



**Mineral Deposits Limited**

ABN 19 064 377 420

# **Financial Report**

**for the half-year ended 31 December 2008**

# MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND CONTROLLED ENTITIES

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*This report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report should be read in conjunction with the annual report of Mineral Deposits Limited for the year ended 30 June 2008. It is also recommended that this financial report be considered together with any public announcement made by Mineral Deposits Limited and its controlled entities during the six month period ended 31 December 2008, in accordance with the continuous disclosure requirements of the Corporations Act 2001, including its quarterly reports lodged with the Australian Securities Exchange ("ASX") and Toronto Stock Exchange ("TSX").*

## MINERAL DEPOSITS LIMITED

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### DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

The directors of Mineral Deposits Limited ("MDL" or the "company") submit herewith the financial report for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

#### DIRECTORS

The names of the directors of the company during or since the half-year ended 31 December 2008:

Nicholas J Limb  
Jeffrey W Williams  
Martin C Ackland  
Clever G Da Fonseca  
David J Isles  
Robert V Danchin  
Oliver Lennox-King

#### PRINCIPAL ACTIVITIES

The principal activities of the company continue to be firmly focused upon developing its two major projects in Senegal, west Africa. The Sabodala Gold Project is undergoing commissioning with the first gold pour expected to occur in the March 2009 quarter, while the Grande Côte Zircon & Ilmenite Project has received all approvals, providing the framework to commence the development phase of this operation.

#### OPERATING RESULTS

The net amount of profit of the consolidated entity before minority interest and after provision for income tax for the half-year was \$49,986,187 (31 December 2007 – \$3,440,789 net loss after tax).

#### REVIEW OF OPERATIONS

##### **Sabodala Gold Project - 90% (through Sabodala Gold Operations SA ("SGO"))**

##### *Background*

The Sabodala Gold Project is located in Senegal, some 650 kilometres east of the capital Dakar within the Birimian belt and about 90 kilometres from major gold mines and discoveries in Mali. The Sabodala and Niakafiri deposits lie within a 20.3 square kilometre granted mining concession.

Full commissioning of the substantial Sabodala gold plant commenced and a new resource and ore reserve statement for the project was announced.

##### *Project Update*

The engineering and construction programme for the main mine infrastructure items is nearing completion and gold plant commissioning is underway.

This period has been a productive one with the following notable achievements:

- Sabodala Open Pit Mine/ROM Pad

The new Sabodala pit design is approximately 1,000 metres in length, 600 metres across and 250 metres deep. Total contained material is 142 million tonnes, including 120 million tonnes of waste and 22 million tonnes of ore to be processed.

Since mining commenced in June 2008, approximately 3.5 million tonnes of ore and waste has been mined, enabling construction of the ROM pad with waste and placing ore ready for crushing. Over 600,000 tonnes of predominantly oxide ore containing in excess of 45,000 ounces of gold have been stockpiled on the ROM pad in preparation for milling.

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- Processing Plant

The processing plant is nearing completion with all major items in place.

- Water Supply

As at the end of December, approximately 2.6 million tonnes of water was stored within the site dams, sufficient to support the first year of production. Additionally, construction of the Faleme River pipeline is underway to ensure ample process water is available into the future with all 38 kilometres of pipe delivered on site.

- Power Station

Construction of the Wartsila 30MW heavy fuel oil power station was completed and it was commissioned during late 2008.

- Site Village

The new site village is operating well and at any one time is catering for and accommodating up to 700 workers. During the busy construction phase, over 450 workers have also been accommodated at the nearby exploration camp village. A significant number of local Senegalese are also employed, bringing the total number working at site to in excess of 1,400.

#### *New Resource Estimate*

On 15 September 2008, the company announced an updated gold mineral resource estimate at Sabodala of 3.51 million ounces. The new resource is up 28% on the previous resource announcement in October 2007. The breakdown of the resources is summarised below:

- the Measured and Indicated (diluted) resource for the Sabodala deposit comprises an estimated 42.1 million tonnes at an average grade of 1.84g/t gold containing 2.5 million ounces and compares with the previous estimate in October 2007 of 28.3 million tonnes grading 2.22g/t gold containing 2.0 million ounces;
- the Inferred resource for the Sabodala deposit now stands at 10.6 million tonnes at an average grade of 1.38g/t gold containing 469,000 ounces compared to the 182,000 Inferred ounces reported in 2007; and
- the Measured and Indicated Niakafiri diluted resource stands at 8.2 million tonnes at an average grade of 1.34g/t containing 355,000 ounces above a cut-off grade of 0.50g/t. An Inferred resource of 6.2 million tonnes at an average grade of 0.97g/t contains 192,000 ounces.

The new diluted resource for Sabodala of 2,963,000 ounces at a 0.65g/t gold cut-off, together with Niakafiri resources of 547,000 ounces, extends the Sabodala Gold Project above 3.5 million ounces. The upgraded resources are viewed as an extension of the mineralisation at the Sabodala and Niakafiri deposits.

The latest resource estimates have been classified as a combination of Measured, Indicated and Inferred Mineral Resources in accordance with CIM Definitions (2005) resource reporting classification guidelines and reconciled to the JORC Code (2004).

#### *New Reserve Estimate*

On 18 November 2008, the company reported an updated proven and probable reserve for the Sabodala open pit of 1,484,000 ounces at a 0.65g/t gold cut-off. This reserve, together with Niakafiri at 145,000 ounces, extends the Sabodala Gold Project to 1.63 million ounces with further opportunities to expand the reserves. The total Sabodala ore reserve for the mining concession is 24.3 million tonnes grading 2.1g/t. Of the total gold reserves:

- the current reserve (diluted) for the Sabodala deposit comprises an estimated 21.7 million tonnes at an average grade of 2.13g/t gold and compares with the previous estimate of 15.8 million tonnes grading 2.49g/t gold in October 2007; and
- the open pit reserve estimate for Niakafiri is 2.7 million tonnes grading 1.68g/t gold.

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### DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

The grade estimates have been classified as a combination of Measured, Indicated and Inferred Mineral Resources in accordance with CIM Definitions (2005) and JORC (2004) reporting standards.

#### *Additional Reserve Potential*

Undiluted Measured and Indicated resources at Sabodala outside of the ultimate pit design above a 2.0g/t gold cut-off grade stand at 6.7 million tonnes averaging 3.2g/t for 691,000 ounces. This mineralisation sits principally in the down-plunge extension of the NW Shear and Main Flat intersection and peripheral to the pit in the Main Flat zone, where both zones display good continuity of mineralisation. An underground mining scoping study to assess the most economic method of extracting this gold mineralisation is underway.

The Niakafiri deposit remains open at depth and recent drilling results confirm potential for near surface, high grade gold zones within a bulk low grade tonnage to the west of the Niakafiri pit (Niakafiri West). A follow-up drilling plan for Niakafiri West is scheduled for late 2009, to lead into resource definition.

#### Regional Gold Exploration Programme

##### *Background*

In addition to its granted Sabodala Mining Concession, MDL, through its 100% subsidiary Sabodala Mining Company SARL ("SMC"), has seven joint venture Exploration Permit areas covering approximately 1,750 square kilometres. The company now has a significant ground position in this area with all projects located within 10-50 kilometres of the Sabodala mining operation.

Massakounda, Dembala Berola and Makana are the subject of 80% joint ventures, as is a new joint venture with AXMIN Inc. ("AXMIN") entered into during the period, in terms of which SMC may earn up to an 80% interest in AXMIN's three gold exploration permits. At Bransan, SMC holds a 70% interest.

During the period, exploration continued on the adjacent SMC projects.

##### *Bransan Project*

During the period, diamond drill intersections of primary gold mineralisation were achieved in two of eight widely spaced drill holes completed on the Diadiako Prospect. A limited RC drilling programme also indicated that the mineralisation is characterised by a shallow south to southeast dip. Further drilling is proposed.

##### *Dembala Berola Project*

At Berola Hill, some 15 kilometres west from Goundamekho, geophysical and remote sensing interpretation identified a favourable structural setting where subsequent soil sampling confirmed anomalous gold values over an area of 600 metres by 2,000 metres. Values inside the >50ppb gold outline average 124ppb gold with a maximum of 656ppb gold. Follow-up RAB drilling is proposed.

Encouraging results were received from trench sampling completed at Goundamekho North and "Sadiola Hill" (Goundamekho South) in the June quarter. Visible gold was also reported in two trenches at the Goundamekho North prospect.

RC drilling (20 holes) was completed at Sadiola Hill, Goundamekho North and Goundamekho Central to test these three prospects which are associated with abundant coarse gold at surface and are located in favourable structural and lithological settings. Assays are pending.

##### *AXMIN Joint Venture*

In early October, SMC signed a joint venture agreement with AXMIN covering three exploration permits located in the Birimian Belt of Eastern Senegal – Sabodala NW, Heremakono and Sonkounkou – for a total of 821 square kilometres. These cover a large part of the prospective Mako Volcanic Belt. The broad terms of the agreement allow SMC to confirm an initial 51% interest rising to 80% interest should AXMIN elect not to contribute. SMC may gain 100% interest if AXMIN elects to withdraw in return for a 1.5% royalty.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

Preliminary evaluation has identified over 12 prospects for follow-up. Drilling is proposed for a priority area located just 25 kilometres from Sabodala where previous drilling had intersected short intervals of high grade gold mineralisation in a set of quartz lodes (best intersection is 10.6g/t gold over 1.9 metres).

#### Grande Côte Zircon & Ilmenite Project - 90% (through Grande Côte Operations SA)

##### *Background*

The Grande Côte Zircon & Ilmenite Project, covering a strike length of more than 50 kilometres of continuous heavy mineral mineralisation, is located some 100 kilometres northeast of the capital city Dakar, which has an excellent deep water port. Final approvals were received for this project in November 2007 whereby the company was awarded a 25 year Mining Concession covering 446 square kilometres and other fiscal incentives under the executed Mining Convention/Supplementary Deed.

The Inferred mineral resource for the main deposits has been estimated at 1,330 million tonnes averaging 2.0% HM at a cut-off of 1.5% HM.

##### *Mine Planning*

During the period, work focused on the detailed computer modelling and optimisation process to complete a preliminary mine plan for the project.

Following completion of resource development drilling of the Diogo-Fass Boye area, independent consulting group AMC Consultants produced an estimate of Measured and Indicated Resources in May 2008, enabling a preliminary dredge mining path to be designed. This has been produced using cross sections prepared by AMC Consultants and a Datamine planning programme. The dredge path commences in a higher mineral grade area at Diogo through to the end of the first eight years of mining.

At Mboro, a drilling programme comprising some 400 infill holes has been designed to provide data to complete the Measured and Indicated Resources estimate and preliminary mine plan for this area. This area is considered to hold potential for an additional three to four years' mine life. The initial mine plan to incorporate mining this deposit is expected to be reviewed on completion of this work.

##### *Ilmenite Project*

The development plan and feasibility study to include ilmenite are continuing. During the period, an internal study was undertaken to cover the production of ilmenite as a commercial sales product which indicated that this approach is both technically feasible and economically attractive. It is planned to finalise the study in the March 2009 quarter and include the results in the updated feasibility study which is expected to be completed by end of the second quarter in 2009.

##### *Hydrological Testwork*

Deep hydrological drilling continued throughout the quarter to evaluate make-up water supplies for management of the dredge pond levels. The substantial target aquifer is within Maestritchien sandstones located some 460 metres below surface.

#### Sustainable Development

##### *Background*

MDL is committed to operating in a responsible manner, seeking to integrate and apply the leading international practices of the mining industry and well adapted technologies in all its activities.

During the period, the company was again active in community and social relations, environmental management, safety and training, health services and education, medical services, communications and infrastructure.

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### DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

#### *Community and Social Relations*

The company-directed team managing sustainable development continued work on many community and social programmes. Several key achievements were:

- construction underway of the first middle school in the vicinity of Sabodala, the Khossanto CEM;
- contributions provided to the development of an Apprenticeship and Mastery Pavilion at the Kedougou Technical Mining High School Programs supporting local youth to develop trade skills and increase technological capacity in the area;
- major rehabilitation of the Sabodala water supply, providing ample clean water supply for hundreds of villagers;
- malaria residual indoor spraying in villages and mining camp facilities to reduce the incidence of malaria was completed. Local technicians were trained with a view to creating long term sustainable capacity;
- supporting a village health centre, including providing a community ambulance and a nurse, supervised by an experienced full-time medical doctor;
- sponsoring AIDS awareness programmes on site, in neighbouring communities and within the Kedougou region. A vacation camp for high school students was conducted during the Christmas break that included sessions on avoiding pregnancy, AIDS awareness and entrepreneurial development, amongst other themes; and
- provision of diesel powered grain mills to six women's associations in the Kedougou region to improve daily workloads.

Additional community projects have been undertaken such as road improvements and a rural electrification programme. This has brought solar lighting and grain mills to villages in the area surrounding the Sabodala mine.

#### *Site Safety and Training and Development*

In late August, MDL employees and contractors at Sabodala proudly celebrated one million person hours without lost time injury, a significant milestone given the extraordinary risks inherent in building a world-class mine site in a rural zone in Africa. The care and responsibility of the company's managers, and their clear commitment to running a safe and responsible mine site, is a distinguishing characteristic that sets the company apart. MDL is proud of its record and will continue to monitor a full range of safety measures to ensure that its employees carry out their work in safe, healthy and responsible ways.

At site, staff numbers dramatically increased in the last half-year in the ramp up to production, including the number of Senegalese professionals and local regional employees. Training programmes continued to raise the level of safety awareness and focused on the delivery of safe work practices including lock-out-tag out procedure (a way of ensuring that only those who are trained to operate potentially dangerous equipment can do so) and chemical handling for SGO departments. Site and pit induction programmes also continued for employees, contractors and casual employees.

Fire fighter training and driving tests were conducted and, during the period, the Emergency Rescue Team members also successfully completed a formal emergency fire rescue exercise.

At Grande Cote, a safety management and risk assessment programme for deep water drilling contractors and the work department was completed.

#### *Environmental Monitoring*

##### Senegal

With the expansion of the scale of works at Sabodala, extensive environmental baseline monitoring programmes have been implemented. Amongst these are tailings storage facility groundwater bore monitoring, process plan dam water monitoring, sewage treatment plant testing and noise and air quality monitoring in the surrounding villages for noise affects and depositional dust from the mining operation.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

The baseline information has been consolidated and MDL is now implementing its strategic and tactical plan for the environmental programme.

#### Australia

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

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

#### Corporate

##### *Drawdown of Project Finance Facility and Gold Hedging Programme*

On 20 August 2008, MDL announced the first drawdown under the US\$70 million Project Finance Facility provided by Macquarie Bank Limited ("MBL"). A condition precedent of the Project Finance Facility was the establishment by the borrower, 90%-owned SGO, of a gold hedging programme which was put in place.

In total, 460,000 ounces of gold was committed for delivery between February 2009 and February 2014 at a delivery price of US\$861.35 per ounce. In addition, 227,000 ounces of put options were purchased with exercise dates over the same five year period at a strike price of US\$861.35 per ounce. Details of the subsequent restructure of the hedge book follow below.

##### *Revolving Working Capital Facility*

On 1 July 2008, the company issued 5,000,000 unlisted options to each of RMB Australia Holdings Limited ("RMB") and MBL under the terms of the earlier Option Deed following the final drawdown of monies under the Working Capital line on 10 June 2008.

##### *Private Placement of Ordinary Shares Approved*

On 6 August 2008, the company announced that shareholders had ratified the issue of 63 million ordinary shares at \$0.77 to institutional clients of GMP Securities Europe LLP and Euroz Securities Limited of Australia under a private placement in June 2008. The amount that had been raised was \$48.51 million (before costs) largely applied to funding the construction phase of the Sabodala project in the period just concluded.

##### *Red Back Mining Inc. Investment in MDL*

On 25 September 2008, MDL announced that it had received notification from Red Back Mining Inc. of Vancouver, Canada that it had acquired approximately 62.1 million ordinary shares (12.8%) of MDL's issued capital.

After lodgement of the unaudited financial statements for the half-year ended 31 December 2008 with the TSX on 12 February 2009, the company received a Notice of Change of Interests of Substantial Holder from Red Back Mining Inc. advising that it had reduced its shareholding by 1.24% from 12.84% to 11.60% represented by 56.1 million ordinary shares.

##### *Hedge Book Restructure*

A substantial portion of the hedge book, consisting of the entire gold put option position of 227,000 ounces and 280,500 ounces of the flat forward sales mentioned above, was closed out during the period to realise proceeds of US\$60 million.

The remaining hedge position was 179,500 ounces of flat forward sales at US\$861/oz. At this time, the available limit under the Project Finance Facility was reduced to US\$25 million to reflect the lower hedging cover.

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### **DIRECTORS' REPORT**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

Subsequently, this gold hedge position was restructured and increased to extend the project debt facility from US\$25 million to \$US52 million allowing flexible management of the corporate debt facility. It is anticipated that during the current quarter, a portion of this increased Project Finance Facility will be used to reduce outstandings under the Working Capital Facility which is due for renegotiation.

The gold hedge book presently comprises 399,000 ounces of flat forward gold sales at a price of US\$846/oz for delivery at quarterly intervals from May 2009 to February 2013.

The company also entered into hedge agreements with respect to oil prices over the same four year period. The agreement consists of 80,000 barrels per annum for four years at a flat forward price of US\$70 per barrel. The contracts settle against Nymex Light Sweet Crude closing prices and represent approximately 50% of the company's Sabodala mine's expected energy consumption during the period.

#### **DIVIDENDS**

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

#### **FINANCIAL POSITION**

The net assets of the group increased by \$140,475,154 from 30 June 2008 to \$506,359,503 on 31 December 2008.

Net cash reserves increased by \$2,018,114 to \$48,015,143 at period end.

The company's strong cash position through period end enabled it to continue expenditure on its Senegalese projects.

The directors believe the group to be in a robust financial position to continue its planned exploration, development and construction programmes in Senegal.

#### **SIGNIFICANT CHANGE IN STATE OF AFFAIRS**

There was no significant change in the state of affairs of the consolidated entity during the period other than as disclosed in this report.

#### **SUBSEQUENT EVENTS**

##### ***Sabodala Project Update***

The construction of the new two million tonne per annum carbon-in-leach ("CIL") treatment plant at Sabodala is complete. The primary crushing circuit commenced crushing ore on 27 January 2009 as the first stage of production ramp-up.

In addition to the above, water systems are 80% commissioned through the plant and the low pressure air system complete. The SAG and ball mill interlock testing is 100% complete. All nine CIL tank agitators have been run successfully and CIL tanks are being hydraulically tested prior to leach commissioning.

Construction of the Wartsila 30MW heavy fuel oil power station was completed. The power station is providing commissioning power. Within the 30MW power station, there are five engines of which each unit has an operational rating of up to 6MW. To date, four of the units have been commissioned. The final unit is likely to be available in February 2009.

Commissioning of plant equipment is well advanced and on schedule for the first gold pour planned for March 2009.

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**DIRECTORS' REPORT**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

*Corporate*

On 2 January 2009, the company issued 9,000,000 additional options at an exercise price of \$0.69 (being the lesser of \$1.40 per option or the price which is the 20 day VWAP for the period ended 31 December 2008 plus 15% on a pro rata basis) as a result of the Revolving Working Capital Facility remaining drawn post 31 December 2008, which has now been extended to 31 March 2009.

The facility is secured by a fixed and floating charge over all of the company's assets and a mortgage over MDL's shares in its wholly-owned subsidiary MDL (Mining) Limited.

**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.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half-year ended 31 December 2008 has been received and can be found on page 9.

This report is made in accordance with a resolution of the directors and dated this 27th day of February 2009.

  
J W Williams  
Director

  
R V Danchin  
Director

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

27 February 2009

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.

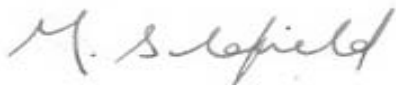
As lead audit partner for the review of the financial statements of Mineral Deposits Limited for the financial half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



M J Schofield  
Partner  
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Mineral Deposits Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 23.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mineral Deposits Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## *Auditor's Independence Declaration*

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

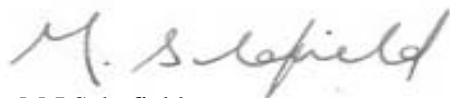
## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mineral Deposits Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



M J Schofield

Partner

Chartered Accountants

Melbourne, 27 February 2009

## **DIRECTORS' DECLARATION**

The directors declare that:

1. in the director's 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, and
2. in the director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors of Mineral Deposits Limited made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the directors:



J W Williams  
Director



R V Danchin  
Director

Dated at Melbourne this 27th day of February 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Note	31 Dec 2008 \$	31 Dec 2007 \$
Other income	3	93,521,214	3,747,594
Administration expenses		(6,360,372)	(7,120,082)
Disposal of non-current assets		-	(13,050)
Loss on disposal on financial assets		(190,020)	-
Fair value loss on financial assets		(204,304)	-
Net foreign exchange losses		(13,492,511)	-
Gold hedge unrealised (losses)		(22,018,811)	-
Oil hedge unrealised (losses)		(1,256,384)	-
<b>Profit/(loss) before tax</b>		<b>49,998,812</b>	<b>(3,385,538)</b>
Income tax expense		(12,625)	(55,251)
<b>Profit/(loss) for the period</b>		<b>49,986,187</b>	<b>(3,440,789)</b>
Attributable to:			
Equity holders of the parent		42,651,798	(3,440,789)
Minority interest		7,334,389	-
		<b>49,986,187</b>	<b>(3,440,789)</b>
Basic earnings per share (cents)		8.82	(0.93)
Diluted earnings per share (cents)		8.73	(0.93)

*Notes to the financial statements are included on pages 17 to 23.*

**MINERAL DEPOSITS LIMITED**

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**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	Note	31 Dec 2008 \$	30 June 2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		48,015,143	45,997,029
Other receivables		1,631,925	1,197,443
Other financial assets		299,156	922,300
Inventories		12,048,423	758,578
Other		1,229,144	649,691
<b>TOTAL CURRENT ASSETS</b>		<b>63,223,791</b>	<b>49,525,041</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		301,469,670	205,984,734
Exploration and evaluation expenditure		85,164,976	62,954,992
Mine development expenditure		201,794,376	99,507,644
Capitalised mining convention and concession costs		25,322,223	25,322,223
Other intangible assets		322,493	317,311
<b>TOTAL NON-CURRENT ASSETS</b>		<b>614,073,738</b>	<b>394,086,904</b>
<b>TOTAL ASSETS</b>		<b>677,297,529</b>	<b>443,611,945</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		22,770,584	42,751,767
Borrowings	4	94,310,272	32,693,220
Other financial liabilities		3,426,190	-
Current tax liabilities		1,406	33,351
Provisions		12,416,462	2,249,258
<b>TOTAL CURRENT LIABILITIES</b>		<b>132,924,914</b>	<b>77,727,596</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	4	18,142,013	-
Other financial liabilities		19,849,006	-
Provisions		22,093	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>38,013,112</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>170,938,026</b>	<b>77,727,596</b>
<b>NET ASSETS</b>		<b>506,359,503</b>	<b>365,884,349</b>
<b>EQUITY</b>			
Issued capital	5	420,858,320	420,664,054
Reserves		96,925,822	6,632,409
Accumulated losses		(18,765,458)	(61,417,256)
Equity attributable to equity holders of the parent		499,018,684	365,879,207
Minority interest		7,340,819	5,142
<b>TOTAL EQUITY</b>		<b>506,359,503</b>	<b>365,884,349</b>

*Notes to the financial statements are included on pages 17 to 23.*

**MINERAL DEPOSITS LIMITED**  
**ABN 19 064 377 420**  
**AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Issued Capital \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Investments Revaluation Reserve \$	Equity-Settled Share-Based Payments Reserve \$	Attributable to Equity Holders of the Parent \$	Minority Interest \$	Total \$
<b>Balance at 1 July 2007</b>	234,115,062	(52,388,292)	14,705	-	1,605,795	183,347,270	-	183,347,270
Loss attributable to members of the consolidated entity	-	(3,440,789)	-	-	-	(3,440,789)	-	(3,440,789)
Reserves increment/(decrement)	-	-	10,538,987	-	-	10,538,987	-	10,538,987
Total recognised income and expenses	-	(3,440,789)	10,538,987	-	-	7,098,198	-	7,098,198
Loss on available-for-sale investments	-	-	-	(54,525)	-	(54,525)	-	(54,525)
Issue of options to directors and employees	-	-	-	-	638,894	638,894	-	638,894
Shares issued during the period	150,170,000	-	-	-	-	150,170,000	-	150,170,000
Share issue costs	(8,483,947)	-	-	-	-	(8,483,947)	-	(8,483,947)
<b>Balance at 31 December 2007</b>	<b>375,801,115</b>	<b>(55,829,081)</b>	<b>10,553,692</b>	<b>(54,525)</b>	<b>2,244,689</b>	<b>332,715,890</b>	<b>-</b>	<b>332,715,890</b>
<b>Balance at 1 July 2008</b>	420,664,054	(61,417,256)	(2,055,661)	(68,280)	8,756,350	365,879,207	5,142	365,884,349
Profit for the period	-	42,651,798	-	-	-	42,651,798	7,334,389	49,986,187
Reserves increment/(decrement)	-	-	87,386,712	-	-	87,386,712	1,288	87,388,000
Total recognised income and expenses	-	42,651,798	87,386,712	-	-	130,038,510	7,335,677	137,374,187
Loss on available-for-sale investments	-	-	-	68,280	-	68,280	-	68,280
Issue of options to directors and employees	-	-	-	-	1,085,933	1,085,933	-	1,085,933
Issue of options to financiers	-	-	-	-	1,752,488	1,752,488	-	1,752,488
Shares issued during the period	250,000	-	-	-	-	250,000	-	250,000
Share issue costs	(55,734)	-	-	-	-	(55,734)	-	(55,734)
<b>Balance at 31 December 2008</b>	<b>420,858,320</b>	<b>(18,765,458)</b>	<b>85,331,051</b>	<b>-</b>	<b>11,594,771</b>	<b>499,018,684</b>	<b>7,340,819</b>	<b>506,359,503</b>

*Notes to the financial statements are included on pages 17 to 23.*

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	31 Dec 2008 \$	31 Dec 2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	275,284	281,348
Payments to suppliers and employees	(16,823,198)	(6,453,032)
Interest received	397,951	1,796,667
Receipt from close out of gold derivatives	93,503,167	-
Net cash provided by (used in) operating activities	<u>77,353,204</u>	<u>(4,375,017)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for capitalised exploration and development expenditure	(48,057,035)	(43,589,524)
Payments for construction costs	(71,224,550)	-
Payments for property, plant and equipment	(11,244,988)	(71,135,679)
Payments for capitalised mining convention/concession costs	-	(4,519,791)
Payments for other intangible assets	(27,459)	(218,274)
Proceeds from sale of property, plant & equipment	14,367	42,543
Payment for investment securities	-	(1,985,860)
Proceeds from sale of investment securities	297,100	-
Interest paid – capitalised borrowing costs	(2,291,481)	-
Net cash (used in) investing activities	<u>(132,534,046)</u>	<u>(121,406,585)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity securities	250,000	150,170,000
Payment for share issue costs	(653,628)	(7,763,947)
Proceeds from monies held in trust	2,481	3,221
Proceeds from borrowings	104,579,202	-
Repayment of borrowings	(41,913,519)	-
Payment for debt issue costs	(3,776,427)	-
Net cash provided by financing activities	<u>58,488,109</u>	<u>142,409,274</u>
<b>Net increase/(decrease) in cash and cash equivalents held</b>	<b>3,307,267</b>	<b>16,627,672</b>
Cash and cash equivalents at the beginning of the period	45,363,816	48,129,994
Effect of exchange rates on cash holdings in foreign currencies	(655,940)	1,809,821
<b>Cash and cash equivalents at the end of the period</b>	<b><u>48,015,143</u></b>	<b><u>66,567,487</u></b>

*Notes to the financial statements are included on pages 17 to 23.*

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND CONTROLLED ENTITIES

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

##### Reporting Entity

Mineral Deposits Limited (the "company") is a company domiciled in Australia. The consolidated interim financial statements of the company as at and for the half-year ended 31 December 2008 comprise the company and its subsidiaries (together referred to as the "consolidated entity").

A copy of the company's annual financial report as at and for the year ended 30 June 2008 is available upon request from the company's registered office at Level 7, 530 Little Collins Street, Melbourne, Victoria 3000 or at [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au).

##### Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standards IASB 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

##### Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

##### *Going concern*

The group has recorded a net profit of \$49,986,187 before minority interest for the period ended 31 December 2008 and net cash inflows from operating activities of \$77,353,204, capital expenditure commitments of \$36,876,080 and has cash reserves of \$48,015,143 at 31 December 2008. The group has a net current asset deficiency of \$69,701,123 at 31 December 2008. The current asset deficiency is due to the Working Capital Facility needing to be repaid by 31 March 2009 and the full Project Finance Facility being classified as current due to a breach of an operational covenant, conditions precedent and conditions subsequent as at 31 December 2008.

Notwithstanding the above, these financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors are of the view that this is appropriate due to the following:

- sufficient net cash inflows will be generated through gold sales after the commissioning of the Sabodala Gold Project in mid-March 2009. Management's forecast sales from gold production and subsequent net cash inflows are estimated to be sufficient to meet operating costs and service the group's borrowing facilities.
- the directors are confident that they can refinance the US\$35 million Revolving Working Capital Facility provided by RMB and MBL, due to be repaid by 31 March 2009, via arrangements with these lenders that will have a later repayment date based upon discussions with the financiers.
- the directors are confident that the Project Finance Facility provided by MBL can be drawn down to its full facility limit of US\$52 million. There are conditions precedent and conditions subsequent for this facility as disclosed in note 4 of these financial statements. However, these conditions are now largely satisfied with only three outstanding in the latest letter of waiver dated 4 February 2009. As at balance date, SGO was in breach of the covenant requiring permitted access to the Faleme River to be in place, however, subsequent to balance date, approvals have been received from the relevant authority that satisfies this covenant requirement. There have been no indications that MBL will stop SGO from drawing down on its facilities and it is expected that by the next reporting date the facility will be able to be classified as a non-current liability as all of the conditions will be satisfied.
- alternatively the directors can raise capital through the issue of new shares on the ASX or TSX by March 2009.

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND CONTROLLED ENTITIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

Having carefully assessed the current uncertainties relating to the matters noted above, and the consolidated entity's and company's ability to effectively manage their expenditures and cash flows from operations, the directors believe that the consolidated entity and company will continue to operate as going concerns for the foreseeable future and therefore it is appropriate to prepare the financial statements on a going concern basis.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008.

**2. SEGMENT INFORMATION**

The activities of the company can be separated into mineral sands activities and gold activities. The mineral sands activities incorporate the closure of the Hawks Nest operations and ongoing rehabilitation works carried out by the company in that region and the exploration activities in Senegal in relation to the Grande Côte Zircon & Ilmenite Project. The gold activities incorporate the company's exploration and early development activities in Senegal in relation to the Sabodala Gold Project and regional exploration works in the Sabodala area.

	Mineral sands activities Half-year ended		Gold activities Half-year ended		Consolidated total Half-year ended	
	December 2008	December 2007	December 2008	December 2007	December 2008	December 2007
	\$	\$	\$	\$	\$	\$
<i>Segment revenue:</i>						
Sales to customers outside the group		-		-		-
Other revenue	10,003	17,906	93,126,599	14,819	93,136,602	32,725
Unallocated revenue					384,612	3,714,869
<b>Total revenue</b>					<b>93,521,214</b>	<b>3,747,594</b>
<i>Segment result:</i>						
Segment result	(259,250)	(949,967)	71,277,999	(1,102,672)	71,018,749	(2,052,639)
Unallocated expenses net of unallocated revenue					(21,019,937)	(1,332,899)
Profit/(loss) from ordinary activities before income tax expense					49,998,812	(3,385,538)
Income tax expense					(12,625)	(55,251)
<b>Net Profit/(loss)</b>					<b>49,986,187</b>	<b>(3,440,789)</b>
	Mineral sands activities		Gold activities		Consolidated	
	31 Dec 2008	30 June 2008	31 Dec 2008	30 June 2008	31 Dec 2008	30 June 2008
	\$	\$	\$	\$	\$	\$
<i>Assets:</i>						
Segment assets	121,143,505	92,635,723	534,283,526	300,509,075	655,427,031	393,144,798
Unallocated assets					21,870,498	50,467,147
<b>Total assets</b>					<b>677,297,529</b>	<b>443,611,945</b>
<i>Liabilities:</i>						
Segment liabilities	25,103,442	1,935,665	94,160,990	36,730,122	119,264,432	38,665,787
Unallocated liabilities					51,673,594	39,061,809
<b>Total liabilities</b>					<b>170,938,026</b>	<b>77,727,596</b>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

3. RESULTS FOR THE PERIOD

	Consolidated	
	31 Dec 2008	31 Dec 2007
	\$	\$
The following items are relevant in explaining the financial result:		
Interest revenue - bank	370,581	1,805,248
Other revenue:		
- rental received	34,185	45,487
- other	79,921	44,495
Gain from sale of fixed assets	-	42,543
Foreign currency gains (unrealised)	-	1,809,821
Proceeds from closed hedge book:		
- gold flat forwards	20,759,393	-
- gold put options	72,277,134	-
	<u>93,521,214</u>	<u>3,747,594</u>
Charging as administration expenses:		
- depreciation of non-current assets	(168,660)	(561,639)
- amortisation of intangible assets	(22,329)	(30,483)
- net loss on disposal of property, plant and equipment	-	(13,050)
Employee benefits:		
- equity settled share based payments	(1,085,934)	(638,894)
- provision for leave entitlements	(407,971)	(318,544)
- post employment benefits – defined contributions plans	<u>(372,824)</u>	<u>(292,244)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

4. BORROWINGS

	Consolidated	
	31 Dec 2008 \$	30 June 2008 \$
(a) Current		
Unsecured – at amortised cost		
Bank overdraft	-	633,212
Secured – at amortised cost		
Working Capital Facility (i)	49,150,128	32,060,008
Project Finance Facility (ii)	32,950,308	-
Finance lease liabilities (iii)	12,209,836	-
	<u>94,310,272</u>	<u>32,693,220</u>
(b) Non-Current		
Secured – at amortised cost		
Finance lease liabilities (iii)	18,142,013	-
	<u>18,142,013</u>	<u>-</u>

- (i) The Working Capital Facility with RMB and MBL is repayable in full by 31 March 2009. Interest is payable based on LIBOR plus 3% per annum up to 31 December 2008. Interest from 1 January 2009 is calculated using LIBOR plus 4.2% per annum and is payable at maturity.
- (ii) The Project Finance Facility has been drawn down to US\$25 million, with a facility limit of US\$52 million. This facility must progressively be paid down by 30 September 2011, with US\$13.5 million required to be repaid by 31 December 2009. This facility was drawn down by MDL's subsidiary SGO.

As at 31 December 2008, certain conditions precedent and conditions subsequent relating to this facility have not been complied with. These conditions had been waived on 10 December 2008 covering the facility up to 31 December 2008, with a further letter of waiver received from MBL on 4 February 2009 covering the company up to 28 February 2009. As at balance date, SGO was in breach of the covenant requiring permitted access to the Faleme River to be in place, however, subsequent to balance date, approvals have been received from the relevant authority that satisfies this covenant requirement.

On the basis that the breach can technically enable MBL to terminate or change facilities or obligations, MDL has classified the US\$11.5 million that would normally be classified as a non-current liability as a current liability.

The conditions precedent and conditions subsequent are being progressively satisfied by SGO with seven conditions outstanding as at 31 December 2008 and only three conditions outstanding in the latest letter of waiver. There have been no indications that MBL will stop SGO from drawing down on its facilities and it is expected that by the next reporting date the facility will be able to be classified as a non-current liability as all the conditions will be satisfied.

- (iii) On 18 November 2008, MDL's subsidiary SGML (Capital) Limited entered into a sale and leaseback agreement with Societe Generale Australia over its mining fleet for US\$23.2 million, of which US\$21.0 million was outstanding at 31 December 2008. The lease contract expires 30 June 2011 with principal and interest payable quarterly in arrears. Interest is calculated using LIBOR plus 2.2% per annum. The lease is secured by the assets that are financed.

These facilities are secured by a fixed and floating charge over substantially all of the company's assets.

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND CONTROLLED ENTITIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008****5. ISSUED CAPITAL**

	31 Dec 2008 \$	30 June 2008 \$
<b>(a) Ordinary shares</b>		
Paid up capital		
484,619,234 (30 June 2008 – 483,619,234) fully paid ordinary shares	<u>420,858,320</u>	<u>420,664,054</u>

	31 Dec 2008 No.	31 Dec 2008 \$	30 June 2008 No.	30 June 2008 \$
At the beginning of the period	<u>483,619,234</u>	<u>420,664,054</u>	<u>300,119,234</u>	<u>234,115,062</u>
Shares issued during the period:				
- 11 July 2007	-	-	44,898,630	56,123,288
- 9 August 2007	-	-	30,101,370	37,626,713
- 20 December 2007	-	-	45,500,000	56,420,000
- 27 June 2008	-	-	63,000,000	48,510,000
- 4 December 2008 – options converted	1,000,000	250,000	-	-
Transaction costs relating to issuances	-	(55,734)	-	(12,131,009)
Total for the period	<u>1,000,000</u>	<u>194,266</u>	<u>183,500,000</u>	<u>186,548,992</u>
At the end of the period	<u>484,619,234</u>	<u>420,858,320</u>	<u>483,619,234</u>	<u>420,664,054</u>

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.

During the half-year and exercisable period, 1,000,000 ordinary shares were issued to a director following the exercise of share options at an exercise price of \$0.25 (MDLAI).

**(b) Share Options**

- During the half-year, no share options were issued to directors, senior personnel or employees. However, the company's financiers, RMB and MBL, were issued 5,000,000 options (MDLAA) respectively on 1 July 2008 with an expiry date of 1 July 2011 and an exercise price of \$1.40.
- A further 9,000,000 options (MDLAI) were granted since the period ended 31 December 2008, on 2 January 2009 to RMB and MBL, split 50/50 expiring on 1 January 2012 at an exercise price of \$0.69. These options were issued pursuant to the terms of the Revolving Working Capital Facility between the company and its financiers.

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

**6. DIVIDENDS**

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

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND CONTROLLED ENTITIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

#### 7. COMMITMENT FOR EXPENDITURE

##### (a) Capital Expenditure Commitments

*Contracted but not provided for and payable within one year*

The group is still undertaking construction of the Grande Côte Zircon & Ilmenite Project and Sabodala Gold Project in the Republic of Senegal. Capital expenditure commitments outstanding at 31 December 2008 comprised:

	31 Dec 2008 \$	30 June 2008 \$
Grande Côte Zircon & Ilmenite Project	1,322,870	1,229,262
Sabodala Gold Project	35,553,210	29,560,779
	<u>36,876,080</u>	<u>30,790,041</u>

##### (b) Exploration Commitments

The company has minimum exploration commitments of US\$1.5 million payable within one year 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:

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

#### 8. SUBSEQUENT EVENTS

On 2 January 2009, the company issued 9,000,000 additional options at an exercise price of \$0.69 (being the lesser of \$1.40 per option or the price which is the 20 day VWAP for the period ended 31 December 2008 plus 15% on a pro rata basis) as a result of the Revolving Working Capital Facility remaining drawn post 31 December 2008, which has now been extended to 31 March 2009.

The facility is secured by a fixed and floating charge over all of the company's assets and a mortgage over MDL's shares in its wholly-owned subsidiary MDL (Mining) Limited.

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND CONTROLLED ENTITIES

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

#### 9. CONTINGENT LIABILITIES

- (a) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its moribund New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes water monitoring and 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 continued to schedule. At the time of this report, the company has insurance bonds in place for \$1.39 million and \$1.0 million respectively in favour of its NSW government and MidCoast Water rehabilitation obligations.
- (b) There are no outstanding native title claims against the company which could or would have a financial impact.
- (c) As at 31 December 2008, New Hampton Goldfields Limited, the former parent entity of the company, was continuing to provide a guarantee to GIO Australia in regard to the ongoing provision of environmental bonds by the latter for the mineral sands operations of the group in NSW. The guarantee concerned is a joint one also given by Mineral Deposits Limited.
- (d) The company faces potential liabilities in respect of the Grande Côte 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;
  - US\$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
  - US\$50,000 per year of production on training of DMG officers and logistical support to the technical services of the Ministry for Mines.
- (e) The company entered into a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited.
- (f) The company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to the subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.

The directors are not aware of any other contingent liabilities at 31 December 2008.

#### 10. ACQUISITIONS AND DISPOSALS

There were no subsidiaries acquired or disposed of during the period ended 31 December 2008.

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND SUBSIDIARIES

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### CORPORATE DIRECTORY

#### DIRECTORS

Nicholas J Limb (executive chairman)  
Jeffrey W Williams (managing)  
Martin C Ackland (executive)  
Clever G Da Fonseca (executive)  
David J Isles (non-executive)  
Robert V Danchin (non-executive)  
Oliver Lennox-King (non-executive)

#### COMPANY SECRETARY

Melvyn J Drummond

#### REGISTERED OFFICE

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

Telephone: +61 3 9909 7633  
Facsimile: +61 3 9621 1460  
E-mail: [mdlmail@mineraldeposits.com.au](mailto:mdlmail@mineraldeposits.com.au)  
Website: [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au)

#### TORONTO OFFICE

Suite 300  
155 University Avenue  
Toronto  
Ontario M5H 3B7  
Canada

Telephone: +1 416 361 6196  
Facsimile: +1 416 361 9131

#### SENEGAL OFFICE

Rue 26, N'Gor  
Dakar  
Senegal

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

#### SOLICITORS

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

#### TAX AGENTS AND ADVISERS

Deloitte Growth Solutions Pty Ltd  
QV Building  
180 Lonsdale Street  
Melbourne, Victoria 3000  
Australia

#### AUDITOR

Deloitte Touche Tohmatsu  
QV Building  
180 Lonsdale Street  
Melbourne, Victoria 3000  
Australia

#### 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

#### BANKERS

Westpac Banking Corporation  
360 Collins Street  
Melbourne, Victoria 3000  
Australia

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

RMB Australia Holdings Limited  
Level 13, 60 Castlereagh Street  
Sydney, New South Wales 2000  
Australia

#### HOME EXCHANGES

Australian Securities Exchange  
Level 45, South Tower  
Rialto  
525 Collins Street  
Melbourne, Victoria 3000  
Australia

Trading Code: MDL

Toronto Stock Exchange  
The Exchange Tower, 3rd Floor  
130 King Street West  
Toronto, Ontario M5X 1J2  
Canada

Trading Code: MDM