MINERAL DEPOSITS LIMITED
MANAGEMENT DISCUSSION AND ANALYSIS

The financial statements of Mineral Deposits Limited ("MDL" or the "company") and the financial information contained in this Management Discussion and Analysis ("MD&A") were prepared in accordance with International Financial Reporting Standards.

Additional information about the company and its business activities is available on SEDAR at www.sedar.com and on the company's website at www.mineraldeposits.com.au.

The following MD&A of the company is in relation to the six months ended 31 December 2007 and should be read in conjunction with the unaudited financial statements for the six months ended 31 December 2007 and the notes thereto. The effective date of this report is 14 February 2008.

1. OVERVIEW SUMMARY

MDL is a mineral development company with a current focus on developing two major projects in Senegal, west Africa.

The projects concerned are the Sabodala Gold Project ("Sabodala"), which is located approximately 650 kilometres east-southeast of the capital Dakar, and the Grande Côte Zircon Project ("GCZP") which is located in the coastal dunal strip commencing approximately 50 kilometres northeast of Dakar.

The company is listed on the Australian Stock Exchange (symbol: MDL) and the Toronto Stock Exchange ("TSX") (symbol: MDM).

2. OVERALL PERFORMANCE

Highlights for the six months ended 31 December 2007 include:

Corporate

- Successful listing of the company on the TSX completed on 20 December 2007.
- Issue of 75 million shares during July and August 2007 at an issue price of $1.25 per share.
- Issue of 45.5 million shares in December 2007 at an issue price of C$1.10 ($1.24) per share.

Sabodala Gold Project

- Construction at Sabodala 32% complete as at 31 December 2007 and project remains on track for the first production of gold in September 2008.
- The tailings dam and large raw water dam were both finished at the end of November 2007.
- Civil engineering works for the crusher vault, power station and grinding mills have all been completed.
- Approximately US$20 million in additional capital expenditure will be required to complete the project.
- Underground scoping study planned for later in 2008.

Grande Côte Zircon Project

- Supplementary Deed to the Mining Convention was executed by the company and the Government of The Republic of Senegal on 24 September 2007.
- Mr Clever Fonseca appointed to the position of President and CEO of wholly-owned Australian subsidiary MDL (Mining) Limited with overall responsibility for the development of the GCZP.

3. CASH POSITION AND CAPITAL RESOURCES

As at 31 December 2007, the company held cash and cash equivalents of $68.6 million.

The company announced on 7 February 2008 that it had agreed a financing package with several internationally recognised banks to provide finance for the completion of Sabodala. The financing package comprises a project finance facility of US$70.0 million to be underwritten by Macquarie Bank Limited and a US$25.2 million mining fleet finance facility from Societe Generale. In addition, RMB Resources Limited has been mandated to arrange a US$35.0 million Revolving Working Capital Facility.

It should be noted that the drawdown of these various facilities remains subject to the completion of documentation and satisfaction of conditions precedent. The company believes that, assuming that it is successful in finalising the documentation for these facilities and that the conditions precedent can be satisfied, the facilities, together with the cash and cash equivalents on hand as at 31 December 2007, will be sufficient to bring Sabodala into commercial production as well as continuing to progress the GCZP.

As at 31 December 2007, the company had no interest-bearing debt.

As at 31 December 2007, the company had 420,619,234 ordinary shares on issue and 18,435,000 options at various exercise prices and expiry dates. In addition, the company will be obliged to issue up to 20 million options should it draw down the entire US$35 million Revolving Working Capital facility.

4. RESULTS OF OPERATIONS

Net profit after provision for tax for the six months ended 31 December 2007 was $7,097,919 compared with a loss of $9,352,236 for the corresponding period ended 31 December 2006.

During the six months ended 31 December 2007, interest and other income totalled $14,286,303. Of this amount, $12,348,530 was related to unrealised foreign currency gains. During the corresponding six month period ended 31 December 2006, the unrealised loss on foreign currency movements was $4,981,294. In addition, a charge for the impairment of property, plant and equipment of $3,367,374 was made during the six month period ended 31 December 2006. This charge related to equipment at the company's Hawks Nest operation in New South Wales, Australia, which was originally scheduled to be transported to Senegal to form part of the GCZP. Following design changes, this equipment was deemed obsolete and has been written off.

Diluted earnings per share for the six months ended 31 December 2007 was 1.908 Australian cents per share compared with a diluted loss per share of 3.125 Australian cents in the equivalent previous period.

5. BALANCE SHEET

As at 31 December 2007, the company had total assets of $344,831,564 and total liabilities of $12,061,146. Net assets of the company as at 31 December 2007 were $332,770,415. Current assets, including cash and cash equivalents of $68,553,347, were $72,136,184.

While the company currently has no interest bearing liabilities, it is considered likely that the company will drawdown debt facilities over the next six month period to continue construction and development work at Sabodala and progress the GCZP. Drawing down the proposed debt facilities is dependent upon the company satisfactorily completing loan documentation and fulfilling the required conditions precedent to the lenders' satisfaction. It is also likely that the company will be required to undertake commodity price risk hedging as part of the project finance facilities over the next six month period.

6. CASH FLOW

Net cash used in investing activities for the six months ended 31 December 2007 was $131,265,036, of which $114,550,135 comprised payments for capitalised exploration and development expenditure. The bulk of these payments was made to fund construction and development activities at Sabodala. Net cash used in investing activities for the six months ended 31 December 2006 was $29,278,387. The large increase in expenditure was associated with the ramp-up in activities at both Sabodala and the GCZP compared to the prior corresponding period.

Net cash provided by financing activities for the period ended 31 December 2007 was $142,409,274 compared with the minor amount of $2,232 in the corresponding six month period ended 31 December 2006. The funds received during 2007 were the result of the following share issues:

- On 11 July 2007, the company issued 44,898,630 ordinary shares as the First Tranche of the placement at $1.25 per share.

- On 9 August 2007, following shareholder approval held in general meeting on 6 August 2007, the company issued 30,101,370 ordinary shares as the Second Tranche of the placement at $1.25 per share.

- On 20 December 2007, the company issued an initial public offering of 45,500,000 ordinary shares in the capital of MDL on the TSX at a placement of C$1.10 per share, pursuant to the terms and conditions of an underwriting agreement dated 12 December 2007.

7. CONTINGENT LIABILITIES

(a) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its moribund New South Wales exploration and mining tenements. The nature of these rehabilitation obligations includes water monitoring, revegetation and building removal. 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. 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 2007, 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 moribund 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 Sabodala. The company has agreed that the following amounts will be payable if the project proceeds to production:

    - approximately US$4.2 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;

    - US$6.50 per ounce bonus payment to the Government of the Republic of Senegal for capped mineable reserves exceeding 556,000 ounces for a total of US$6.52 million;

    - an amount of US$425,000 per annum on social development of local authorities in the surrounding Tambacounda region; and

    - a sum of US$30,000 per year for logistical support of the territorial administration of the region.

(e) The company faces potential liabilities in respect of the GCZP. The company has agreed that the following amounts will be payable if the project proceeds to production:

    - an amount of $500,000 within 30 days of completion of a bankable feasibility study for the project and on securing all the necessary funding either debt or equity from an internationally recognised banking or financial institution to develop the project; and

    - an amount of $500,000 within 30 days of receipt by (the successor to) MDL Senegal SUARL, a subsidiary of the company, of the first payment for a commercial arm's- length sales of the product from the project.

The directors are not aware of any other contingent liabilities at 31 December 2007.

8. CORPORATE RESPONSIBILITY FOR FINANCIAL REPORTS

MDL's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the company's disclosure controls and procedures. Access to material information with respect to the company is facilitated by the small size of the company's senior management team. The CEO and CFO, after evaluating the effectiveness of the company's disclosure controls and procedures as of 31 December 2007, have concluded that the company's disclosure controls and procedures were adequate and effective to ensure that material information relating to MDL and its subsidiaries would have been known to them.

9. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This press release 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 Canadian and Australian securities authorities. Readers are cautioned not to rely solely on the summary of such information contained in this release, but should read MDL's financial statements for the six months ended 31 December 2007 and year ended 30 June 2007, the final prospectus dated 12 December 2007 and related technical reports posted on the company's website (www.mineraldeposits.com.au) and filed on SEDAR (www.sedar.com) and any future amendments to such reports. Readers are also directed to the cautionary notices and disclaimers contained herein. All currency references in this release are to Australian dollars unless otherwise stated.

10. RISKS AND UNCERTAINTIES

The company expects that its financial performance will continue to be affected by exploration and development activities associated with attempting to bring its two mining projects, Sabodala and the GCZP, into commercial production. Until such time as commercial production is achieved, MDL will continue to incur administration costs and exploration development expenditures that are either deferred or expensed, depending on the nature of the expenditure. It is likely that prior to the commencement of commercial production, the company will have insufficient revenue to cover these costs which will result in continuing operating losses. MDL also expects that it is likely to incur some additional costs associated with the evaluation of potential exploration and mining operations in addition to the two projects that it is currently developing.

Should the development of Sabodala and GCZP continue, the financial performance of the company will be closely linked to the prices of gold in the case of the former and the latter as regards zircon, ilmenite and other associated heavy minerals. Commodity price fluctuations of these minerals will significantly affect the results of operations once mining commences and the ongoing economic viability of the two orebodies.

The company reports its financial results in Australian dollars. MDL's group costs, however, are in Australian dollars, Communaute Financiere Africaine francs ("Franc cFa"), United States dollars and Euro. The Franc cFa is currently pegged to the Euro. If Sabodala and the GCZP reach commercial production, as expected by management, in late 2008 and mid 2009 respectively, future product sales will be in United States dollars. Fluctuations in these exchange rates or interest rates through the MDL group may therefore significantly affect the future financial results of the company.

As at the date of this report, the company has not hedged against changes in metal prices, foreign exchange or interest rates, though MDL will enter into hedge contracts in terms of the project debt facility documentation at some future date.

The continued exploration and development of the company's properties will require substantial additional financing. The capital required for the development of Sabdoala and the GCZP is estimated to be a combined US$275-285 million which the company intends to finance through equity and/or debt financing. Failure to obtain sufficient financing in the future may result in the delay or indefinite postponement of one or both projects. There can be no assurance that bank financing or other types of financing will be available when needed or that, if available, the terms of such financing will be acceptable to MDL.