and limited conventional benefit entitlements. Each of the employment agreements was for an initial fixed period of two years from commencement date, the earliest of which commenced on 9 September 2000, but at each anniversary of the execution date, the term automatically extends (or, in the case of one contract, can be extended by mutual agreement) for a further period of one year thereby preserving a minimum contract of employment of two years at all times.

If an executive officer is terminated for cause specified in the contract, no termination payment is payable. If an executive officer's employment is terminated for a reason other than cause, the employment contracts provide for a termination payment equivalent to 12 months' to 24 months' remuneration depending upon the person, by making a payment based on their current annual salary component in lieu of notice. Termination payments are not payable on resignation other than in circumstances prescribed in individual contracts of employment and never on dismissal for serious misconduct. In the instance of serious misconduct, the company can terminate employment at any time.

Accrued annual leave (not sick leave) and long service leave entitlements, the quantum of the latter a function of years of service, become due and payable on and at the cessation of employment. An executive officer is also entitled to be reimbursed for all expenses reasonably incurred on behalf of the company outstanding at that date.

The grant of options is not governed by the terms of the above employment contracts but options issued to directors with shareholder approval pursuant to the rules of ASX or other executive officers under the terms of the company's Employee Option Plan lapse within set periods post termination of employment if not exercised.

In the case of one executive director, performance conditions for the payment of an annual bonus were set in his employment contract. These are not disclosed as the company considers them to be commercially sensitive.

### Director and Executive Shareholdings

The number of shares and options held, directly, indirectly or beneficially, by parent company directors and key executives are contained in Note 41 of this financial report.

This directors' report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors



**Jeffrey Williams**  
Director



**Martin Ackland**  
Director

Melbourne, 20 September 2010

The Board of Directors  
Mineral Deposits Limited  
Level 7 Exchange Tower  
530 Little Collins Street  
MELBOURNE VIC 3000

20 September 2010

Dear Board Members

## Mineral Deposits Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mineral Deposits Limited.

As the lead audit partner for the audit of the financial statements of Mineral Deposits Limited for the financial year ended 30 June 2010, I declare to the best of my knowledge and belief that there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ian Sanders  
Partner  
Chartered Accountants

**STATEMENT OF COMPREHENSIVE INCOME**  
 For the financial year ended 30 June 2010

	Note	Consolidated 2010 US\$'000	2009 US\$'000 Restated
Revenue	6	158,478	47,103
Cost of sales	8	(104,520)	(31,007)
<b>Gross profit</b>		<b>53,958</b>	<b>16,096</b>
Other income	6	743	60,838
Administration expenses	8	(12,123)	(9,450)
Finance costs	7	(4,017)	(1,985)
Impairment of other financial assets	8	(1)	(212)
Disposal of non-current assets		(20)	(990)
Exploration expenditure written off		(5)	(18,655)
Net foreign exchange losses		(2,717)	(12,019)
Gold hedge unrealised losses	8	(57,203)	(40,908)
Oil hedge unrealised (loss)/gains	8	(170)	2,389
<b>Loss before tax</b>		<b>(21,555)</b>	<b>(4,896)</b>
Income tax (expense)/benefit	9	(7,155)	2,588
<b>Loss for the year</b>		<b>(28,710)</b>	<b>(2,308)</b>
Other comprehensive income/(loss):			
Exchange differences arising on translation of operations		23,681	(46,874)
Exchange difference on inter-company loans		(21,188)	25,727
Gain on available for sale investment		-	66
Other comprehensive income/(loss) for the period		2,493	(21,081)
<b>Total comprehensive loss for the period</b>		<b>(26,217)</b>	<b>(23,389)</b>
Loss attributable to:			
- owners of the parent		(26,193)	(4,334)
- non-controlling interests		(2,517)	2,026
<b>Loss for the year</b>		<b>(28,710)</b>	<b>(2,308)</b>
Total comprehensive income/(loss) attributable to:			
- owners of the parent		(23,700)	(25,415)
- non-controlling interests		(2,517)	2,026
		<b>(26,217)</b>	<b>(23,389)</b>
		2010 US Cents	2009 US Cents
<b>Earnings per share (EPS)</b>			
Basic EPS	26	(4.6)	(0.9)
Diluted EPS	26	(4.6)	(0.9)

Notes to the financial statements are included on pages 27 to 73.

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2010**

	Note	2010 US\$'000	Consolidated 2009 US\$'000 Restated	2008 US\$'000
<b>Current assets</b>				
Cash and cash equivalents	34	13,832	18,173	44,226
Trade and other receivables	10	605	857	1,151
Inventories	11	66,970	48,447	729
Financial derivative assets	12	701	379	-
Other financial assets	13	-	-	887
Other	14	3,428	2,923	625
<b>Total current assets</b>		<b>85,536</b>	<b>70,779</b>	<b>47,618</b>
<b>Non-current assets</b>				
Other receivables	10	251	-	-
Inventories	11	4,769	3,079	-
Financial derivative assets	12	1,629	2,121	-
Property, plant and equipment	15	220,958	238,776	198,055
Exploration and evaluation expenditure	16	12,363	48,088	59,253
Mine development expenditure	17	148,588	107,211	97,004
Capitalised mining convention & concession costs	18	19,277	19,986	24,347
Deferred tax assets		61	7,525	-
Intangible assets	19	337	216	305
<b>Total non-current assets</b>		<b>408,233</b>	<b>427,002</b>	<b>378,964</b>
<b>Total assets</b>		<b>493,769</b>	<b>497,781</b>	<b>426,582</b>
<b>Current liabilities</b>				
Trade and other payables	20	20,048	27,879	41,106
Borrowings	21	16,433	44,662	31,434
Financial derivative liabilities	22	34,963	10,591	-
Current tax liabilities		536	902	44
Provisions	23	3,040	2,450	2,163
<b>Total current liabilities</b>		<b>75,020</b>	<b>86,484</b>	<b>74,747</b>
<b>Non-current liabilities</b>				
Trade and other payables	20	1,476	2,726	-
Borrowings	21	-	8,345	-
Financial derivative liabilities	22	65,046	32,216	-
Deferred tax liabilities		231	231	-
Provisions	23	2,289	141	-
<b>Total non-current liabilities</b>		<b>69,042</b>	<b>43,659</b>	<b>-</b>
<b>Total liabilities</b>		<b>144,062</b>	<b>130,143</b>	<b>74,747</b>
<b>Net assets</b>		<b>349,707</b>	<b>367,638</b>	<b>351,835</b>
<b>Equity</b>				
Issued capital	24	384,849	375,868	339,344
Reserves	25	41,216	39,418	57,831
Accumulated losses		(75,872)	(49,679)	(45,345)
<b>Equity attributable to equity holders of the parent</b>		<b>350,193</b>	<b>365,607</b>	<b>351,830</b>
Non-controlling interests		(486)	2,031	5
<b>Total equity</b>		<b>349,707</b>	<b>367,638</b>	<b>351,835</b>

Notes to the financial statements are included on pages 27 to 73.

STATEMENT OF CHANGES IN EQUITY  
For the financial year ended 30 June 2010

	Issued Capital US\$'000	Accumulated Losses US\$'000	Foreign Currency Translation Reserve US\$'000	Investments Revaluation Reserve US\$'000	Equity-Settled Share-Based Payments Reserve US\$'000	Attributable to Equity Holders of the Parent US\$'000	Non Controlling Interest US\$'000	Total US\$'000
<b>Consolidated</b>								
<b>Balance at 1 July 2008</b>	<b>339,344</b>	<b>(45,345)</b>	<b>50,403</b>	<b>(66)</b>	<b>7,494</b>	<b>351,830</b>	<b>5</b>	<b>351,835</b>
Loss attributable to members of the consolidated entity	-	(4,334)	-	-	-	(4,334)	2,026	(2,308)
Exchange difference arising on translation of operations	-	-	(46,874)	-	-	(46,874)	-	(46,874)
Exchange difference on inter-company loans	-	-	25,727	-	-	25,727	-	25,727
Gain on available-for-sale investments	-	-	-	66	-	66	-	66
Total comprehensive income for period	-	(4,334)	(21,147)	66	-	(25,415)	2,026	(23,389)
Issue of options to directors and employees	-	-	-	-	1,723	1,723	-	1,723
Employee options forfeited during the year	-	-	-	-	(280)	(280)	-	(280)
Issue of options to financiers	-	-	-	-	1,225	1,225	-	1,225
Shares issued under MDL share option plan	7,027	-	-	-	-	7,027	-	7,027
Shares issued during the year	27,558	-	-	-	-	27,559	-	27,559
Share issue costs	(1,674)	-	-	-	-	(1,674)	-	(1,674)
Related income tax	3,613	-	-	-	-	3,612	-	3,612
<b>Balance at 30 June 2009</b>	<b>375,868</b>	<b>(49,679)</b>	<b>29,256</b>	<b>-</b>	<b>10,162</b>	<b>365,607</b>	<b>2,031</b>	<b>367,638</b>
<b>Balance at 30 June 2009</b>	<b>375,868</b>	<b>(49,679)</b>	<b>29,256</b>	<b>-</b>	<b>10,162</b>	<b>365,607</b>	<b>2,031</b>	<b>367,638</b>
Loss attributable to members of the consolidated entity	-	(26,193)	-	-	-	(26,193)	(2,517)	(28,710)
Exchange difference arising on translation of operations	-	-	23,681	-	-	23,681	-	23,681
Exchange difference on inter-company loans	-	-	(21,188)	-	-	(21,188)	-	(21,188)
Total comprehensive income for the year	-	(26,193)	2,493	-	-	(23,700)	(2,517)	(26,217)
Issue of options to directors and employees	-	-	-	-	631	631	-	631
Transfer from equity settled share based payments reserve	1,326	-	-	-	(1,326)	-	-	-
Shares issued to directors on exercise of options	1,543	-	-	-	-	1,543	-	1,543
Shares issued to financiers on exercise of options	5,519	-	-	-	-	5,519	-	5,519
Shares issued under MDL share option plan	408	-	-	-	-	408	-	408
Shares issued during the year	1,918	-	-	-	-	1,918	-	1,918
Share issue costs	(87)	-	-	-	-	(87)	-	(87)
De-recognition of deferred tax assets	(1,646)	-	-	-	-	(1,646)	-	(1,646)
<b>Balance at 30 June 2010</b>	<b>384,849</b>	<b>(75,872)</b>	<b>31,749</b>	<b>-</b>	<b>9,467</b>	<b>350,193</b>	<b>(486)</b>	<b>349,707</b>

Notes to the financial statements are included on pages 27 to 73.

STATEMENT OF CASH FLOWS  
For the financial year ended 30 June 2010

	Note	Consolidated	
		2010 US\$'000	2009 US\$'000
<b>Cash flows related to operating activities</b>			
Receipts from customers		158,949	48,755
Payments to suppliers and employees		(108,472)	(65,598)
Interest and other costs of finance paid		(1,973)	(1,075)
Receipt from close-out of gold derivatives		-	60,350
Income tax paid		(1,032)	(33)
<b>Net cash provided by operating activities</b>	34	<b>47,472</b>	<b>42,399</b>
<b>Cash flows related to investing activities</b>			
Payments for capitalised exploration and development expenditure		(16,180)	(33,709)
Payments for construction costs		-	(68,956)
Payments for purchase of property, plant and equipment		(6,050)	(9,340)
Payments for intangible assets		(76)	(64)
Proceeds from sale of property, plant & equipment		55	18
Proceeds from sale of investment securities		-	540
Interest received		220	359
Interest paid – capitalised borrowing costs		-	(1,565)
Advances to joint venture in exploration activities		-	(9)
<b>Net cash used in investing activities</b>		<b>(22,031)</b>	<b>(112,726)</b>
<b>Cash flows related to financing activities</b>			
Proceeds from issue of equity securities		9,388	34,585
Payment for share issue costs		(87)	(2,230)
Proceeds from monies held in trust		-	2
Payment of monies held in trust		(115)	-
Payment for security deposits		(1,500)	-
Proceeds from borrowings		-	89,192
Payment of borrowings		(38,325)	(69,325)
Payment for debt issue costs		-	(2,796)
<b>Net cash (used in)/provided by financing activities</b>		<b>(30,639)</b>	<b>49,428</b>
<b>Net decrease in cash held</b>			
		<b>(5,198)</b>	<b>(20,899)</b>
Cash and cash equivalents at beginning of financial year		18,173	44,226
Effect of exchange rates on cash holdings in foreign currencies		857	(5,154)
<b>Cash and cash equivalents at end of financial year</b>	34	<b>13,832</b>	<b>18,173</b>

Notes to the financial statements are included on pages 27 to 73.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### 1. GENERAL INFORMATION

Mineral Deposits Limited (the "company") is a public company listed on the Australian Securities Exchange (MDL) and Toronto Stock Exchange (MDM), incorporated in Australia and operating in Senegal, West Africa and comprises the company and its subsidiaries.

The registered and head office of the company is:

Level 7 Exchange Tower  
530 Little Collins Street  
Melbourne, Victoria 3000  
Australia

and principal place of business is:

Rue 26, N'Gor  
Dakar  
Senegal

### 2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The directors have considered the impact of new accounting standards that are not yet applicable and do not believe they will have a material impact on the financial performance or state of affairs of the group.

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Boards ("AASB") that are relevant to its operations and effective for the current annual reporting period.

#### Standards affecting presentation and disclosure

- ▶ AASB 101 Presentation of Financial statements (as revised in September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 and AASB2007-10 Further amendments to Australian Accounting Standards arising from AASB101  
AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- ▶ AASB 8 Operating Segments  
AASB 8 is a disclosure Standard that has resulted in both a redesignation of the group's reportable segments and amended segment disclosures.
- ▶ AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments.  
The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional relief offered in these amendments.

#### Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
▶ AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
▶ AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions	1 January 2010	30 June 2011
▶ AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	1 February 2010	30 June 2011
▶ AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
▶ AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2013	30 June 2014
▶ AASB 9 -14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	30 June 2012
▶ Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	30 June 2011

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

These Standards and Interpretations will be first applied in the financial report of the group that relates to the annual reporting period beginning after the effective date of each pronouncement.

All other Standards and Interpretations in issue not yet adopted are not expected to have a material impact on the financial statements.

The directors anticipate that the adoption of these Standards and Interpretations will have no material financial impact on the financial statements of the company or the group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

These financial statements are general purpose financial statements which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 20 September 2010.

#### Basis of preparation

The financial statements has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States Dollars unless otherwise stated.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those adopted and disclosed in the company's Annual Report for the financial year ended 30 June 2009, except for the following changes:

- ▶ The functional currency of the group's subsidiaries that operate overseas has been reassessed and it has been determined that since 1 July 2009 the functional currency of all overseas entities is United States dollars.
- ▶ The presentation currency for the consolidated financial statements was changed from Australian dollars to United States dollars and comparative disclosures have been translated and presented in United States dollars accordingly.

Consequently, the revised Standard AASB 101 has required the presentation of a third statement of financial position at 1 July 2008 to reflect the change in presentation currency.

#### *Critical accounting judgements and key sources of estimation uncertainty*

In the application of the group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to Note 3 for critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

#### *Adoption of new and revised Accounting Standards*

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

The following is a summary of the material accounting policies adopted by the Company in preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

**(a) Basis of consolidation**

The consolidated financial statements are prepared by combining the financial statements of all entities that comprise the consolidated entity, being the company and its subsidiaries as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". A list of subsidiaries is contained in Note 32 to the financial statements. All controlled entities have a June financial year-end, except the Senegalese subsidiaries, which have a December financial year-end. Senegalese subsidiaries submit financial statements for the year ending 30 June 2010 in order to ensure the inclusion of their performance in the consolidated financial report. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated in full.

Non controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the group.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**(b) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(c) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

When applicable, bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**(d) Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to reporting date.

*Defined contribution plan*

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

**(e) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- ▶ the rights to tenure of the area of interest are current; and
- ▶ at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to the operational activities in a particular area of interest.

Exploration and evaluation assets are only carried forward to the extent they will be utilised in future production activities once evaluation of the expenditure has been undertaken in conjunction with the expected plans for the project.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any).

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

### *Capitalised Feasibility expenditure*

Feasibility expenditure represents the costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest.

When commercially viable, all past exploration, evaluation and feasibility expenditure in respect of an area of interest is transferred to mine development where it is amortised over the life of the area of interest to which they relate on a units of production basis.

### **(f) Mine development**

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the mine on a units of production basis.

### **(g) Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of past events for which it is probable that the group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows.

### **(h) Restoration and rehabilitation**

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

### **(i) Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Investments in subsidiaries are shown at cost and provision is only made where, in the opinion of the directors, there is impairment in value which is other than temporary. Where there has been such impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified.

Other financial assets are classified into the following specified categories: 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

On disposal of an investment, the difference in the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

### *Effective interest method*

The effective interest method is a method of calculating the amortised costs of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### *Available-for-sale financial assets*

Certain shares and redeemable notes held by the group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 35. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

### *Derecognition of financial assets*

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## **(j) Foreign currency transactions and balances**

### *Functional and presentation currency*

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States dollars which is the company's presentation currency.

### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future which form part of the net investment in a foreign operation and which are recognised in a foreign transaction reserve and recognised in profit or loss on disposal of the net investment.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### *Group companies*

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- ▶ Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date.
- ▶ Income and expenses are translated at average exchange rates for the period.
- ▶ Retained profits/(losses) are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of Australian operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of changes in equity in the period.

### **(k) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(l) Impairment of assets**

At each reporting date the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss

### **(m) Income tax**

#### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or recoverable).

#### *Deferred tax*

Deferred tax is accounted for using the statement of financial position liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/group intends to settle its current tax assets and liabilities on a net basis.

### *Tax consolidation*

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. MDL is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach.

The group allocation approach requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequence.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

### **(n) Inventories**

Gold in solution form, ore, work in progress and finished goods are physically measured or estimated and valued at the lower of cost and net realisable value. Cost represents the weighted average cost and includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods.

By-products inventory on hand obtained as a result of the production process to extract gold are valued at the lower of cost and net realisable value.

Materials and supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific inventory items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

### **(o) Leased assets**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

#### *Group as lessor*

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### *Group as lessee*

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs. Refer to Note 2(b).

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

### *Lease incentives*

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **(p) Property, plant and equipment**

Property is measured on the cost basis. Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour and borrowing costs where appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

### *Depreciation*

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The consolidated entity uses the units of production method when depreciating mining assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine.

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### *Assets under finance lease*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss

### **(q) Financial instruments issued by the company**

#### *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

#### *Financial guarantee contract liabilities*

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- ▶ the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
- ▶ the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in Note 2(s).

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

**(r) Derivative financial instruments**

The group enters into a variety of derivative financial instruments to manage its exposure to gold and oil price risk, including gold forward contracts, gold put options and oil price swaps. Further details of derivative financial instruments are disclosed in Note 35 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately as the group does not adopt hedge accounting.

The fair value of derivatives is presented as a non-current asset or a non-current liability, if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

**(s) Revenue recognition**

*Gold and silver bullion sales*

Revenue from gold and silver bullion sales is recognised when the group has transferred the significant risk and rewards of ownership to the buyer and selling prices are known or can be reasonably estimated. Revenue is reported net of discounts and pricing adjustments. Royalties paid and payable are separately reported as expenses.

*Interest revenue*

Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial assets.

Revenue from operating leases is recognised in accordance with the group's accounting policy outlined in Note 3(o).

**(t) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of an appropriate model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 37.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest.

At each reporting date, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

**(u) Comparative figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current financial year.

**(v) Earnings per share**

Basic earnings per share is determined by dividing the profit/(loss) from ordinary activities after income tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year.

**(w) Joint venture arrangements**

Interests in jointly controlled assets in which the group is a venturer and has joint control are included in the financial statements by recognising the group's share of jointly controlled assets (classified according to their nature), the share of liabilities incurred (including those incurred jointly with other venturers) and the group's share of expenses incurred by or in respect of each joint venture.

The group's interests in assets where the group does not have joint control are accounted for in accordance with the substance of the group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

**(x) Intangible assets**

Intangible assets are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis or units or production basis as appropriate over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period with any changes in these accounting estimates being accounted for on a prospective basis.

**(y) Government royalties**

Royalties are accrued and charged against earnings when the liability from production or sale of the gold crystallises.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

**Critical judgments in applying the entity's accounting policies**

The following are critical judgements that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

*Ore reserves*

The consolidated entity estimates its ore reserves based upon information compiled by Competent Persons as defined in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources of December 2004. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying value of property, plant and equipment, provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the statement of comprehensive income.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

*Units of production*

The consolidated entity estimates recoverable reserves in determining the depreciation and amortisation of mine assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates and assumption, including the amount of recoverable reserve and estimates of future capital expenditure. The group's units or production calculation is based on life of mine tonnes and throughput tonnes milled.

*Mine rehabilitation provision*

The consolidated entity assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provisions for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and cost of rehabilitation activities, technological changes, regulatory change, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance at balance date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability.

*Exploration and evaluation expenditure*

The consolidated entity's accounting policy requires judgment in determining whether it is likely that future economic benefits are recoverable, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recoverability is unlikely, these amounts are written off in the period in the statement of comprehensive income to the extent of their recoverable amount.

*Impairment of assets*

The group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being an individual mine site, which is the lowest level for which cash flows are largely independent of other assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

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### *Recovery of deferred tax assets*

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the group will generate taxable earnings in future periods in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the group operates could limit the ability of the group to obtain tax deductions in future periods.

### *Production start date*

The group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to, the following:

- ▶ the level of capital expenditure compared to construction cost estimates;
- ▶ completion of a reasonable period of testing of the mine plant and equipment;
- ▶ ability to produce metal in saleable form; and
- ▶ ability to sustain ongoing production of metal.

When a mine development project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalisable costs related to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

### *Fair value of derivative financial instruments*

The group assesses the fair value of its financial derivatives in accordance with the accounting policy stated in Note 2(r). Fair values have been determined based on well-established valuation models and market conditions existing at the balance date. These calculations require the use of estimates and assumptions. Changes in assumptions concerning interest rates, gold process and volatilities could have significant impact on the fair valuation attributed to the group's financial derivatives. When these assumptions change or become known in the future, such differences will impact asset and liability carrying values in the period in which they change or become known.

### *Share based payments*

The company measures the cost of equity settled share-based payments at fair value at the grant date using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted and expected vesting period as disclosed in Note 37.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**5. CHANGE IN ACCOUNTING POLICY**

As described in the company's accounting policy with respect to inventories, the cost of inventory includes direct costs and an appropriate portion of fixed and variable production overhead expenditure, including depreciation and amortisation, incurred in converting materials into finished goods. In June 2010, as part of MDL's continual review of the application of this methodology, additional costs were identified to be included within the apportionment of expenditure to inventory from the commencement of operations of the Sabodala Gold Mine. This change in accounting policy results in an adjustment retrospectively to the 2009 inventory and cost of sales reported balances.

	2009 US\$'000 Restated
<b>Impact on comprehensive statement of comprehensive incomes:</b>	
Loss for the year	(9,892)
Decrease in cost of sales	7,584
<b>Restated loss for the year</b>	<b>(2,308)</b>
Loss attributable to:	
Owners of the company	(4,334)
Non controlling interest	2,026
<b>Restated loss for the year</b>	<b>(2,308)</b>
<b>Impact on statement of financial position:</b>	
Net assets	359,710
Increase in inventories	7,928
<b>Restated net assets</b>	<b>367,638</b>
Basic EPS	(2.2)
Diluted EPS	(2.2)
Restated basic EPS	(0.9)
Restated diluted EPS	(0.9)

	Consolidated	
	2010 US\$'000	2009 US\$'000

**6. REVENUE**

The following items are relevant in explaining the financial result:

Gold sales at spot price	185,694	49,665
Silver sales	377	-
Realised loss on gold forward contracts	(27,593)	(2,562)
<b>Sales revenue</b>	<b>158,478</b>	<b>47,103</b>
Interest revenue from:		
- bank deposits	255	314
- available for sale investments	-	26
Other revenue:		
- rental received	53	52
- other	432	96
Gain from sale of fixed assets:	3	-
Proceeds from closed hedge book:		
- gold flat forwards	-	13,147
- gold put options	-	47,203
<b>Total other income</b>	<b>743</b>	<b>60,838</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Consolidated	
2010	2009
US\$'000	US\$'000

### 7. FINANCE COSTS

Interest on loans	4,092	7,635
Less amounts included in the cost of qualifying assets	-	(5,650)
Unwinding of discount on provisions	(75)	-
	<b>4,017</b>	<b>1,985</b>

### 8. LOSS FOR THE YEAR BEFORE TAX

Cost of sales:		
- mine production costs	84,934	31,624
- realised gain on energy swap	(222)	-
- depreciation and amortisation	32,533	9,654
- royalty	5,923	1,481
- rehabilitation	892	-
- extraction costs recognised in inventory	-	21,925
- inventory movements	(19,540)	(33,677)
	<b>104,520</b>	<b>31,007</b>
Depreciation of non-current assets:		
- land, buildings and property improvements	88	-
- office furniture	46	54
- computer equipment and software	127	186
- motor vehicles	45	149
	<b>306</b>	<b>389</b>
Amortisation of intangible assets:		
- computer software	188	37
Employee benefits:		
- equity settled share based payments	709	1,428
- remuneration expense	3,432	3,878
- post employment benefits – defined contributions	377	480
- provision for leave entitlements	374	279
	<b>4,892</b>	<b>6,065</b>
Administration and other overheads	6,737	2,959
<b>Total administration expenses</b>	<b>12,123</b>	<b>9,450</b>
<b>Gains and losses</b>		
Loss for the year before tax has been derived after the following gains/(losses) have been included:		
- gold hedge unrealised losses	57,203	40,908
- oil hedge unrealised losses/(gains)	170	(2,389)
	<b>1</b>	<b>11</b>
- impairment of other receivables	-	201
- fair value loss of financial assets available for sale	-	-
	<b>1</b>	<b>212</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>9. INCOME TAXES</b>		
<b>Income tax recognised in profit of loss</b>		
<b>Tax expense/(benefit) comprises:</b>		
Current tax expense	4,749	4,622
Adjustments recognised in the current year in relation to the current tax of prior years	(26)	8
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce current tax expense	3,770	(3,793)
<b>Sub-total</b>	<b>8,493</b>	<b>837</b>
Deferred tax expense relating to the origination and reversal of temporary differences	(230)	(448)
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce deferred tax expense	(1,108)	(2,977)
<b>Total tax expense/(benefit)</b>	<b>7,155</b>	<b>(2,588)</b>
<b>The prima facie income tax expense on pre-tax accounting losses from operations reconciles to the income tax expense in the financial statements as follows:</b>		
Loss from operations	(21,555)	(4,896)
Income tax benefit calculated at 30% (2009 – 30%)	(6,467)	(1,469)
Effect of revenue that is exempt from taxation	-	(11,033)
Effect of expenses that are not deductible in determining taxable profit	11,666	6,344
Other assessable income	6,160	9,951
Other deductible expenses	-	-
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	-	(7,432)
Tax losses in the current year	2,453	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(6,657)	1,051
<b>Income tax expense/(benefit) recognised in loss</b>	<b>7,155</b>	<b>(2,588)</b>
<b>Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 2(m) occur:</b>		
Tax losses - revenue	4,760	5,412
Tax losses - capital	2,858	2,685
Temporary differences	-	-
	<b>7,618</b>	<b>8,097</b>

**Tax Consolidation**
*Relevance of tax consolidation to the group*

The company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidation group is Mineral Deposits Limited. The members of the tax consolidation group are identified at Note 32.

*Nature of tax funding arrangements*

The company is responsible for recognising the current and deferred tax assets and liabilities (in respect of tax payable or tax losses) for the tax consolidated group. The group notified the Australian Tax Office on 10 April 2005 that it formed an income tax consolidated group to apply from 1 July 2003.

The tax sharing arrangement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing arrangement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

	2010 US\$'000	Consolidated 2009 US\$'000	2008 US\$'000
<b>10. TRADE AND OTHER RECEIVABLES</b>			
<b>Current</b>			
Other receivables (i)	601	852	129
Amounts due from other related parties (ii)	4	5	1,022
	<b>605</b>	<b>857</b>	<b>1,151</b>
<b>Non-Current</b>			
Other receivables	<b>251</b>	-	-

(i) Other receivables comprise advances to contractors. The average credit period on other receivables is 30 days. No interest is charged on outstanding amounts.

(ii) Amounts due from other related parties comprise charges for accommodation, facilities and administrative support as described in Note 41(d). Trading terms are 30 days from date of invoice.

Included in the group's other receivables are debtors with a carrying value amount of \$266,926 (2009 - \$427,395) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still recoverable.

Ageing of past due but not impaired

60-90 days	107	2	109
90-120 days	160	425	552
	<b>267</b>	<b>427</b>	<b>661</b>

	2010 US\$'000	Consolidated 2009 US\$'000 Restated	2008 US\$'000
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**11. INVENTORIES**

<b>Current</b>			
Ore stockpile – work in progress	40,856	23,483	-
Gold in circuit	2,160	2,500	-
Gold bullion	6,167	5,293	-
Total gold inventories	49,183	31,276	-
Diesel fuel	1,233	2,271	2
Materials and supplies	14,651	13,511	727
Goods in transit	1,903	1,389	-
Total other inventories	17,787	17,171	729
	<b>66,970</b>	<b>48,447</b>	<b>729</b>
<b>Non-Current</b>			
Ore stockpiles – work in progress	<b>4,769</b>	<b>3,079</b>	-

There were no inventory write-downs recognised as an expense during the period (2009 - nil).

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

	2010 US\$'000	Consolidated 2009 US\$'000	2008 US\$'000
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**12. DERIVATIVE FINANCIAL ASSETS**

<b>Current</b>			
Oil - energy swap	701	379	-
<b>Non-Current</b>			
Oil - energy swap	1,629	2,121	-

The company has a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The company hedged 80,000 barrels per annum for four years commencing 1 April 2009 at a flat forward price of \$70 per barrel. At balance date, 220,000 (2009 - 300,000) barrels were hedged valued at \$2,330,161 (2009 - \$2,500,146).

**13. OTHER FINANCIAL ASSETS**

<b>Current</b>			
Available for sale investments carried at fair value			
- floating rate note	-	-	887

**14. OTHER ASSETS**

<b>Current</b>			
Prepayments	1,596	2,565	239
Security deposit	1,832	358	386
	<b>3,428</b>	<b>2,923</b>	<b>625</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**15. PROPERTY, PLANT AND EQUIPMENT**

	Freehold land, buildings & property improvement US\$'000	Plant and equipment US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Plant and equipment under finance lease US\$'000	Total US\$'000
<b>Gross carrying amount</b>						
<b>Balance at 1 July 2008</b>	938	195,486	926	2,126	-	199,476
Additions	60	85,430	703	347	-	86,540
Transfer	28,150	(52,336)	-	-	24,186	-
Disposals	-	-	-	(31)	-	(31)
Net foreign currency exchange differences	(153)	(31,542)	(151)	(347)	-	(32,193)
<b>Balance at 30 June 2009</b>	<b>28,995</b>	<b>197,038</b>	<b>1,478</b>	<b>2,095</b>	<b>24,186</b>	<b>253,792</b>
Additions	2,687	2,124	127	113	-	5,051
Transfer	-	(6)	6	-	-	-
Disposals	(5)	-	(155)	(78)	-	(238)
Net foreign currency exchange differences	16	-	28	-	-	44
<b>Balance at 30 June 2010</b>	<b>31,693</b>	<b>199,156</b>	<b>1,484</b>	<b>2,130</b>	<b>24,186</b>	<b>258,649</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 July 2008</b>	(36)	(910)	(273)	(202)	-	(1,421)
Depreciation expense	(790)	(6168)	(441)	(381)	(6,047)	(13,827)
Net foreign currency exchange differences	7	148	44	33	-	232
<b>Balance at 30 June 2009</b>	<b>(819)</b>	<b>(6,930)</b>	<b>(670)</b>	<b>(550)</b>	<b>(6,047)</b>	<b>(15,016)</b>
Transfer	-	-	-	-	-	-
Depreciation expense	(2,524)	(13,488)	(326)	(423)	(6,046)	(22,807)
Disposals	3	-	109	37	-	149
Net foreign currency exchange differences	-	(1)	(16)	-	-	(17)
<b>Balance at 30 June 2010</b>	<b>(3,340)</b>	<b>(20,419)</b>	<b>(903)</b>	<b>(936)</b>	<b>(12,093)</b>	<b>(37,691)</b>
<b>Net book value</b>						
As at 30 June 2008	9,028	194,576	1,199	653	-	198,055
As at 30 June 2009	28,176	190,108	808	1,545	18,139	238,776
As at 30 June 2010	28,353	178,737	581	1,194	12,093	220,958

The following useful lives are used in the calculation of depreciation:

Class of Fixed Assets	Years
Buildings and property improvements	6.7 – 20.0
Plant and equipment	5.0 – 10.0
Office furniture and equipment	2.5 – 10.0
Computer equipment	2.5 – 5.0
Other assets	6.7 – 6.7
Fixtures and fittings	5.0 – 7.7
Motor vehicles	5.0 – 5.0
Camp construction	7.7 – 20.0

Freehold land is measured at historical cost basis and approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

Consolidated  
US\$'000

16. EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation assets – at cost	
<b>Balance at 1 July 2008</b>	<b>59,253</b>
Expenditure incurred during the year	6,508
Amounts written off during the year	(13,318)
Net foreign currency exchange differences	(4,355)
<b>Balance at 30 June 2009</b>	<b>48,088</b>
Expenditure incurred during the year	13,960
Amounts transferred to mine development in relation to Grande Côte	(49,685)
<b>Balance at 30 June 2010</b>	<b>12,363</b>

The ultimate recoupment of capitalised expenditure in relation to each area of interest is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas the results of which are still uncertain.

17. MINE DEVELOPMENT EXPENDITURE

<b>Costs</b>	
<b>Balance at 1 July 2008</b>	<b>97,004</b>
Expenditure incurred during the year	29,171
Expenditure written off during the year	(5,337)
Net foreign currency exchange differences	(10,895)
<b>Balance at 30 June 2009</b>	<b>109,943</b>
Expenditure incurred during the year	77
Transfer from exploration and evaluation	49,685
<b>Balance at 30 June 2010</b>	<b>159,705</b>
<b>Accumulated amortisation</b>	
<b>Balance at 1 July 2008</b>	-
Amortisation expense	(2,732)
Net foreign currency exchange differences	-
<b>Balance at 30 June 2009</b>	<b>(2,732)</b>
Amortisation expense	(8,385)
<b>Balance at 30 June 2010</b>	<b>(11,117)</b>
<b>Net book value</b>	
As at 30 June 2008	97,004
As at 30 June 2009	107,211
As at 30 June 2010	148,588

Amortisation of development costs in relation to the Sabodala Gold Mine is amortised on a units of production basis over the life of the mine.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**18. CAPITALISED MINING CONVENTION AND CONCESSION COSTS**

	Mining Convention			Mining Concession			Total US\$'000
	Mineral Sands US\$'000	Gold US\$'000	Total US\$'000	Mineral Sands US\$'000	Gold US\$'000	Total US\$'000	
<b>Gross carrying amount</b>							
Balance at 1 July 2008 - at cost (i)	3,000	12,269	15,269	7,182	1,896	9,078	24,347
Net foreign currency exchange difference	(489)	(2,000)	(2,489)	(1,170)	(309)	(1,479)	(3,968)
<b>Balance at 30 June 2009</b>	<b>2,511</b>	<b>10,269</b>	<b>12,780</b>	<b>6,012</b>	<b>1,587</b>	<b>7,599</b>	<b>20,379</b>
Net foreign currency exchange difference	-	-	-	388	102	490	490
<b>Balance at 30 June 2010</b>	<b>2,511</b>	<b>10,269</b>	<b>12,780</b>	<b>6,400</b>	<b>1,689</b>	<b>8,089</b>	<b>20,869</b>
<b>Accumulated amortisation</b>							
Balance at 1 July 2008	-	-	-	-	-	-	-
Amortisation expense	-	(340)	(340)	-	(53)	(53)	(393)
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>(340)</b>	<b>(340)</b>	<b>-</b>	<b>(53)</b>	<b>(53)</b>	<b>(393)</b>
Amortisation expense	-	(1,027)	(1,027)	-	(169)	(169)	(1,196)
Net foreign currency exchange difference	-	-	-	-	(3)	(3)	(3)
<b>Balance at 30 June 2010</b>	<b>-</b>	<b>(1,367)</b>	<b>(1,367)</b>	<b>-</b>	<b>(225)</b>	<b>(225)</b>	<b>(1,592)</b>
<b>Net book value</b>							
As at 30 June 2008	3,000	12,269	15,269	7,182	1,896	9,078	24,347
As at 30 June 2009	2,511	9,929	12,440	6,012	1,534	7,546	19,986
As at 30 June 2010	2,511	8,902	11,413	6,400	1,464	7,864	19,277

- (i) Capitalised mining convention costs comprise costs incurred to secure the mining conventions for the Grande Côte and Sabodala projects.
- (ii) Capitalised mining concession costs comprise costs incurred to secure the mining concessions for the Grande Côte and Sabodala projects and other approvals regarding the former.

Whilst the Grande Côte Mineral Sands Project is not currently generating cash flow, the company is of the view that the project will contribute significant value in the future and that this value will be in excess of the current value of the capitalised costs.

Amortisation of capitalised mining concession and convention costs in relation to the Sabodala Gold Mine is amortised on a units of production basis over the life of the mine.



## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Consolidated  
US\$'000

### 19. OTHER INTANGIBLE ASSETS

#### Software

##### Gross carrying amount

Balance at 1 July 2008	415
Additions	144
Transfer	-
Disposals	-
Net foreign currency exchange differences	(67)
<b>Balance at 30 June 2009</b>	<b>492</b>

Additions	338
Transfer	-
Disposals	(24)
Net foreign currency exchange differences	7

**Balance at 30 June 2010** **813**

##### Accumulated depreciation

Balance at 1 July 2008	(110)
Transfer	-
Amortisation expense	(183)
Disposals	-
Net foreign currency exchange differences	17
<b>Balance at 30 June 2009</b>	<b>(276)</b>

Transfer	-
Amortisation expense	(219)
Disposals	24
Net foreign currency exchange differences	(5)

**Balance at 30 June 2010** **(476)**

##### Net book value

As at 30 June 2008	305
As at 30 June 2009	216
As at 30 June 2010	337

Intangible computer software comprises software purchased for use in computers that is not integral to the operation of those computers. Amortisation expense is included in the statement of comprehensive income as "amortisation of intangible assets".

The following useful life is used in the calculation of amortisation: Software – 2.5 years

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

	2010 US\$'000	Consolidated 2009 US\$'000	2008 US\$'000
<b>20. TRADE AND OTHER PAYABLES</b>			
<b>Current</b>			
Unsecured liabilities:			
- trade payables (i)	7,544	1,698	22,825
- sundry creditors and accrued expenses	7,226	17,185	18,116
- government royalties (ii)	2,615	1,550	-
- amounts payable to Government of Senegal (iii)	2,663	7,306	-
- amounts payable held in trust	-	140	165
	<b>20,048</b>	<b>27,879</b>	<b>41,106</b>
<b>Non-Current</b>			
Unsecured liabilities:			
- amounts payable to Government of Senegal (iii)	<b>1,476</b>	<b>2,726</b>	-

(i) Trade payables comprise obligations by the company to suppliers of goods and services to the company. Terms are generally 30 days.

(ii) Government royalties payable annually based on the mine head value of the gold and related substances produced.

(iii) The following amounts are payable to the Government of the Republic of Senegal:

- ▶ \$4.1 million in four equal instalments over the first four years of production to which an annual interest rate of 6% applies on a reducing balance basis; and
- ▶ payment of once-off bonus payment for the capped mineable reserve exceeding 556,000 ounces for a total of \$5.5 million was completed during the year ended 30 June 2010.

**21. BORROWINGS**

<b>Current</b>			
<b>Unsecured at amortised cost:</b>			
- bank overdraft	-	-	609
<b>Secured at amortised cost</b>			
Project Finance Facility (i)			
- Project Finance Facility	6,000	38,209	35,108
- borrowing costs	-	(1,753)	(4,283)
Finance Lease liabilities (ii)			
- Finance Lease liabilities	10,542	8,433	-
- borrowing costs	(109)	(227)	-
	<b>16,433</b>	<b>44,662</b>	<b>31,434</b>
<b>Non-Current</b>			
<b>Secured at amortised cost:</b>			
Finance Lease liabilities (ii)			
- Finance Lease liabilities	-	8,433	-
- borrowing costs	-	(88)	-
	-	<b>8,345</b>	-

(i) The Project Finance Facility provided by Macquarie Bank Limited ("MBL") for the Sabodala Gold Mine was drawn down to \$6 million at period end (2009 - \$38 million). A \$2 million repayment was subsequently made on 30 July 2010 and a further \$2 million repayment in August 2010. The outstanding \$2 million balance will be repaid by 30 September 2010.

The facility and relationship with MBL will continue after full repayment of the loan amount due to the gold hedging program, a condition of the facility.

This facility was provided to and the funds drawn down by MDL's 90%-owned subsidiary Sabodala Gold Operations SA ("SGO"). The facility is secured by a fixed and floating charge over substantially all of SGO's assets.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

- (ii) The Mining Fleet Finance Lease Facility provided by Societe Generale London to MDL's subsidiary SGML (Capital) Limited had an outstanding balance of \$10.5 million at period end (2009 - \$16.9 million). The Finance Lease was due to expire on 30 June 2011 with principal and interest payments due quarterly in arrears.

Prior to period end, SGML (Capital) Limited entered into discussions with Societe Generale London to expand the facility to allow for the purchase of new mining fleet. Subsequently, on 9 July 2010, an amended facility was concluded with a new limit of \$27.8 million. This facility contains a quarterly repayment schedule concluding with the final repayment on 30 June 2013. The facility is currently drawn down to \$26.8 million.

	2010 US\$'000	Consolidated 2009 US\$'000	2008 US\$'000
<b>22. DERIVATIVE FINANCIAL LIABILITIES</b>			
Financial derivative liabilities:			
Gold flat forward contracts	<b>100,009</b>	<b>42,807</b>	-
Disclosed as:			
Current	34,963	10,591	-
Non-current	65,046	32,216	-
	<b>100,009</b>	<b>42,807</b>	-

At year-end, the hedge position comprised 246,500 ounces of flat forward sales at \$846 per ounce. At 30 June 2010, the mark to market gold hedge position (gold price at \$1,241.45) was negative \$100,009.

## 23. PROVISIONS

<b>Current</b>			
Employee benefits (i)	2,850	2,285	1,966
Mine restoration and rehabilitation (ii)	190	165	197
	<b>3,040</b>	<b>2,450</b>	<b>2,163</b>
<b>Non-Current</b>			
Employee benefits (i)	34	141	-
Mine restoration and rehabilitation (iii)	2,255	-	-
	<b>2,289</b>	<b>141</b>	-
(i) The current provisions for employee benefits include \$2.145 million annual leave and \$0.739 million long service leave entitlements respectively.			
(ii) Mine rehabilitation (current):			
Balance at 30 June 2009	165	197	591
Additional provisions recognised	83	43	178
Reductions arising from payments	(70)	(43)	(618)
Net foreign currency exchange differences	12	(32)	46
<b>Balance at 30 June 2010</b>	<b>190</b>	<b>165</b>	<b>197</b>
(iii) Mine rehabilitation (non-current):			
Balance at 30 June 2009	-	-	-
Recognition of initial provision	1,526	-	-
Additional provisions recognised	654	-	-
Unwinding of discount	75	-	-
<b>Balance at 30 June 2010</b>	<b>2,255</b>	-	-

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

24. ISSUED CAPITAL

	2010 No.	2009 No.	2008 No.
<b>(a) Movement in fully paid ordinary shares</b>			
Number of fully paid ordinary shares	580,576,525	563,375,950	483,619,234
Opening number of shares	563,375,950	483,619,234	300,119,234
Shares issued during the year:			
- 11 July 2007	-	-	44,898,630
- 9 August 2007	-	-	30,101,370
- 20 December 2007	-	-	45,500,000
- 27 June 2008	-	-	63,000,000
- 8 December 2008	-	1,000,000	-
- 30 March 2009	-	63,600,000	-
- 13 May 2009	-	35,000	-
- 18 May 2009	-	15,121,716	-
- 16 October 2009	100,000	-	-
- 20 October 2009	4,500,000	-	-
- 18 November 2009	5,000,000	-	-
- 18 November 2009	500,000	-	-
- 18 November 2009	150,000	-	-
- 7 June 2010	2,450,575	-	-
- 30 June 2010	4,500,000	-	-
<b>Closing number of shares</b>	<b>580,576,525</b>	<b>563,375,950</b>	<b>483,619,234</b>
	2010 US\$'000	2009 US\$'000	2008 US\$'000
<b>(b) Fully paid ordinary shares</b>			
Paid up capital	384,849	375,868	339,344
At the beginning of the financial year	375,868	339,344	174,503
Shares issued during the year:			
- 11 July 2007	-	-	48,277
- 9 August 2007	-	-	32,299
- 20 December 2007	-	-	48,566
- 27 June 2008	-	-	46,506
- 8 December 2008	-	161	-
- 30 March 2009	-	27,385	-
- 13 May 2009	-	12	-
- 18 May 2009	-	7,027	-
- 16 October 2009	41	-	-
- 20 October 2009	2,859	-	-
- 18 November 2009	1,543	-	-
- 18 November 2009	304	-	-
- 18 November 2009	63	-	-
- 7 June 2010	1,918	-	-
- 30 June 2010	2,660	-	-
Transfer from share based equity reserve	1,326	-	-
Less costs associated with exercise of options and share placements	(87)	(1,674)	(10,807)
Related income tax	-	3,613	-
De-recognition of deferred tax assets	(1,646)	-	-
<b>Total issued capital at the end of the financial year</b>	<b>384,849</b>	<b>375,868</b>	<b>339,344</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998 therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry rights to dividends.

- ▶ On 16 October 2009, 100,000 ordinary shares were issued following the exercise of share options (MDLAM) at an exercise price of A\$0.45.
- ▶ On 20 October 2009, 4,500,000 ordinary shares were issued to the Company's financiers, RMB Australia Holdings Limited ("RMB") following the exercise of share options (MDLAI) at an exercise price of A\$0.69.
- ▶ On 18 November 2009:
  - 5,000,000 ordinary shares were issued to directors following the exercise of share options (MDLAK) at an exercise price of A\$0.33;
  - 500,000 ordinary shares were issued to a senior executive following the exercise of share options (MDLAO) at an exercise price of A\$0.85; and
  - 150,000 ordinary shares were issued to an employee following the exercise of share options (MDLAM) at an exercise price of A\$0.45.
- ▶ The company undertook a Share Purchase Plan ("SPP") for working capital purposes. The record date for the SPP was 21 April 2010 and eligible shareholders were entitled to apply for a minimum of A\$1,000 up to a maximum of A\$15,000 worth of MDL shares at an issue price of A\$0.95 per share. On 7 June 2010, 2,450,575 ordinary shares were issued under the SPP raising A\$2.33 million.
- ▶ On 30 June 2010, 4,500,000 ordinary shares were issued to the Company's financiers MBL following the exercise of share options (MDLAI) at an exercise price of A\$0.69.

### (c) Options

The closing share market price of an ordinary share of the company at 30 June 2010 was ASX: A\$0.94; TSX: Cdn\$0.82 (2009 – ASX: \$0.62; TSX: Cdn\$0.62).

Details of all options issued by the company and outstanding at year-end:

ASX Code	Grant Date	Expiry Date	Exercise Price (A\$)	No.
MDLAA	1 July 2008	1 July 2011	1.40	10,000,000
MDLAB	30 June 2009	30 June 2014	0.75	750,000
MDLAQ	23 November 2005	23 November 2010	0.85	500,000
MDLAS	1 May 2006	1 May 2011	2.00	250,000
MDLAU	19 July 2007	18 July 2012	1.60	1,850,000
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000
MDLAY	5 December 2007	5 December 2012	1.60	1,000,000
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000
<b>Total options outstanding at year end</b>				<b>30,850,000</b>

Full details of the issue and exercise of options during the financial year are contained in Note 37 – Share-Based Payments.

No share options were issued to directors, senior personnel or employees during the year or since 30 June 2010.

The following unlisted options were forfeited during the reporting period due to employee terminations:

ASX Code	Grant Date	Expiry Date	Exercise Price (A\$)	No.
MDLAS	1 May 2006	1 May 2011	2.00	250,000
MDLAU	19 July 2007	18 July 2012	1.60	500,000
				<b>750,000</b>

No person entitled to exercise the option had or has any rights by virtue of the option to participate in any share issue of any other body corporate. Options do not carry any voting or dividend rights.

There were no other movements in the ordinary share capital or other securities of the company in the current reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### 25. RESERVES

The foreign currency translation reserve records exchange differences arising on translation from the functional currencies of the group's Australian controlled entities into United States dollars which are brought to account by entries made directly to the foreign currency translation reserve and the revaluation of intercompany loans.

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset is recognised in the profit or loss. Where a revalued financial asset is impaired, that portion of the reserve is recognised in profit or loss.

The equity-settled share based payment reserve arises on the grant of share options to directors, employees and financiers. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments is detailed in Note 37 to the financial statements.

### 26. EARNINGS PER SHARE (EPS)

	Consolidated	
	2010	2009
Basic EPS (US cents)	(4.6)	(0.9)
Diluted EPS (US cents)	(4.6)	(0.9)
Basic EPS:		
Net loss used in the calculation of basic EPS (US\$'000)	(26,193)	(4,334)
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	570,187	502,217
Weighted average number of ordinary shares for the purpose of diluted EPS ('000)	570,336	504,629

The options on issue throughout 2009 and 2010 are not dilutive in effect as the consolidated entity recorded a net loss in each of those financial years.

### 27. DIVIDENDS

During the financial year, no dividends were paid. The directors have not recommended the payment of a dividend.

	Consolidated	
	2010 US\$'000	2009 US\$'000

### 28. COMMITMENTS FOR EXPENDITURE

#### (a) Capital Expenditure Commitments

Capital expenditure commitments outstanding at 30 June 2010 comprised:

Grande Côte Mineral Sands Project	614	1,990
Sabodala Gold Mine	989	1,283
Mining Fleet	14,083	-
Not longer than one year	15,686	3,273

#### (b) Exploration Commitments

The company has committed to spend a total of \$12.5 million over the next three years in respect of the Sabodala regional exploration programme.

#### (c) Sabodala Operating Commitments

The company faces commitments in respect of Sabodala. The company has agreed that the following amounts will be payable within one year:

- ▶ \$425,000 per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Convention;
- ▶ \$30,000 per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession; and
- ▶ \$200,000 per year of production on training of Directorate of Mines and Geology officers and mines Ministry.

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

29. LEASES

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>(a) Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements payable:		
- not later than 12 months	223	280
- between 12 months and five years	100	170
<b>Total operating lease liability</b>	<b>323</b>	<b>450</b>

	Consolidated		Consolidated	
	Minimum future lease payments		Present value of minimum future lease payments	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>(b) Finance Lease Liabilities</b>				
No later than one year	10,542	8,433	10,285	8,201
Later than one year and not later than five years	-	8,433	-	7,976
	<b>10,542</b>	<b>16,866</b>	<b>10,285</b>	<b>16,177</b>
Included in the financial statements as:				
- current	10,542	8,433	10,285	8,201
- non-current	-	8,433	-	7,976

The Finance Lease relates to the Mining Fleet Sublease of \$23 million with a lease term of three years expiring November 2011. Minimum future lease payments consist of 12 equal principal amounts over the term of the loan. Interest is calculated at LIBOR plus a margin paid quarterly in arrears. Due to the variable nature of the interest repayments the table above excludes all future interest amounts.

30. CONTINGENT LIABILITIES

- (a) The company faces potential liabilities to its private Senegalese partners in respect of the Grande Côte Mineral Sands Project. The company has agreed that the following amounts will be payable if the project proceeds to production:
- ▶ A\$500,000 within 30 days of completion of a bankable feasibility study for the project and on securing all the necessary funding either by debt or equity from an internationally recognised banking or financial institution to develop the project;
  - ▶ A\$500,000 within 30 days of receipt by (the successor to) MDL Senegal SUARL, a subsidiary of MDL, of the first payment for a commercial arm's-length sale of product from the project;
  - ▶ \$150,000 per annum on social development of local communities in the Grande Côte and surrounding region during the term of the Mining Concession, and during the entire period of validity of the Mining Convention, \$500,000 for the pre-production and thereafter \$400,000 during the period of production; and
  - ▶ \$50,000 per year of production on training of Directorate of Mines and Geology officers and logistical support to the technical services of the Ministry for Mines.
- (b) The company has a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited.
- (c) The company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to its subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.
- (d) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes revegetation. Some aspects of the rehabilitation obligations extend for a period in excess of 10 years after the cessation of previous mining activities. Ongoing rehabilitation work therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW, Australia. No adverse situations were reported and work was performed to schedule.
- (e) There are no outstanding native title claims against the company which could or would have a financial impact.

The directors are not aware of any other contingent liabilities at 30 June 2010.



## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### 31. JOINTLY CONTROLLED OPERATIONS AND ASSETS

The group is a venturer in the following jointly controlled operations and assets:

Name of venture	Principal activity	Interest	
		2010 %	2009 %
Rokamco JV - Dembala Berola	Gold exploration	100	80
Rokamco JV - Massakounda	Gold exploration	100	80
Senegal Nominees JV – Bransan	Gold exploration	70	70
NAFPEC JV – Makana	Gold exploration	80	80
AXMIN JV – Sabodala NW	Gold exploration	51	-
AXMIN JV - Heremakono	Gold exploration	51	-
AXMIN JV - Sounkounkou	Gold exploration	51	-
Tayssir Resources SAS -	Heavy mineral sands	50	-

The group's interest, as a venturer, in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories:

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>Non-current assets</b>		
Exploration and evaluation expenditure	11,081	4,860

#### Exploration commitments and contingent liabilities

Exploration commitments and contingent liabilities arising from the group's interests in joint ventures are disclosed in Notes 28 and 30.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**32. SUBSIDIARIES**

	Country of Incorporation	Auditor	Percentage owned	
			2010	2009
<b>(a) Subsidiary entities consolidated</b>				
Company and head of tax consolidation group:				
- Mineral Deposits Limited*	Australia	Deloitte Touche Tohmatsu		
Subsidiaries of Mineral Deposits Limited:				
- MDL (Mining) Limited* (i)	Australia	Deloitte Touche Tohmatsu	100	100
- MDL Gold Limited* (i)	Australia	Deloitte Touche Tohmatsu	100	100
- Mineral Deposits (Operations) Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
Subsidiaries of MDL (Mining) Limited:				
- HNFL (Holdings) Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
- Mineral Deposits Mauritius Limited	Mauritius	Kemp Chatteris Deloitte	100	100
Subsidiaries of MDL Gold Limited:				
- Sabodala Gold (Mauritius) Limited	Mauritius	Kemp Chatteris Deloitte	100	100
- SGML (Capital) Limited	Mauritius	Kemp Chatteris Deloitte	100	100
Subsidiaries of Mineral Deposits Mauritius Limited:				
- MDML (Capital) Limited	Mauritius	Kemp Chatteris Deloitte	100	100
- MDL Senegal SARL	Senegal	Senegal, Deloitte	100	100
- Grande Cote Operations SA (iii)	Senegal	Senegal, Deloitte	90	90
Subsidiaries of Sabodala Gold (Mauritius) Limited:				
- Sabodala Mining Company SARL (iv)	Senegal	Senegal Deloitte	100	100
- Sabodala Gold Operations SA (iii) (iv)	Senegal	Senegal Deloitte	90	90
- Ausind Sands India Private Limited (ii)	India	-	72	72
Subsidiaries of MDML (Capital) Limited:				
- Mineral Deposits (Operations) Senegal SUARL	Senegal	Senegal, Deloitte	100	100
- Mauritius Titanium India Private Limited (ii)	India	-	74	74

\* *Members of tax consolidation group*

- (i) These wholly-owned entities have entered into a deed of cross guarantee with Mineral Deposits Limited pursuant to ASIC Class Order 98/1418 and are relieved of the requirement to prepare and lodge an audited financial report. These entities became parties to the deed of cross guarantee on 29 April 2008. The effect of the deed of cross guarantee is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the company is wound up.
- (ii) Application to the Indian courts for the winding up of subsidiary Ausind Sands India Private Limited has been heard and approved, however application for winding up of Mauritius Titanium India Private Limited has not yet been heard.
- (iii) Pursuant to the Uniform Act (OHADA) governing the company's "SA" Senegalese subsidiaries, the board of directors must have at least three and no more than 12 directors (other than in particular circumstances). Members of the board do not have to be shareholders. However, no more than one-third of the members of the board may be non-shareholders.

MDL, as the majority (up to 90%) shareholder, wanted to bring in a sufficient number of directors representing its respective Mauritian holding companies, in addition to the two resident directors with executive responsibility, to ensure adequate representation at all board meetings, the minority shareholder (Government of the Republic of Senegal) being entitled to two board seats, one representing the State and the other being held by a non-shareholder Senegalese public servant. Hence, the five directors representing the respective Mauritian parent entity were issued one share each for a total of 0.5% in both of SGO and Grande Cote Operations SA with the other 89.5% issued to and held by the relevant Mauritian parent Sabodala Gold (Mauritius) Limited and Mineral Deposits Mauritius Limited respectively. On death or resignation, a share individually held would be transferred to another representative of the relevant Mauritian parent entity or added to its current 89.5% shareholding according to the circumstances at the time.

- (iv) Under the terms of the SGO Project Finance Facility, the company has pledged its shares in favour of MBL as security.

The lead auditor of Mineral Deposits Limited is Deloitte Touche Tohmatsu.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

The consolidated statement of comprehensive income and statement of financial position of the entities party to the deed of cross guarantee after eliminating all transactions between parties to the deed of cross guarantee, at 30 June 2010 are:

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Interest revenue	232	262
Other revenue	145	131
	<u>377</u>	<u>393</u>
Administration expenditure	(7,374)	(6,391)
Finance costs	-	(6,184)
Equity settled share based payments	(709)	(1,428)
Employee benefits expense	(114)	(103)
Depreciation and amortisation expense	(311)	(134)
Loss on disposal of property, plant and equipment	(1)	(1)
Fair value loss of financial assets	(78)	(201)
Exploration expenditure immediately expensed	(5)	-
Foreign currency losses (unrealised)	(8)	(11,990)
	<u>(8,600)</u>	<u>(26,432)</u>
<b>Loss before tax</b>	<b>(8,223)</b>	<b>(26,039)</b>
Income tax benefit	(6,413)	3,619
<b>Loss for the year</b>	<b>(14,636)</b>	<b>(22,420)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,487	10,270
Trade and other receivables	38	41
Other	180	204
<b>Total current assets</b>	<b>4,705</b>	<b>10,515</b>
<b>Non-current assets</b>		
Receivables	318,369	309,578
Other financial assets – investments	1,196	1,124
Property, plant and equipment	186	188
Capitalised mining convention and concession costs	7,864	2,624
Deferred tax assets	61	7,525
Other intangible assets	60	28
<b>Total non-current assets</b>	<b>327,736</b>	<b>321,067</b>
<b>Total assets</b>	<b>332,441</b>	<b>331,582</b>
<b>Current liabilities</b>		
Trade and other payables	609	581
Provisions	1,327	1,152
<b>Total current liabilities</b>	<b>1,936</b>	<b>1,733</b>
<b>Non-current liabilities</b>		
Provisions	35	22
<b>Total non-current liabilities</b>	<b>35</b>	<b>22</b>
<b>Total liabilities</b>	<b>1,971</b>	<b>1,755</b>
<b>Net assets</b>	<b>330,470</b>	<b>329,827</b>
<b>Equity</b>		
Issued capital	384,849	375,868
Reserves	16,352	10,054
Accumulated losses	(70,731)	(56,095)
<b>Total equity</b>	<b>330,470</b>	<b>329,827</b>

**(b) Details of controlled entities acquired or disposed of**

During the period, the company entered into a heads of agreement with a company in Mauritania to establish a joint venture company to operate in the fields of mineral exploration and project development. MDL, through its wholly-owned sub-subsidiary Mineral Deposits Mauritius Limited, subscribed for and holds 50% of the equity in the new company Tayssir Resources SAS ("Tayssir") and has appointed directors. During the period, Tayssir was granted two exploration permits for which it had applied. Two other applications are pending.

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

Consolidated	
2010	2009
US\$'000	US\$'000

### 33. PARENT ENTITY DISCLOSURE

#### Financial Position

##### Assets

Current assets	4,705	10,515
Non-current assets	356,877	334,778
<b>Total current assets</b>	<b>361,582</b>	<b>345,293</b>

##### Liabilities

Current liabilities	1,910	1,708
Non-current liabilities	61	46
<b>Total current liabilities</b>	<b>1,971</b>	<b>1,754</b>

##### Equity

Issued capital	384,849	375,868
Accumulated losses	(57,811)	(43,348)
<b>Total equity</b>	<b>327,038</b>	<b>332,520</b>

##### Reserves

Foreign currency revaluation	32,573	11,019
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##### Total equity

<b>359,611</b>	<b>343,539</b>
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#### Financial Performance

##### Loss for the year

Other comprehensive income/(loss)	21,554	(54,244)
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##### Total comprehensive income/(loss)

<b>7,091</b>	<b>(66,719)</b>
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**(a) Guarantees entered into by the parent in relation to the debts of its subsidiaries**

The parent entity, Mineral Deposits Limited, and its wholly owned subsidiaries MDL Gold Limited and Sabodala Gold (Mauritius) Limited, pursuant to the SGO Project Finance Facility with MBL, continue to act as guarantors in relation to the facility. This includes compliance with all obligation under the agreement and ensuring that no event of default occurs.

**(b) Contingent liabilities of the parent**

The parent entity, Mineral Deposits Limited, and its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited entered into a deed of cross guarantee pursuant to ASIC Class Order 98/1418 on 29 April 2008. The effect of the deed of cross guarantee is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the company is wound up.

**(c) Commitments for the acquisition of property, plant and equipment by the parent**

No commitments for the acquisition of property, plant and equipment by the parent entity exist.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

	2010 US\$'000	Consolidated 2009 US\$'000	2008 US\$'000
<b>34. CASH FLOW INFORMATION</b>			
<b>(a) Reconciliation of cash and cash equivalents</b>			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash on hand and at bank	13,617	16,721	42,381
Other – term deposits	215	1,452	1,845
<b>Total cash and cash equivalents at end of period</b>	<b>13,832</b>	<b>18,173</b>	<b>44,226</b>
<b>Reconciliation of loss for the period to net cash flows from operating activities</b>			
Loss for the year	(28,710)	(2,308)	
Depreciation	16,927	5,204	
Amortisation	16,100	4,875	
Finance costs	1,753	7,324	
Share based remuneration	709	1,428	
Foreign exchange loss	1,103	11,992	
Profit on sale of non-current assets	(4)	-	
Loss on disposal of non-current assets	19	69	
Loss on sale of other financial investments	-	201	
Loss on derivative instrument	57,373	38,519	
Interest income received and receivable	(258)	(340)	
Capitalised exploration and development costs written off	-	16,874	
<i>Changes in assets and liabilities</i>			
Decrease in trade and term debtors	(88)	(2,474)	
Decrease/(increase) in prepayments	963	(2,310)	
Increase in accrued income	(1)	-	
Increase in inventories	(19,174)	(50,687)	
(Decrease)/increase in trade creditors and accruals	(5,255)	15,969	
Increase in employee entitlements	1,037	684	
Increase in rehabilitation provisions	15	-	
Increase/(decrease) in income tax	4,963	(2,621)	
<b>Net cash from operating activities</b>	<b>47,472</b>	<b>42,399</b>	

**(b) Non-cash financing and investing activities**

There were no non-cash financing and investing activities during the year ended 30 June 2010.

**(c) Financing activities**

Secured Project Finance Facility:			
- amount used	6,000	38,000	-
- amount unused	46,000	14,000	-
Secured Revolving Working Capital Facility:			
- amount used	-	-	35,000
- amount unused	-	-	-
	<b>52,000</b>	<b>52,000</b>	<b>35,000</b>

**(d) Cash balances not available for use**

The company has \$214,175 (2009 - \$201,200) in term deposits included in the cash and cash equivalents that are not readily available for use by the group. These term deposits are held as security over the company's corporate credit card and credit charge facility and held in favour of a bank guarantee.

**(e) Cash balances restricted for use**

The balance of funds held in SGO's Proceeds Account of \$6,633,067 (per the Project Finance Facility provided by MBL) is only available for operating, project and financing (including loan repayments) costs of that entity. Funds are not available for other entities within the MDL group unless strict criteria are passed. These criteria include technical and financial completion tests, loan ratio tests and sufficient funds remaining in the Proceeds Account to maintain an agreed reserve amount. It is not expected that funds will be available from the Proceeds Account for other entities within the MDL group for the remaining life of the loan.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Consolidated	
2010	2009
US\$'000	US\$'000

### 35. FINANCIAL INSTRUMENTS

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

#### (a) Capital risk management

The group manages its capital to ensure that entities of the group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in statement of changes in equity.

The gearing ratio at year end was as follows:

	2010	2009
<b>Financial assets</b>		
Long and short term debt (Note 21)	(16,433)	(53,007)
Cash and cash equivalents (Note 34)	13,832	18,173
<b>Net debt</b>	<b>(2,601)</b>	<b>(34,834)</b>
<b>Total equity</b>	<b>349,707</b>	<b>367,638</b>
<b>Net debt to equity ratio</b>	<b>0.74%</b>	<b>9.48%</b>

#### (b) Categories of financial instruments

	2010	2009
<b>Financial assets:</b>		
Other receivables	856	857
Derivative financial assets	2,330	2,500
Cash and cash equivalents	13,832	18,173
<b>Financial liabilities:</b>		
Other payables and accruals	21,524	30,605
Borrowings	16,433	53,007
Derivative financial liabilities	100,009	42,807

#### (c) Commodity market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The company's exposure to market risk is determined by a number of factors, including foreign exchange rates and commodity prices. The company is exposed to movements in the gold price. As part of the risk management policy the company has entered into gold forward sales contracts and oil energy swaps are used to reduce exposure to unpredictable market fluctuations. The hedging programme undertaken is structured with the objective of retaining as much upside to the gold and oil price as possible pursuant to the terms under the company's Project Finance Facility. The company has elected not to hedge account these instruments.

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

**Derivative financial instruments**

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>Financial derivative assets:</b>		
Energy Swap - oil	2,330	2,500
Disclosed as:		
Current	701	379
Non-current	1,629	2,121
	2,330	2,500
<b>Financial derivative liabilities:</b>		
Gold flat forward contracts	100,009	42,807
Disclosed as:		
Current	34,963	10,591
Non-current	65,046	32,216
	100,009	42,807

**Gold forward contracts and oil swaps**

	Gold Forward Contracts			Energy Swaps – Oil		
	Ounces	US\$/ounce	Fair Value	BBL	US\$/BBL	Fair Value
Within 1 year	88,000	846	(34,963)	80,000	70	701
Between 1 and 2 years	93,000	846	(37,666)	80,000	70	895
Between 2 and 3 years	65,500	846	(27,380)	60,000	70	734
<b>Total</b>	<b>246,500</b>	<b>846</b>	<b>(100,009)</b>	<b>220,000</b>	<b>70</b>	<b>2,330</b>

At 30 June 2010, the gold spot price was \$1,241.45/oz and the oil price was \$75.94/bbl.

As the company has elected not to adopt hedge accounting, movements in the fair value of these contracts are accounted for through the income statement. As at 30 June 2010, the company's subsidiary SGO's hedge ineffectiveness recognised directly in the statement of comprehensive income was as follows:

	US\$'000
Gold hedge unrealised loss	57,203
Oil hedge unrealised loss	170

**Sensitivity analysis**

The following table summarises the sensitivity of financial assets and financial liabilities held at balance date to movement in gold and oil commodity rates, with all other variables held constant. A 10% movement for gold and oil rates represents management's assessment of the reasonably possible change.

	Financial Assets		Financial Liabilities	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>Gold forward contracts</b>				
Profit or loss	-	-	30,598	35,313
Other equity	-	-	-	-
<b>Oil energy swaps</b>				
Profit or loss	(1,747)	(2,272)	-	-
Other equity	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**(d) Foreign currency risk management**

The company and group has certain financial instruments denominated in CFA Franc, Euro and AUD. Consequently, the company is exposed to the risk that the exchange rate of the USD relative to the CFA Franc, Euro and AUD may change in a manner which has a material effect on the reported values of the company's assets and liabilities which are denominated in CFA Franc, Euro and AUD

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities that are denominated in a currency other than the functional currency of the entity that holds the financial asset or financial liability at the reporting date is as follows:

	Financial Assets		Financial Liabilities	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
AUD	4,600	11,452	1,520	1,016
EUR	3	-	2,212	672
CFA Franc (XOF)	325	341,573	14,120	7,155
CAD	51	-	38	-
ZAR	-	-	50	9
Other	-	-	4	91

**Foreign currency sensitivity analysis**

The company and group is mainly exposed to CFA Franc and AUD. Ten percent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a 10% change in the functional currency rates. A negative number indicates a decrease in profit or equity where the functional currency strengthens 10% against the relevant currency for financial assets and where the functional currency weakens against the relevant currency for financial liabilities. For a 10% weakening of USD against the relevant currency for financial assets and a 10% strengthening for financial liabilities, there would be an equal and opposite impact on net assets and the balances would be positive.

	Financial Assets		Financial Liabilities	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>AUD Impact</b>				
Profit or loss	(460)	(1,145)	152	102
Other equity	-	-	-	-
<b>EUR Impact</b>				
Profit or loss	-	-	221	67
Other equity	-	-	-	-
<b>XOF Impact</b>				
Profit or loss	-	-	-	-
Other equity	(32,522)	(34,157)	1,412	716
<b>ZAR Impact</b>				
Profit or loss	-	-	5	1
Other equity	-	-	-	-
<b>Other Impact</b>				
Profit or loss	-	-	-	9
Other equity	-	-	3	-

**Foreign currency exchange contracts**

The company has not entered into forward exchange contracts to buy or sell specified amounts of foreign currencies in the future at stipulated exchange rates.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### (e) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The company has exposure to interest rate risk relating to its bank balances and external borrowings.

The company's interest rate on its Project Finance Facility and its Finance Lease is calculated at LIBOR plus a margin.

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>Financial assets</b>		
Cash at bank	13,832	18,173
<b>Financial liabilities</b>		
Borrowings - Project Finance Facility	6,000	38,209
Finance Lease liabilities	10,542	16,866
	16,542	55,075

### Interest rate sensitivity analysis

Variable rate of interest is the sensitivity rate used in management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher by 50 basis points and all other variables were held constant, the profit and net assets would increase/decrease by:

	Financial Assets		Financial Liabilities	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
<b>Company and group</b>				
Profit or loss	69	91	(30)	(275)
Other equity	-	-	-	-

If interest rates had been 50 basis points lower, the impact would be equal and opposite.

### (f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and is limited because the group has minimal trade receivables as the group is still exploring for minerals with respect to the mineral sands division and at construction stage with respect to the gold operations. The company limits its credit risk by carrying out transactions only with its related parties in some instances.

The maximum exposure to credit risk is represented by the carrying value of each financial assets in the statement of financial position.

### (g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors who have built an appropriate liquidity risk management framework for the management of the group's funding and liquidity management requirements. The group manages liquidity risk by maintaining sufficient cash balances.

### Liquidity and interest risk tables

The following tables detail the company's and the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

	Weighted average effective interest rate %	Due on demand US\$'000	Due one to three months US\$'000	Due between three months to one year US\$'000	Due one to five years US\$'000
<b>Consolidated</b>					
<b>2010</b>					
<b>Financial Liabilities</b>					
Non-interest bearing	-	14,770	-	2,615	-
Variable interest rate instruments	-	-	6,000	13,205	1,476
Derivatives (i)	-	-	8,304	26,495	62,679
		<u>14,770</u>	<u>14,304</u>	<u>42,315</u>	<u>64,155</u>
<b>2009</b>					
<b>Financial Liabilities</b>					
Non-interest bearing	-	19,023	3,300	3,750	-
Variable interest rate instruments	27.0	-	10,818	37,631	11,160
Derivatives	-	-	2,343	10,545	22,986
		<u>19,023</u>	<u>16,461</u>	<u>51,926</u>	<u>34,146</u>

(i) Expected to be settled through delivery of gold.

	Weighted average effective interest rate %	Due on demand US\$'000	Due one to three months US\$'000	Due between three months to one year US\$'000	Due one to five years US\$'000
<b>Consolidated</b>					
<b>2010</b>					
<b>Financial Assets</b>					
Non-interest bearing	-	857	-	-	251
Derivatives (i)	-	-	119	356	832
		<u>857</u>	<u>119</u>	<u>356</u>	<u>1,083</u>
<b>2009</b>					
<b>Financial Assets</b>					
Non-interest bearing	-	857	-	-	-
Variable interest rate instruments	8.36	-	61	326	2,255
		<u>857</u>	<u>61</u>	<u>326</u>	<u>2,255</u>

(i) Expected to be settled in cash on a net basis.

**(h) Fair value of financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- ▶ the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- ▶ the fair value of derivative instruments are calculated using quoted prices and option pricing models.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair value for the consolidated and company:

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**36. SEGMENT REPORTING**

The company has adopted AASB8 Operating Segments and AASB2007-3 Amendments to Australian Accounting Standards arising from AASB8 with effect from 1 July 2009. AASB8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by management. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risk rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for identification of such segments. As a result, following the adoption of AASB8, the identification of the company's reportable segments has changed.

The company's reportable segments under AASB8 can be separated into gold and mineral sands activities as follows:

- ▶ gold activities incorporate the company's production and exploration activities in Senegal in relation to the Sabodala Gold Mine and regional gold exploration in the Sabodala area; and
- ▶ mineral sands activities incorporate exploration and development activities in Senegal in relation to the Grande Côte Mineral Sands Project. Costs incurred with respect to mineral sands exploration are capitalised and were transferred and included in development costs following the results of the DFS.

'Other' is the aggregation of the company's other operating segments that are not separately reportable and is predominately the corporate head office.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to AASB8. The accounting policies of the new reportable segments are the same as the company's accounting policies.

**Segment revenue and results**

The following is an analysis of the group's revenue and results from continuing operations by reportable segments:

	Segment Revenue		Segment Profit	
	12 months ended 30 June 2010 US\$'000	2009 US\$'000	12 months ended 30 June 2010 US\$'000	2009 US\$'000
<b>Continuing operations</b>				
Gold division - operations				
Gold and silver sales	158,478	47,103	158,478	47,103
Cash cost of sales:				
Mine operating costs			(84,712)	(31,624)
Royalties			(5,923)	(1,481)
Extraction costs recognised in inventory			-	(21,925)
Change in inventories			19,540	33,677
Total cash cost of sales			(71,095)	(21,353)
<b>Net cash income from mining activities</b>			<b>87,383</b>	<b>25,750</b>
Depreciation and amortisation			(32,533)	(9,654)
Rehabilitation			(892)	-
<b>Net income from mining activities</b>			<b>53,958</b>	<b>16,096</b>
Corporate administration expenses (i)			(12,123)	(9,450)
<b>Operating profit before finance costs and tax</b>			<b>41,835</b>	<b>6,646</b>
Gold hedge unrealised losses			(57,203)	(40,908)
Oil hedge unrealised (losses)/gains			(170)	2,389
Other income			743	488
Proceeds from close out of hedge book			-	60,350
Exploration and development expenditure written off			(5)	(18,655)
Impairment/loss on disposal of fixed assets			(21)	(1,202)
Finance costs			(4,017)	(1,985)
Net foreign exchange losses			(2,717)	(12,019)
Total other income/(expenses)			(63,390)	(11,542)
<b>Loss before tax</b>			<b>(21,555)</b>	<b>(4,896)</b>
Income tax expense			(7,155)	2,588
<b>Loss after tax</b>			<b>(28,710)</b>	<b>(2,308)</b>
Profit/(loss) attributable to non-controlling interests			2,517	(2,026)
<b>Consolidated segment revenue and loss for the period</b>	<b>158,478</b>	<b>47,103</b>	<b>(26,193)</b>	<b>(4,334)</b>

(i) Includes administration costs associated with the mineral sands division.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**Segment assets and liabilities**

The following is an analysis of the group's assets and liabilities by reportable operating segment:

	Period ended	
	30 June 2010 US\$'000	30 June 2009 US\$'000
<b>Assets</b>		
Gold division	413,112	409,724
Mineral sands division	75,648	69,805
Total segment assets	488,760	479,529
Unallocated assets	5,009	18,252
<b>Total assets</b>	<b>493,769</b>	<b>497,781</b>
<b>Liabilities</b>		
Gold division	141,297	126,760
Mineral sands division	631	1,490
Total segment liabilities	141,928	128,250
Unallocated liabilities	2,134	1,894
<b>Total liabilities</b>	<b>144,062</b>	<b>130,144</b>

**Other segment information**

	Depreciation and amortisation		Additions to non-current assets	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Gold division	32,533	9,837	201	83,202
Mineral sands division	218	156	5,689	3,334
Total segment	32,751	9,993	5,890	86,536
Unallocated	277	87	149	148
Reversal accruals previously capitalised in property, plant and equipment	-	-	(650)	-
<b>Total</b>	<b>33,028</b>	<b>10,080</b>	<b>5,389</b>	<b>86,684</b>

**Revenue from segment**

The following is an analysis of the group's revenue by reportable operating segment:

	Period ended	
	30 June 2010 US\$'000	30 June 2009 US\$'000
<b>Continuing operations</b>		
Gold and silver sales	158,478	47,103
Other revenue from gold division	285	60,428
Other revenue from mineral sands division (i)	81	17
Unallocated revenue	377	393
Total other revenue	743	60,838
<b>Total revenue</b>	<b>159,221</b>	<b>107,941</b>

(i) Represents profit on disposal of non-current asset.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### Geographical information

The group operates in three geographical areas, predominantly in Senegal (West Africa), Australia and Mauritius.

The following is an analysis of the group's revenue and its non-current assets by geographical location:

	Revenue		Non-current assets	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Republic of Senegal – gold	158,763	107,531	386,644	378,094
Republic of Senegal – mineral sands	-	9	65,887	60,312
Australia	377	401	13,130	21,118
Mauritius	81	-	28,108	38,257
<b>Total</b>	<b>159,221</b>	<b>107,941</b>	<b>493,769</b>	<b>497,781</b>

### Information about major customers

Revenue from one customer amounted to \$158.5 million (2009 - \$47.1 million) arising from sales by the gold segment.

## 37. SHARE-BASED PAYMENTS

(a) **The following share-based payment arrangements were in existence during the current and comparative reporting periods:**

### Options issued under the terms of the MDL Employee Option Plan

ASX Code	Grant Date	Expiry Date	No. at beginning of year	No. at end of year	Exercise Price A\$	Fair Value at Grant Date A\$	Note
MDLAM	31 December 2004	2 January 2010	250,000	-	0.45	*	(1)
MDLAO	10 March 2005	10 March 2010	500,000	-	0.65	0.30	(1)
MDLAS	1 May 2006	1 May 2011	750,000	250,000	2.00	0.77	(1)
MDLAU	19 July 2007	18 July 2012	2,100,000	1,850,000	1.60	0.63	(2)
MDLAY	5 December 2007	5 December 2012	1,000,000	1,000,000	1.60	0.63	(3)
MDLAB	30 June 2009	30 June 2014	750,000	750,000	0.75	0.34	(4)
			<u>5,350,000</u>	<u>3,850,000</u>			

\*The company has elected not to recognise options granted and vested prior to 1 January 2005.

- (1) The options vest immediately and are exercisable at any time before the expiry date.
- (2) The options fully vest on 19 July 2009 and are exercisable at any time before the expiry date.
- (3) Granted to a senior executive to accept ordinary shares at any time subject to vesting conditions:
  - ▶ 50% of the options vested on the first commercial product sales in respect of Sabodala; and
  - ▶ the remaining 50% of the options vest on the first commercial product sales in respect of Grande Côte or in the event the company's interest in the project is sold, joint ventured, farmed out or its value similarly realised.
- (4) Granted to a senior executive to accept ordinary shares at any time subject to vesting conditions:
  - ▶ one-third of the options vest on the date on which they were granted, i.e. 30 June 2009;
  - ▶ one-third of the options vest on the first anniversary of the date on which they were granted, i.e. 30 June 2010; and
  - ▶ the remaining one-third vest on the second anniversary of the date on which they were granted, i.e. 30 June 2011.

All options vest in the event of a takeover, scheme of arrangement or change in effective control on or before the expiry date.

Options hold no voting or dividend rights and are not transferrable except with prior written approval of the board.

Employee options are subject to termination restrictions.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Financial Year ended 30 June 2010

**Options issued to directors**

ASX Code	Grant Date	Expiry Date	No. at beginning of year	No. at end of year	Exercise Price A\$	Fair Value at Grant Date A\$	Note
MDLAK	1 December 2004	1 December 2009	5,000,000	-	0.33	*	(5)
MDLAQ	23 November 2005	23 November 2010	500,000	500,000	0.85	0.53	(5)
MDLAW	29 November 2007	29 November 2012	6,500,000	6,500,000	1.60	0.50	(6)
			<u>12,000,000</u>	<u>7,000,000</u>			

\* The company has elected not to recognise options granted and vested prior to 1 January 2005.

- (5) The options vest immediately and are exercisable at any time before the expiry date.
- (6) Granted to directors to accept ordinary shares at any time subject to vesting conditions:
- ▶ 50% of the options vested on the first commercial product sales in respect of Sabodala; and
  - ▶ the remaining 50% of the options vest on the first commercial product sales in respect of Grande Côte or in the event the company's interest in the project is sold, joint ventured, farmed out or its value similarly realised.

All options vest in the event of a takeover event, scheme of arrangement or change in effective control) on or before the expiry date.

Share-based payments to directors and employees are measured at fair value at the date of grant and are expensed where there are no vesting conditions and in cases where a vesting restriction exists, amortised over the vesting period. As allowed under Accounting Standards, fair value is determined using a Black Scholes option pricing model.

Options hold no voting or dividend rights and are not transferrable except with prior written approval of the board.

The options will lapse if the director of the company to which the option relates resigns prior to the vesting date or the office of that director becomes vacant pursuant to clause 60.1 of the company's Constitution.

**Options issued under terms of option deed between the company and its financiers**

ASX Code	Grant Date	Expiry Date	No. at beginning of year	No. at end of year	Exercise Price A\$	Fair Value at Grant Date A\$	Note
MDLAZ	10 April 2008	10 April 2011	10,000,000	10,000,000	1.40	0.24	(7)
MDLAA	1 July 2008	1 July 2011	10,000,000	10,000,000	1.40	0.24	(7)
MDLAI	1 January 2009	1 January 2012	9,000,000	-	0.69	0.19	(7)
			<u>29,000,000</u>	<u>20,000,000</u>			

- (7) The options vest immediately and are exercisable at any time before the expiry date.

**(b) Share options issued during the year ended 30 June 2010**

No share options were issued during the year ended 30 June 2010.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**(c) Movements in share options during the period**

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2010		2009	
	Number of options	Weighted Average Exercise Price A\$	Number of options	Weighted Average Exercise Price A\$
Balance at the beginning of the financial year	46,350,000	1.28	38,435,000	1.28
Granted during the financial year	-	0.69	9,750,000	0.69
Exercised during the financial year (i)	(14,750,000)	0.26	(1,035,000)	0.26
Forfeited during the financial year (ii)	(750,000)	1.73	(800,000)	1.73
Balance at end of the financial year (iii)	<u>30,850,000</u>	<u>0.82</u>	<u>46,350,000</u>	<u>0.82</u>
Exercisable at end of the financial year	<u>26,850,000</u>	<u>1.13</u>	<u>40,249,750</u>	<u>1.13</u>

**(i) Exercised during the financial year**

	Number exercised	Exercise date	Share price at exercise date A\$
MDLAM – issued 31 December 2004	100,000	16 October 2009	0.97
MDLAI – issued 1 January 2009	4,500,000	20 October 2009	0.98
MDLAK – issued 1 December 2004	5,000,000	18 November 2009	1.06
MDLAK – issued 31 December 2004	150,000	18 November 2009	1.06
MDLAO – issued 10 March 2005	500,000	18 November 2009	1.06
MDLAI – issued 1 January 2009	4,500,000	30 June 2010	0.94
	<u>14,750,000</u>		

**(ii) Forfeited during the financial year**

	Number forfeited	Forfeit date	Share price at forfeit date A\$
MDLAS – issued 1 May 2006	500,000	23 July 2010	0.66
MDLAU – issued 19 July 2009	250,000	23 July 2010	0.66
	<u>750,000</u>		

**(iii) Balance at end of the financial year**

The share options outstanding at the end of the financial year had a weighted average exercise price of \$1.16 (2009 - \$0.82) and a weighted average remaining contractual life of 1.41 years (2009 – 2.17 years).

Included under administration expenses in the statement of comprehensive income is \$709,030 (2009 – \$1,427,922) and relates, in full, to equity settled share based payment transactions issued to directors and employees amortised over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS  
For the Financial Year ended 30 June 2010

	Consolidated	
	2010 US\$'000	2009 US\$'000
<b>38. AUDITORS' REMUNERATION</b>		
<b>Auditor of the parent entity</b>		
Audit or review of financial reports of the entity	392	160
Preparation of the tax return	21	21
Other non-audit services – taxation advice	206	177
Total remuneration – Deloitte Touche Tohmatsu	619	358
<b>Related practice of the parent entity auditor</b>		
Other non-audit services		-
<b>Other auditors</b>		
Audit or review of financial reports of the entity	37	137
Preparation of tax return	-	3
Other non-audit services	-	-
Total remuneration – other auditors	37	140

The auditors did not receive any other benefits.

The auditor of the company is Deloitte Touche Tohmatsu.

**39. SUBSEQUENT EVENTS**

- On 27 August 2010, the company announced that it had agreed to acquire 18,699,500 common shares (the "Oromin Shares") in Oromin Explorations Ltd ("Oromin"), representing approximately 15.01% of the issued and outstanding common shares of Oromin. MDL issued 24,870,335 ordinary shares as consideration for the Oromin Shares acquired upon settlement, 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 A\$0.93 per share (equivalent to approximately Cdn\$0.87 per share). The Oromin Shares were acquired pursuant to the terms of Share Sale Agreements with certain vendors.

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.

The Oromin Shares have been acquired by MDL for investment purposes. It is the intention of MDL to evaluate its investment in Oromin on a continuing basis and may, from time to time, increase or decrease its holding of Oromin securities, depending on market conditions and other relevant factors.

- On 23 August 2010, the company announced an update in relation to the separation of its two core assets, the Sabodala Gold Mine and the Grande Côte Mineral Sands Project, into two separate, publicly traded entities. After consideration of a number of factors, it is now currently proposed to demerge Sabodala, rather than Grande Côte, from MDL.

It is proposed that the demerger 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 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.

The current proposed timing of the IPO/listing of NewCo is November 2010, 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 demerger will be subject to MDL shareholder approval under the ASX Listing Rules.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

Post the demerger 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
- Grande Côte – with its financing and development (at a current estimated cost of \$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.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Consolidated	
2010	2009
US\$'000	US\$'000

### 40. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of key management personnel of the consolidated entity is set out below:

Short term employee benefits	3,057	2,860
Post employment benefits	174	127
Equity-settled share based payments	685	1,179
	3,916	4,166

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

**41. RELATED PARTY TRANSACTIONS**
**(a) Equity interests in related parties**

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 32 to the financial statements.

**(b) Transactions with key management personnel**

Details of key management personnel compensation are disclosed in the Directors' Report.

No loans were made to directors or director-related entities during this period.

**Shareholdings**

Number of fully paid ordinary shares held, directly, indirectly or beneficially, by company directors and key management personnel:

	Balance as at 1 July 2009	Received as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2010
<b>2010</b>					
<b>Directors</b>					
Nicholas Limb	2,083,528	-	2,500,000	(1,298,211)	3,285,317
Jeffrey Williams	362,400	-	2,500,000	(984,211)	1,878,189
Martin Ackland	1,041,129	-	-	15,789	1,056,918
Clever Fonseca	-	-	-	-	-
Robert Danchin	-	-	-	-	-
David Isles	165,629	-	-	5,263	170,892
Oliver Lennox-King	-	-	-	-	-
James (Murray) Grant (i)	-	-	-	-	-
<b>Key Executives</b>					
Melvyn Drummond	118,171	-	500,000	(520,995)	97,176
Warwick Sharp	432,258	-	-	15,789	448,047
Christopher Young	100,029	-	-	(100,029)	-
Peter Spivey	-	-	-	-	-
Bruce Van Brunt	-	-	-	-	-
<b>TOTAL</b>	<b>4,303,144</b>	<b>-</b>	<b>5,500,000</b>	<b>(2,866,605)</b>	<b>6,936,539</b>
	Balance as at 1 July 2008	Received as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2009
<b>2009</b>					
<b>Directors</b>					
Nicholas Limb	2,083,528	-	-	-	2,083,528
Jeffrey Williams	362,400	-	-	-	362,400
Martin Ackland	25,000	-	1,000,000	16,129	1,041,129
Clever Fonseca	-	-	-	-	-
Robert Danchin	-	-	-	-	-
David Isles	137,000	-	-	28,629	165,629
Oliver Lennox-King	-	-	-	-	-
James (Murray) Grant (i)	-	-	-	-	-
<b>Key Executives</b>					
Melvyn Drummond	113,333	-	-	4,838	118,171
John Dorward	25,000	-	-	(25,000)	-
Warwick Sharp	-	-	-	432,258	432,258
Christopher Young	100,000	-	-	29	100,029
Peter Spivey	-	-	-	-	-
Bruce Van Brunt	-	-	-	-	-
<b>TOTAL</b>	<b>2,846,261</b>	<b>-</b>	<b>1,000,000</b>	<b>456,883</b>	<b>4,303,144</b>

(i) Mr J M Grant is a Partner of Actis LLP, a substantial shareholder of the company at period end, but has no relevant interest in these securities.

\* Unless otherwise specified, net change other refers to shares held on appointment/resignation, purchased or sold during the financial year.

The aggregate number of shares held by directors of the company or their director related entities at year-end was 6,391,316 (2009 – 3,652,686).

**NOTES TO THE FINANCIAL STATEMENTS**

For the Financial Year ended 30 June 2010

There were no share options granted as remuneration to directors or company key management personnel during the financial year.

Subject to vesting restrictions, all options granted as part of remuneration are exercisable at any time up to and including expiry date.

**Options and Rights Holdings**

Number of options held directly, indirectly or beneficially by company directors and key management personnel:

	Balance as at 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2010	Total Vested 30 June 2010	Total Exercisable 30 June 2010	Total Unexercisable 30 June 2010
<b>2010</b>								
<b>Directors</b>								
Nicholas Limb	4,000,000	-	(2,500,000)	-	1,500,000	750,000	750,000	750,000
Jeffrey Williams	4,000,000	-	(2,500,000)	-	1,500,000	750,000	750,000	750,000
Martin Ackland	1,500,000	-	-	-	1,500,000	750,000	750,000	750,000
Clever Fonseca	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
Robert Danchin	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
David Isles	500,000	-	-	-	500,000	500,000	500,000	-
Oliver Lennox-King	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
James (Murray) Grant	-	-	-	-	-	-	-	-
<b>Key Executives</b>								
Melvyn Drummond	750,000	-	(500,000)	-	250,000	250,000	250,000	-
Warwick Sharp	750,000	-	-	-	750,000	500,000	500,000	250,000
Christopher Young	-	-	-	-	-	-	-	-
Peter Spivey	750,000	-	-	(750,000)	-	-	-	-
Bruce Van Brunt	500,000	-	-	-	500,000	500,000	500,000	-
<b>Total</b>	<b>15,750,000</b>	<b>-</b>	<b>(5,500,000)</b>	<b>(750,000)</b>	<b>9,500,000</b>	<b>5,500,000</b>	<b>5,500,000</b>	<b>4,000,000</b>
	Balance as at 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2009	Total Vested 30 June 2009	Total Exercisable 30 June 2009	Total Unexercisable 30 June 2009
<b>2009</b>								
<b>Directors</b>								
Nicholas Limb	4,000,000	-	-	-	4,000,000	3,250,000	3,250,000	750,000
Jeffrey Williams	4,000,000	-	-	-	4,000,000	3,250,000	3,250,000	750,000
Martin Ackland	2,500,000	-	(1,000,000)	-	1,500,000	750,000	750,000	750,000
Clever Fonseca	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
Robert Danchin	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
David Isles	500,000	-	-	-	500,000	500,000	500,000	-
Oliver Lennox-King	1,000,000	-	-	-	1,000,000	500,000	500,000	500,000
James (Murray) Grant	-	-	-	-	-	-	-	-
<b>Key Executives</b>								
Melvyn Drummond	750,000	-	-	-	750,000	500,000	500,000	250,000
John Dorward	250,000	-	-	(250,000)	-	-	-	-
Warwick Sharp	-	750,000	-	-	750,000	250,000	250,000	500,000
Christopher Young	-	-	-	-	-	-	-	-
Peter Spivey	750,000	-	-	-	750,000	500,000	500,000	250,000
Bruce Van Brunt	500,000	-	-	-	500,000	-	-	500,000
<b>Total</b>	<b>16,250,000</b>	<b>750,000</b>	<b>(1,000,000)</b>	<b>(250,000)</b>	<b>15,750,000</b>	<b>10,500,000</b>	<b>10,500,000</b>	<b>5,250,000</b>

\* The net change other column above includes those options that have lapsed or forfeited.

The aggregate number of options of all classes held by directors of the company or their director related entities at year-end was 8,000,000 (2009 – 13,000,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 30 June 2010

### (c) Transactions with other related parties

#### Transactions between MDL and its related parties:

Balances existed between the company and its related parties at year end:

	2010 US\$	2009 US\$
MDL Gold Limited	255,904,326	234,807,993
MDL (Mining) Limited	101,137,180	85,052,965
HNFL (Holdings) Pty Ltd	1,425	1,935
MDML (Capital) Limited	-	1,995,955
SGML (Capital) Limited	-	-
Mineral Deposits (Operations) Pty Ltd	(48,939)	(24,422)
	<b>356,993,992</b>	<b>321,834,426</b>

The above loans were non-interest bearing with no fixed repayment terms and payable on demand.

#### Transactions between the group and its related parties:

During the financial year ended 30 June 2010, the following transaction occurred between the group and its related parties:

- ▶ technical assistance was provided by the company's subsidiary Mineral Deposits Mauritius Limited to its related party Grande Cote Operations SA. The company charged \$736,343 (2009 – \$737,120) in relation to the provision of these services in accordance with the Technical Fee agreement;
- ▶ technical assistance was provided by the company's subsidiary Sabodala Gold (Mauritius) Limited to its related party Sabodala Gold Operations SA. The company charged \$6,493,216 (2009 – \$9,191,371) in relation to the provision of these services in accordance with the Technical Fee agreement;
- ▶ rental hire of heavy mobile equipment was provided by the company's subsidiary MDML (Capital) Limited to a related party, Sabodala Gold Operations SA. The company charged \$331,211 (2009 – \$553,646 was charged to Grande Cote Operations SA) in relation to the provision of these services;
- ▶ sub rent and rental hire of heavy mobile equipment was provided by the company's subsidiary SGML (Capital) Limited to its related party Sabodala Gold Operations SA. The company charged \$9,774,936 (2009 – \$8,139,095) in relation to the provision of these services;
- ▶ interest was charged by the company's subsidiary Mineral Deposits Mauritius Limited to its wholly owned subsidiary Grande Cote Operations SA. The company charged \$6,366,545 (2009 - \$9,081,907) in accordance with the Shareholder Agreement; and
- ▶ interest was charged by the company's subsidiary to its wholly owned subsidiaries Sabodala Gold Operations SA and Sabodala Mining Company SARL. The company charged \$13,879,380 (2009 - \$21,430,153) in accordance with the Shareholder agreement, and \$437,054 respectively

Transactions and balances between the group and its related parties were eliminated in the preparation of the consolidated financial statements of the group.

### (d) Transactions with director related entities

During the financial year ended 30 June 2010, the following transaction occurred between the group and its director related entities:

- ▶ office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Flow Energy Limited of which Mr Nicholas Limb continues as a non-executive director. The company charged \$74,760 (2009 – \$81,410) (excluding GST) in relation to the provision of these services to 30 June 2010; and
- ▶ technical assistance, office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Stellar Resources Limited of which Dr David Isles continues as director. The company charged \$34,642 (2009 – \$109,750) (excluding GST) in relation to the provision of these services to 30 June 2010.

Amounts due from Flow Energy Limited and Stellar Resources Limited are disclosed as amounts due from other related parties in Note 10. None are considered to be impaired.

## 42. DISCLOSURE REQUIRED BY NATIONAL INSTRUMENT 71-102

### Continuous Disclosure and Other Exemptions Relating to Foreign Issuers

MDL is a "designated foreign Issuer" as such term is defined by Canadian National Instrument 71-102. MDL is subject to the foreign regulatory requirements of the Australian Securities Exchange and the Australian Securities & Investments Commission. As such, the company is exempt from certain requirements otherwise imposed on reporting issuers in Canada.



## DIRECTORS' DECLARATION

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The directors of the company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
  - (a) complying with International Financial Reporting Standards and the Corporations Act 2001 as stated in Note 3 to the financial statements; and
  - (b) giving a true and fair view of the financial position as at 30 June 2010 and of the performance for the financial period ended on that date of the consolidated entity.
  - (c) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
  - (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.
2. The Chief Executive Officer and Chief Financial Officer have declared that:
  - (a) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial period give a true and fair view.
3. At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.
4. In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 32 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

This declaration is made in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act

On behalf of the directors

  
**Jeffrey Williams**  
Director

  
**Martin Ackland**  
Director

Melbourne, 20 September 2010

## **Independent Auditor's Report to the members of Mineral Deposits Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Mineral Deposits Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 74.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of Mineral Deposits Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in page 18 to 21 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Mineral Deposits Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Ian Sanders  
Partner  
Chartered Accountants  
Melbourne, 20 September 2010

## Auditor's Report in Respect Of Compatibility with Canadian GAAS

### To the Members of Mineral Deposits Limited

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing.

We conducted our audit for the year ended 30 June 2010 in accordance with International Standards on Auditing. There is no material differences in the form or content of our report (except as noted below) as compared to an auditor's report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

In Canada, reporting standards for auditors require that an auditor's opinion state that the consolidated financial statements of the company present fairly, in all material respects, the financial position of the consolidated entity and its results of operations and cash flows. In Australia, reporting standards for auditors require that an auditor's opinion state that the consolidated financial statements of the company give a true and fair view of the state of the consolidated entity's affairs and of its profit for the year.

In Australia, the Corporations Act 2001 requires that the auditor express an opinion on the Remuneration Report as to compliance with section 300A of the Corporations Act 2001. In Canada, there is no requirement for a Remuneration Report and accordingly no requirement for the auditor to opine on that report.

In all other respects, there are no material differences in the form and content of the above noted auditor's report.



DELOITTE TOUCHE TOHMATSU



Ian Sanders

Partner

Chartered Accountants

Melbourne, 20 September 2010

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange in respect of listed public companies only.

### 1. SHAREHOLDING

The issued capital of the company as at 13 September 2010 was 606,441,673 ordinary shares fully paid.

#### (a) Distribution of Shareholder Numbers

Size of Holding	Number of Shareholders	Number of Shares Held	%
1 - 1,000	601	211,449	0.03
1,001 - 5,000	969	2,855,350	0.47
5,001 - 10,000	579	4,550,109	0.75
10,001 - 100,000	1,063	33,564,725	5.53
100,001 - 999,999,999	164	565,260,040	93.21
	<b>3,376</b>	<b>606,441,673</b>	<b>100.00</b>

(b) There were 330 shareholders who held less than a marketable parcel (468 shares) based on the market price of A\$1.07.

(c) The names of the substantial shareholders listed in the holding company's register as at 13 September 2010 are:

Name	Number of Shares Held	%
1. Actis Capital LLP	36,900,000	6.74
2. Commonwealth Bank of Australia	34,434,555	6.00
3. FMR LLC and FIL Limited	28,989,957	5.05
	<b>100,324,512</b>	<b>17.79</b>

#### (d) 20 Largest Shareholders – Ordinary Shares

Name	Number of Shares Held	%
1. HSBC Custody Nominees (Australia) Limited	110,125,981	18.16
2. National Nominees Limited	68,248,048	11.28
3. ANZ Nominees Limited (Cash Income A/c)	46,104,625	7.60
4. Citicorp Nominees Pty Ltd	44,250,857	7.30
5. JP Morgan Nominees Australia Limited	41,742,481	6.88
6. Actis Capital LLP	36,900,000	6.74
7. JP Morgan Nominees Australia Limited (Cash Income A/c)	6,915,653	1.14
8. UBS Nominees Pty Ltd	5,558,967	0.92
9. Macquarie Bank Limited (Metals & Energy Cap Div A/c)	4,500,000	0.74
10. HSBC Custody Nominees (Australia) Limited – A/c 2	3,552,317	0.59
11. Cogent Nominees Pty Ltd	2,782,386	0.46
12. Fountain Oaks Pty Ltd (Limbs Family Super Fund A/c)	2,598,456	0.43
13. William Taylor Nominees Pty Ltd	2,584,937	0.43
14. RBC Dexia Investor Services Australia Nominees Pty Ltd (BKCust A/c)	2,570,021	0.42
15. Zero Nominees Pty Ltd	2,343,894	0.39
16. HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,237,940	0.37
17. Queensland Investment Corporation	2,162,786	0.36
18. Jeffrey Wayne Williams	1,500,000	0.25
19. Citicorp Nominees Pty Ltd (CFSIL Cw/ith Aust SHS 10 A/c)	1,232,843	0.20
20. Mr James David Taylor & Mrs Marion Amy Taylor (ITS Management S/F A/c)	1,140,000	0.19
	<b>389,052,192</b>	<b>64.85</b>

#### (e) Voting Rights

Voting rights of members are governed by the company's Constitution. In summary, on a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, every such attending member shall be entitled to one vote for every share held.

#### (f) Options

30,700,000 options are held by 20 individual optionholders. Options do not carry a right to vote.

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### 2. TENEMENT SCHEDULE

Project	Tenement Number	Interest %
<b>Senegal</b>		
	Mining Leases:	
Grande Côte	Concession minière Décret no. 1326-2007	100
Sabodala	Concession minière Décret no. 564-2007	100
	Exploration Permits:	
Massakounda	Permis de recherche arrêté no. 201-2005	100
Dembala Berola	Permis de recherche arrêté no. 197-2005	100
Makana	Permis de recherche arrêté no. 10454-2004	80
Bransan	Permis de recherche arrêté no. 6933-2006	70
Sounkounkoun	Permis de recherché arrêté no. 6229-2006	51
Heremakono	Permis de recherché arrêté no. 5921-2005	51
Sabodala North West	Permis de recherché arrêté no. 3259-2006	51
<b>Mauritania</b>		
Louted	Permis de recherché 933	50
Lemssid Sud	Permis de recherché 934	50
<b>Australia</b>		
Fullerton	Mining Lease 1414	100
Hawks Nest	Special Lease 400	100
	Mining Purposes Lease 217	100
	Mining Purposes Lease 1398	100
Stockton	Special Lease 598	100

## CORPORATE DIRECTORY

### DIRECTORS

Nicholas Limb (executive chairman)  
Jeffrey Williams (managing)  
Martin Ackland (executive)  
Clever Fonseca (executive)  
Robert Danchin (non-executive deputy chairman)  
David Isles (non-executive)  
Oliver Lennox-King (non-executive)  
James (Murray) Grant (non-executive)

### COMPANY SECRETARIES

Kathryn Davies  
Melvyn Drummond

### REGISTERED OFFICE

Level 7 Exchange Tower  
530 Little Collins Street  
Melbourne, Victoria 3000  
Australia

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Website: [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au)

### TORONTO OFFICE

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Canada

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Facsimile: +1 416 361 9131

### SENEGAL OFFICE

Rue 26, N'Gor  
Dakar  
Senegal

Telephone: +221 338 693 181  
Facsimile: +221 338 603 683

### SHARE REGISTRIES

Computershare Investor Services Pty Ltd  
452 Johnston Street  
Abbotsford, Victoria 3067  
Australia

Telephone: 1300 850 505  
Facsimile: +61 3 9473 2500

Computershare Trust Company of Canada  
100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1  
Canada

Telephone: 1 800 564 6253  
Facsimile: +1 416 981 9800

### AUDITOR

Deloitte Touche Tohmatsu  
550 Bourke Street  
Melbourne, Victoria 3000  
Australia

### TAX AGENTS AND ADVISERS

Deloitte Private  
550 Bourke Street  
Melbourne, Victoria 3000  
Australia

### SOLICITORS

Minter Ellison  
Level 23, 525 Collins Street  
Melbourne, Victoria 3000  
Australia

### BANKERS

Westpac Banking Corporation  
360 Collins Street  
Melbourne, Victoria 3000  
Australia

Macquarie Bank Limited  
1 Martin Place  
Sydney, New South Wales 2000  
Australia

Société Générale de Banques au Sénégal  
19 avenue Léopold  
Sédar Senghor, BP 323  
Dakar  
Senegal

### HOME EXCHANGES

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Level 45, South Tower  
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525 Collins Street  
Melbourne, Victoria 3000  
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#### Trading Code: MDL

Toronto Stock Exchange  
The Exchange Tower, 3rd Floor  
130 King Street West  
Toronto, Ontario M5X 1J2  
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#### Trading Code: MDM

