



**Mineral Deposits Limited**

ABN 19 064 377 420

# **Annual Report**

**for the financial year ended 30 June 2008**

# MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND SUBSIDIARIES

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### 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.*

# MINERAL DEPOSITS LIMITED

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## 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.

These revised Recommendations apply to a company's first financial year commencing on or after 1 January 2008 which, in the case of MDL, would be its 2009 annual report in relation to the financial year 1 July 2008 to 30 June 2009. However, the Council has encouraged companies to make an early transition to the revised Recommendations in their corporate reporting for the 2007/08 year, which has been implemented in this report.

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 2007/08 year and comply with the Recommendations;
- should be read in conjunction with the Statutory Financial Report 2008 which will automatically be sent to those who opted in 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.

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### CORPORATE GOVERNANCE STATEMENT

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.

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.

In his capacity as Company Secretary, Mr M Drummond is responsible for ensuring that the Board receives regular financial and other pertinent information and reports (notably on auditing, taxation and insurance), statutory financial statements, correspondence in relation to reporting under the Listing Rules of ASX and the Toronto Stock Exchange ("TSX"), non-routine correspondence from the Australian Securities & Investments Commission ("ASIC") and the Ontario Securities Commission and any other regulatory bodies, and details of the Company's banking arrangements and funds on hand (in all currencies).

## CORPORATE GOVERNANCE STATEMENT

### *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:** A performance evaluation for senior executives did not 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 Company did not comply with this Recommendation at any time during the reporting period. Until Mr O Lennox-King was appointed to the Board on 27 November 2007, there were five directors of whom two (Dr R Danchin and Dr D Isles) were independent, non-executive directors. After Mr Lennox-King's appointment as an additional independent, non-executive director, and until the appointment of Mr C Fonseca as an additional executive director on 1 April 2008, there was an equal number of executive directors and independent, non-executive directors. There are now four executive directors (including the Executive Chairman) and three independent, non-executive directors.

The Board is balanced in its composition with each current 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 and that the benefits of appointing additional non-executive directors to the Board in order to comply with Recommendation 2.1 would not outweigh the costs of making such appointments. 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 is therefore 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 10 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 in light of the Company's recent listing on the TSX in Canada.

*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. Mr M Drummond, the Company Secretary, is accountable to the Board, through the Chairman, on all governance and compliance matters. After discussion between the Chairman and Mr Drummond, 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 2008, and the period of office held by each director, are as follows:

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### CORPORATE GOVERNANCE STATEMENT

**Nicholas Limb — Executive Chairman.** 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: 11 years.

**Jeffrey Williams — Managing Director.** 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 MDL in 1997, he was Head of Resources Research at HSBC James Capel Securities in Australia. Period of office: 11 years.

**Martin Ackland — Executive Director.** 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 projects are in the crucial development phase. 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. Period of office: 5 years.

**Cleaver Fonseca — Executive Director.** Mr Fonseca has more than 25 years of successful leadership and extensive experience in areas of business development, 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 in Millennium Chemicals do Brasil, one of the largest titanium dioxide producers in the world. Mr Fonseca joined the Company on 1 October 2007 as President and Chief Executive Officer of the Mineral Sands Division. Period of office: 3 months.

**David Isles — Non-Executive Director.** 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. He was a technical director of New Hampton Goldfields Limited for five years until August 2000 when it was taken over. He consults widely in his area of expertise in aeromagnetism. Period of office: 6 years.

**Robert Danchin — Non-Executive Director.** 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. Period of office: 16 months.

**Oliver Lennox-King — Non-Executive Director.** 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: 7 months.

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 and Mr O Lennox-King. None of the relationships which the Council considers may affect independent status applies to any of these directors.

## CORPORATE GOVERNANCE STATEMENT

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.

### 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, objectively 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.

## CORPORATE GOVERNANCE STATEMENT

### *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 him, 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.

## 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 had only two members until Mr O Lennox-King was appointed to the Board and the committee on 27 November 2007. It is now comprised of 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. During the reporting period the audit committee met on two occasions. The qualifications of the members of the audit committee and details of their attendance at meetings of the committee are as follows:

Name	Qualifications	Held	Eligible	Attended
D J Isles	BSC(Hons) PhD SEG ASEG AIG	2	2	2
R V Danchin	BSC (Hons) MSc PhD AusIMM	2	2	2
O Lennox-King	BComm	2	1	-

## CORPORATE GOVERNANCE STATEMENT

*Council Recommendation 4.3:*

*The audit committee should have a formal charter.*

**MDL practice:** 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.

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.

*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 also listed on the TSX in December 2007, with securities now trading on the TSX. The Company now additionally meets the continuous disclosure requirements of the TSX and applicable Canadian securities regulatory authorities.

*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.

## CORPORATE GOVERNANCE STATEMENT

### 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 selected investors.

## CORPORATE GOVERNANCE STATEMENT

### 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.

The Board has implemented a policy framework designed to ensure that the group's risks are identified in each of Australia and the Republic of Senegal 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.

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### CORPORATE GOVERNANCE STATEMENT

#### *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 does not make publicly available a "stand alone" summary of its risk oversight and management policies. However, pending finalisation of a discrete risk oversight and management policy, currently being updated, some details of those policies are available from the documents, including this Corporate Governance Statement and the Charter of the Audit Committee 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 had only two members until Mr O Lennox-King was appointed to the Board and the committee on 27 November 2007. It is now comprised of 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. The qualifications of the members of the remuneration committee and details of their attendance at meetings of the committee are as follows:

Name	Qualifications	Held	Eligible	Attended
D J Isles	BSC(Hons) PhD SEG ASEG AIG	1	1	1
R V Danchin	BSC (Hons) MSc PhD AusIMM	1	1	1
O Lennox-King	BComm	1	1	-

#### *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 did not comply fully with this recommendation during the financial year ended 30 June 2008 because 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. The Company could not, of course, cancel Dr D Isles' existing options. 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 each of Mr O Lennox-King and Dr R Danchin was approved by shareholders at the 2007 annual general meeting.

## CORPORATE GOVERNANCE STATEMENT

*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.

There are no schemes for retirement benefits, other than superannuation for residents of Australia, for non-executive directors.

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### DIRECTORS' REPORT

The directors of Mineral Deposits Limited ("MDL" or the "company") submit herewith the annual financial report of the company for the financial year ended 30 June 2008. 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 J Limb  
Jeffrey W Williams  
Martin C Ackland  
Clever G Da Fonseca (appointed 1 April 2008)  
David J Isles  
Robert V Danchin  
Oliver Lennox-King (appointed 27 November 2007)

#### 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.

##### Directorships of other listed companies since 1 July 2005

Cockatoo Ridge Wines Limited (January 2002 to October 2007)  
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.

##### Directorships of other listed companies since 1 July 2005

Morning Star Gold NL formerly Mount Conqueror Minerals NL (February 2004 to present)

## MINERAL DEPOSITS LIMITED

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### DIRECTORS' REPORT

#### **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 Ticon 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 projects are in the crucial development phase. 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.

#### Directorships of other listed companies since 1 July 2005

Lodestone Exploration Limited (July 2002 to present)  
Sedimentary Holdings Limited (October 1991 to September 2006)

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

Mr Fonseca has more than 25 years of successful leadership and extensive experience in areas of business development, 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 in Millennium Chemicals do Brasil, one of the largest titanium dioxide producers in the world. 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.

#### Directorships of other listed companies since 1 July 2005

Millennium Chemicals do Brasil (December 2004 to June 2006)

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

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. He was a technical director of New Hampton Goldfields Limited for five years until August 2000 when it was taken over. He consults widely in his area of expertise in aeromagnetics.

#### Directorships of other listed companies since 1 July 2005

Stellar Resources Limited (April 2004 to present)

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

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.

#### Directorships of other listed companies since 1 July 2005

Cluff Gold plc (May 2004 to present)  
GMA Resources plc (June 2003 to February 2008)  
Gravity Diamonds Limited (October 2004 to present – company was delisted in May 2007)  
Ridge Mining plc (March 2003 to October 2005)

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### DIRECTORS' REPORT

#### 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.

#### Directorships of other listed companies since 1 July 2005

Aurora Energy Resources Inc. (February 2006 to present)

CGX Energy Resources Inc. (March 1997 to present)

Fronteer Development Group Inc. (November 2003 to present)

Metallica Resources Inc. (June 1999 to June 2008)

Tiomin Resources Inc. (March 1992 to June 2007)

#### COMPANY SECRETARY

#### Melvyn Drummond BA BCom FCIS FInstCM

Mr Drummond is company secretary and general manager – corporate. He 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 resources, in Australasia and abroad between 1976 and coming to Melbourne. Mr Drummond manages the company's Mauritian mineral sands and gold project intermediate holding companies.

#### FORMER PARTNER OF THE AUDIT FIRM

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

#### 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	Share Options
	Ordinary Shares No.	No.
N J Limb	2,083,528	4,000,000
J W Williams	362,400	4,000,000
M C Ackland	25,000	2,500,000
C G Da Fonseca – appointed 1 April 2008	-	1,000,000
D J Isles	137,000	500,000
R V Danchin	-	1,000,000
O Lennox-King – appointed 27 November 2007	-	1,000,000

#### 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 ("SGP") is on schedule for commissioning and the first gold pour in the December 2008 quarter, while the Grande Côte Mineral Sands Project ("GCMS") has received all approvals, paving the way for development of this operation to commence.

#### OPERATING RESULTS

The net amount of the operating loss after provision for income tax for the financial year was \$11,056,751 (2007 – loss of \$7,136,989) for the company and a loss of \$9,028,964 (2007 – loss of \$20,819,712) for the consolidated entity.

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### DIRECTORS' REPORT

#### REVIEW OF OPERATIONS

##### Gold – Sabodala Gold Project

*90% owned through Sabodala Gold Operations SA, 10% Government of the Republic of Senegal ("GRS")*

##### *Background*

The SGP is located in Senegal, some 650 kilometres east of the capital Dakar within the African Birimian gold province and about 90 kilometres from major gold discoveries in Mali including Sadiola (13.5 million ounces). The Sabodala and Niakafiri deposits lie within a 20.3 square kilometre mining concession. The Presidential Decree signed by Senegalese President His Excellency Abdoulaye Wade and the Ministerial Notification Letter formally issuing the 10 year mining concession for, and authorising commencement of, the investment and mining phases of the SGP development were received in May 2007. During the period, the work has focused on the construction phase of the SGP.

##### *New Operating Company Established*

With all approvals received, MDL and GRS established a new operating company, Sabodala Gold Operations SA ("SGO"), as required by the Mining Convention, to complete construction of the project and then mine the deposit under the terms of the granted mining concession. MDL has a 90% holding and GRS a 10% free-carried interest in the new company, which was incorporated on 31 January 2008.

##### *New Resource/Reserve Estimate*

As reported on 24 October 2007, the company announced an updated resource/reserve completed for Sabodala. The project contains a global gold resource of 2.74 million ounces and a mineable gold reserve of 1.406 million ounces to a vertical depth of 230 metres, with potential for extensions of the pit and underground mining identified.

The new mineable reserve for the Sabodala deposit of 1,264,000 ounces at a 0.8g/t gold cut-off, together with the Niakafiri deposit of 142,000 ounces at a 0.5g/t cut-off, extends Sabodala above 1.4 million ounces with significant new drilling results yet to be included. The total Sabodala project mineable open pit reserve is 18.3 million tonnes grading 2.4g/t, comprising the Sabodala deposit with 15.8 million tonnes grading 2.49g/t gold and the Niakafiri deposit with 2.5 million tonnes grading 1.76g/t gold.

The current mineable ore reserves estimate is based on MDL drill holes and assay data available at 30 August 2007 including a total of 629 drill holes for 96,815 metres representing 89,115 assays. The Resources and Reserves have been classified as a combination of Measured, Indicated and Inferred Mineral Resources in accordance with CIM Definitions (2005) and reconciled to the JORC Code (2004).

As part of the TSX listing requirements, the updated Mineable Gold Reserve and Mineral Resource was audited by independent consultants Scott Wilson Roscoe Postle Associates Inc. of Toronto, Canada in November 2007.

After the completion of the reporting period, the Sabodala mineral resource estimate was updated in September 2008 to 3.51 million ounces and this update is described in the Subsequent Events section of this Directors' Report on page 23.

##### *Mine Development Progress*

The main engineering construction programme is over 70% complete as at the end of June. Approximately 95% of mechanical equipment for the processing plant is on site or in port. All of the structural steel has been committed and the majority is on site.

The processing plant, power station and open pit development at the Sabodala gold mining operation works are well advanced, while the accommodation blocks, tailings dams and water treatment and waste treatment plant have been completed. Phase 1 mining also began and is on schedule for commissioning in the December 2008 quarter.

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

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### DIRECTORS' REPORT

Mining Fleet – The main mining fleet has been delivered and is operating on site, including two Pantera drill rigs and ten 100 tonne Komatsu trucks. Two Komatsu face shovels, a grader and two bulldozers are also in operation. The mining fleet workshop and service area is 95% complete.

Sabodala Open Pit – Phase 1 open pit development work is down to 710RL, with over 1.3 million tonnes of waste rock excavated and used to build the run-of-mine ("ROM") pad adjacent to the crusher station. This is on schedule to deliver 500,000 tonnes of ore to the ROM pad prior to start-up of the processing plant later this year.

Process Plant – Construction of the two million tonne per annum gold processing plant is well advanced. Installation of the ball and semi-autogenous grinding mills has commenced, with mechanical components on site and being assembled while the crusher superstructure is nearly completed. Erection of the nine CIL tanks is well advanced with tank welding 80% complete.

Plant throughput of two million tonnes per annum will produce an average of 150,000 ounces per year over a 10 year mine life. The preliminary schedule shows that approximately 168,000 ounces of gold is expected to be produced in calendar 2009.

Power Station – The bulk of the civil works at the 30 megawatt power station under construction by supplier Wartsila is nearly complete, with mechanical and electrical aspects progressing well. This is on track for load testing in September 2008.

Water – At the end of the reporting period, with three months of the wet season remaining, there was 781,000m<sup>3</sup> stored and water levels were steadily rising as a result of good rain so far this year. Further rain has updated this figure as described in the Subsequent Events section on page 23.

Mine Site Accommodation Village – The accommodation village is now in operation and sleeping 390 people. At present, the total site occupancy is almost 1,000 people inclusive of contractors housed at the new village and the existing exploration camp. When the processing plant commences operation in the December 2008 quarter, the mine village will be capable of catering for up to 600 employees. MDL anticipates that, when in full production, about 450 people will be employed on site.

#### *Sabodala Drilling Update*

During the period, drilling continued on exploration/resource definition in the environs of the SGP.

#### Underground Reserves Potential

The current open pit is designed to a vertical depth of 230 metres. It is estimated that the area beyond the present open pit design contains 1.7 million tonnes of undiluted Measured and Indicated resources averaging 4.7g/t gold above a 3.0g/t cut-off grade. Collectively, the potential underground zones are estimated to contain about 265,000 ounces of gold. Most of this resource is immediately adjacent to the open pit in a sphere of some 0-200 metres from the pit perimeter and most zones are still open for drilling. It is anticipated that this mineralisation will be accessed by "in-wall ramps".

The significant gold intercepts returned from the recent step-out drilling continue to demonstrate the potential to extend the Sabodala resource and mineable reserves. These targeted the Main Flat Zone to the west of the ultimate open pit design, the Lower Flat Zone also to the west at depth, the Northwest Shear and the Main Flat Zone to the north and northwest and the steep Quartz-Feldspar Porphyry (Fg) related mineralisation at depth below 300 metres. All of these targets may be amenable to future underground mining. The potential for extending the underground mineralisation – the East Flat Zone – was demonstrated by the new intersection outside of the current pit limit in SBRC830D on section 20510. This intercept was 8.0 metres (estimated true width of 6.4 metres) grading 6.3g/t from 239 metres downhole (hole is drilled vertical) and lies some 130 metres beyond the current pit limit.

#### Pre-production Drilling

A 46-hole, 2,570 metre pre-production RC drilling programme, with drill spacing closed to 20 metres by 20 metres, designed to test the resource model in the upper benches of mining Phase 1 has been completed. Results confirm the resource model grades and tonnages with additional mineralisation identified in several holes adding confidence to a successful planned start-up of the Sabodala open pit mine.

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### DIRECTORS' REPORT

#### Exploration/Resource Drilling

Substantial drilling campaigns were also completed during and post the year under review within the Sabodala mining concession testing extensions to the known gold mineralisation at Sutuba, Dinkokhono and Suokhoto while drilling at Niakafiri West continued to define broad zones averaging 0.5-1.0g/t gold with isolated higher grade zones within. The results from this work have been encouraging and indicate that the area has good mineralisation potential, warranting further drilling.

#### **Gold – Sabodala Regional Exploration Programmes**

In addition to its granted Sabodala mining concession, MDL, through its wholly-owned subsidiary Sabodala Mining Company SARL ("SMC"), has four gold projects covering over 900 square kilometres. These comprise the company's regional gold exploration programme. Massakounda, Dembola-Berola and Makana are the subject of 80% joint ventures and, at Bransan; SMC holds a 70% interest. All four properties are within 10-40 kilometres of the Sabodala mining concession.

#### *Makana Joint Venture*

The Makana project is a new joint venture agreement which received State approval on 1 February 2008. The project area of 125 square kilometres lies approximately 15 kilometres southwest of the Sabodala mining concession and covers a five kilometre strike length of the structural trend which hosts the Sabodala gold deposit. The exploration permit, subject to a Mining Convention entered into between New African Petroleum Company SARL and the GRS dated 26 November 2004, was renewed for a period of three years on 26 November 2007. SMC is required to spend US\$1.3 million on the project within three years.

#### *Drill Results at Bransan Project*

Drilling continued on the Bransan Exploration Permit which covers an area of some of 353 square kilometres. To date, the RAB drilling statistics stand at 304 holes for 12,725 metres on 16 lines focused on the Goumba-Gamba, Diadiako and Bransan prospects. Hole BSRB184 returned 19 metres at 1.0g/t gold from 24 to 43 metres depth and three metres at 4.5g/t gold from 25 to 28 metres depth. Hole BSRB185 returned 13 metres at 1.3g/t gold from the surface. These results are all located on the southern, laterite and soil-covered extension of the Goumba-Gamba prospect and coincide with a zone where this trend is intersected by northwest trending structures. Further drilling of this prospect to test some of the wide, low grade intercepts at depth is planned.

To the end of June 2008, 10 RC holes had been drilled to test the mineralised system at depth and the influence of the northwest trending structures. Low level gold anomalism was encountered in all holes and further follow-up drilling programmes are planned in order to better understand the geology and the structures controlling the gold mineralisation.

#### *Dembala-Berola Project*

Exploration commenced on this project in January 2008, with seven trenches for a total of 290 metres completed at the Goundamehko and Seven Hills prospects. Preliminary trench results are encouraging and a 6,000 metre RAB drilling and a 3,000 metre RC drilling programme are planned for this year. The drilling programmes aim to identify the primary source of mineralisation of the geochemical anomalies and surficial, secondary gold occurrences exploited by artisanal miners.

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

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

#### *Background*

The GCMSM is located on a coastal dunal system commencing some 80 kilometres north of the capital city of Dakar and extending northwards along the Senegalese coast. To date, four main heavy mineral deposits are known, i.e. Mboro, Fass Boye, Diogo and Lompoul. They cover a strike length of more than 50 kilometres of nearly continuous mineral sands mineralisation. Resource modelling by AMC Consultants in September 2006 estimated a global inferred resource of 1.33 billion tonnes of sand at 2% heavy mineral at a cut-off grade of 1.5% heavy mineral. Production over a 25 year period is estimated at this stage.

During the period, the final approvals were received for this project paving the way for the company to commence development at the Grande Cote.

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### DIRECTORS' REPORT

The project plan envisages the dredging operation will produce approximately 90,000 tonnes of high quality zircon and over 700,000 tonnes of ilmenite per annum. The planned operation will be well supported by proven local infrastructure and one of Africa's major seaports in Dakar on the most westerly point of the African coastline. The major advantages of the project include favourable local logistics, close proximity to major end-users in Europe and the United States thereby substantially reducing freight and holding costs, low country risk and, most importantly, the demonstrated support of the Senegalese authorities at all levels.

#### *Mining Convention Signed and Mining Concession Awarded*

On 24 September 2007, MDL and the GRS finalised arrangements for development of the Grande Cote project and a Supplementary Deed to the Mining Convention was executed. Subsequently, the Presidential Decree signed by Senegalese President His Excellency Abdoulaye Wade and the Notification Letter from Minister of Industry and Mines Mr Madicke Niang dated 27 November 2007 were received, paving the way to commence development of this project. The company was awarded a 25 year Mining Concession and a 15 year tax exoneration, among other incentives, under the executed Mining Convention and Supplementary Deed.

#### *New Operating Company Established*

Following completion of the permitting and grant of the mining concession, as stipulated in the Mining Convention, MDL and the GRS established an operating company (Grande Côte Operations SA) to complete the project and then mine the deposit under the terms of the granted mining concession. MDL has a 90% holding and GRS a 10% free-carried interest in the new company, which was incorporated on 29 January 2008.

#### *Mine Planning*

As part of the required work for the final mine plan, aerial photography was acquired over the site and processed to give a highly detailed and accurate topographic surface along the dunal system. This data is being used in the detailed computer modelling and optimisation process to finalise the detailed mine plan, on track to be completed late this year.

#### *Long Lead Item Delivery*

The fabrication of the mine dredge pump has been completed and will be stored in Scotland prior to delivery to the Grande Côte site in early 2009.

#### *Marketing*

##### Zircon

The Grande Cote project is underpinned by the supply of approximately 90,000 tonnes per annum of zircon. The independent industry consultant TZ Minerals International Pty Ltd ("TZMI") has determined that the global supply of zircon is proving to be unable to keep pace with demand. TZMI also notes that the global zircon supply in 2008 will decline by more than 100,000 tonnes to around 1.2 million tonnes, mainly as a result of the major decline in zircon production from Kalimantan in Indonesia and some of the other mature mining areas in Australia and USA.

The major market for zircon continues to be for supply into the ceramics industry for the production of wall and floor tiles and also for sanitary ware. Future potential for the zircon market continues to be positive, with underlying demand underpinned by high growth rates not only in China, but many other fast growing economies around the world including India, South East Asia, the Middle East and Latin America, all areas where ceramic tiles is a construction material of choice for commercial buildings and dwellings.

The zircon in the GCMSP deposits is of very high quality and attracting strong and wide market interest. Bulk test samples from the previous and current drilling programmes have been submitted to the company's established European clients who have again confirmed that the zircon product meets their needs. A series of trials to test glazing qualities has established Grande Côte zircon as preferred product for MDL's customers. Off-take agreements and associated legal work for the majority of the project's output were substantially completed and agreed in principle during the period just concluded.

## **DIRECTORS' REPORT**

### Ilmenite

Along with the extraction of zircon as part of the dredging operation, the Grande Cote project will also produce around 700,000 tonnes per annum of ilmenite. Previous metallurgical testwork focused on optimisation of the zircon recoveries but new testwork was undertaken to re-optimize the metallurgical recoveries for both zircon and ilmenite. Two bulk samples (both obtained by shaft sinking in the Diogo mine plan area) are being processed to confirm previous testwork, trial improved spiral equipment and produce bulk zircon and ilmenite concentrates for further customer appraisal.

Preliminary results on the improved spiral equipment have been encouraging and have indicated enhanced mineral recovery, demonstrating an overall recovery in the order of 10% higher than previous work. Plans are underway to rework the development plan and feasibility study to incorporate ilmenite.

### *Geology and Drilling*

Drilling programmes continued on the GCMSP, mainly in the first half of the period. To June 2008, a total of 93,247 metres of RC drilling and 45,192 metres of auger holes were completed.

Resource definition drilling at Diogo and Fass Boye was completed. A new resource/reserve estimate is being prepared for the Diogo deposit which will be available in the December 2008 quarter. The updated resource estimates will include recently obtained water table measurements (piezometer holes) and bulk density data.

The piezometer installation programme continued during the year with the number of piezometer holes now totalling 238 in the Diogo, Fass Boye and Mboro areas. Monthly measurements of each piezometer still show minimal fluctuations in the water table, confirming a stable upper aquifer.

Large capacity, deep hydrological test wells are being completed to evaluate make-up water supplies for management of the dredge pond levels. The Maestrichtien age sandstone horizon, known to be an excellent aquifer, is located some 440 to 460 metres below surface in the different points that have been drilled.

### **Sustainable Development**

During the period, the company has been very active in the areas of community relations, environmental management, occupational health and safety, training, education, medical services and infrastructure support. Most of the company's focus has been at Sabodala, due to the scale of the mine construction works, and where site occupancy has been up to 1,000 people.

### *Community and Social Relations*

The long-term support of the host communities for both the Sabodala and Grande Côte projects is essential for MDL to grow and prosper. MDL works with the local communities and all levels of Government to ensure that they are involved in decision making and that the company can contribute long-term, tangible benefits from its projects to those communities.

The significant contributions made to the local communities during the period included:

- public road connecting Faloumbou to Sabodala underwent re-routing and improvements, with community consultation and input throughout the process;
- construction of the Sabodala kindergarten completed on 14 January 2008, with the school opened and a full complement of students enrolled for learning;
- provision of medical consultations at three clinics – SMC exploration camp, Sabodala Village and Diogo exploration camp (the former has been relocated closer to the mine site while the latter closed in March 2008 until the construction phase commences);
- a series of community meetings held with the close collaboration of the Préfet of Kedougou and the Sous-Préfet of Saraya regarding access to areas for future drilling programmes at Sabodala;

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### DIRECTORS' REPORT

- a detailed review of the Sabodala water supply was completed, the water infrastructure was fully renovated in order to improve the distribution network and a strong link was encouraged between the governmental water supply agency and community leaders; and
- construction of the Khossanto Middle School commenced in July, for which departmental officials provided invaluable assistance to expedite the process.

The field replacement for villagers from Dambankoto and Faloumbou was completed on time to enable affected villagers to conduct their planting in time for the rainy season. The process that MDL employed, extensively researched through a broad consultation process with villagers and local officials at every level, brought considerable praise and admiration from all echelons of government. In addition to the freshly prepared land, farmers were provided with improved varietal seeds and fertiliser to provide them the best advantage possible regarding their food and cash crops. The success of the field replacement exercise positions the company favourably with regard to the upcoming relocation of Dambankoto hamlet. Planning for the resettlement continues with the active involvement of villagers and departmental authorities.

#### *Site Safety and Training Development*

The safety of all MDL's employees and contractors and communities in which it operates is an integral part of the company's business. With the expansion of the scale of works, particularly at Sabodala, an experienced Occupational, Health and Safety Manager was appointed to oversee all aspects of policy, compliance, procedures and planning. The company continued to work extensively on developing systems that comply with international safety management standards using both a systems approach and a behaviourally-based approach for safety training and management.

Staff numbers have dramatically increased in the last year, including the number of Senegalese professionals and local regional employees. Appropriate training programmes have been provided and highly competent and skilled workers are supporting all aspects of the construction operation.

After the reporting period, a key safety milestone was reached as described in the Subsequent Events section on page 23.

At site, a diverse range of safety operating procedures and training programmes have been implemented to raise the level of safety awareness including fire safety, first aid training, general site inductions, accident/incident investigation and driver training courses. Also during the year, a Bushfire Management Plan was implemented, covering full prevention measures at the site. Given higher staff numbers and intention to commence active operations at Sabodala in quarter four of 2008, the company's Emergency Evaluation Plan has recently been re-evaluated and is being enhanced.

At the 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 monitoring programmes including weather, stream water, drinking water, sewage treatment and dust and noise have been implemented.

Other achievements at Sabodala during the year included:

- completion of Faleme pipeline EIES report and public consultation process by Tropica Environmental Consultants. The report was submitted to the Government Technical Committee and the Certificate of Conformity was issued by the Environment Agency on 27 June 2008, allowing the company to proceed with construction. A technical review was completed by the combined technical committee of the Senegalese Commission to the *Organisation pour la mise en valeur du fleuve Sénégal* ("OMVS") and the company's request forwarded by the Senegalese Government to the OMVS tri-nation Joint Technical Committee for approval, which is expected early in the December 2008 quarter.
- completion of the draft Rehabilitation and Mine Closure Plan;

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- implementation of an accident/incident database is underway;
- completion of drilling monitoring bores at Sabodala tailings dam; and
- completion of a subcontractor environmental audit.

#### Australia

Ongoing rehabilitation work continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in New South Wales during the year. No adverse situations were reported and work continued on schedule as expected. Final environmental rehabilitation will take place on a programmed basis following the removal of all equipment and some structures to Senegal.

#### Corporate

##### *Toronto Stock Exchange Listing Completed*

On 20 December 2007, the ordinary shares of the company commenced trading on the TSX under the stock symbol "MDM". MDL remained quoted on the Australian Securities Exchange, providing for existing shareholders in Australia to trade shares as they have done in the past.

##### *Capital Raising and Debt Financing*

During the year, the company raised capital and put in place financing arrangements to further the development of the SGP and GCMSP, as well as for corporate overhead and general working capital expenses. These were:

- On 2 July 2007, MDL successfully completed an A\$94 million share placement involving the issue of 75 million shares at an issue price of A\$1.25 per share. The placement was managed by Euroz Securities in Perth. Shares under the placement were issued in two tranches. The first tranche (44 million shares), raising \$56.1 million before costs, was settled on 10 July 2007. The issue of the second tranche (31 million shares), raising \$37.6 million before costs, obtained shareholder approval at a general meeting of MDL on 6 August 2007 and was settled on 9 August 2007.
- On 13 December 2007, MDL successfully completed a Cdn\$50 million (A\$56 million) share placement involving the issue of 45.5 million shares at an issue price of Cdn\$1.10 per share (equivalent to A\$1.24 per share). The syndicate of underwriters was co-led by CIBC World Markets Inc. and BMO Capital Markets, and included GMP Securities LP, Cormark Securities Inc. and Toll Cross Securities Inc.
- The company negotiated a debt financing package with leading Australian mining finance institutions to provide total facilities of US\$130 million for the completion of the construction and development phases of Sabodala and an asset based finance lease for the site mining fleet being delivered. The project finance facilities since concluded and being drawn down have a tenor of between three and four years.
- On 14 April 2008, the company announced that it had executed documentation and commenced drawdown of the first component of a debt financing package for the further construction and development of Sabodala. The US\$35 million Revolving Working Capital Facility was provided by RMB Australia Holdings Limited ("RMB") and Macquarie Bank Limited ("MBL").
- The company completed a private placement of 63 million ordinary shares in MDL at an issue price of A\$0.77 each to raise a total of A\$48.51 million. The private placement closed on 27 June 2008. These were placed outside of Canada and the United States to institutional clients of GMP Securities Europe LLP and Euroz Securities Limited of Australia. At the completion of the offering, MDL had 483,619,234 shares on issue.

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### DIRECTORS' REPORT

#### *Executive and Board Appointments*

On 1 November 2007, the board of MDL announced the appointment of Mr Clever Fonseca to the position of President and CEO of MDL (Mining) Limited ("MDLM"), the wholly-owned Australian subsidiary responsible for the development and ongoing operation of the GCMSP. He is now engaged in the day-to-day management of the company's mineral sands operations.

On 27 November 2007, Mr Oliver Lennox-King was appointed as a non-executive director of the company. He resides in Toronto and has 21 years of experience in the mining industry with involvement in marketing and administration. MDL is keen to use Mr Lennox-King's undoubted expertise in respect of the listed Canadian mining sector.

On 2 April 2008, the board announced the appointment of Mr Clever Fonseca to the position of Executive Director, bringing to the board a deep understanding of the TiO<sub>2</sub> and zircon industries and extensive knowledge of global feedstock producers and consumers. Mr Fonseca also continues his role as President and CEO of MDLM and resides in Toronto, Canada where the company opened an office following its successful listing on the TSX on 20 December 2007. MDL is now represented in the Toronto market by two directors, one executive and one non-executive.

#### *Administration*

The company's well located administrative office in the Senegalese capital of Dakar continued to provide administration, accounting and logistical support for the two projects. Significant effort was devoted to implementing the Integrated Management System ("IMS"). The IMS now links the management systems of the safety, environment, security and community departments between the Dakar office, the SGP and the GCMSP.

#### 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

There have been several company updates subsequent to the year-end.

#### **Sabodala Gold Project**

##### *Global Resource Estimate up 28% to 3.51 Million Ounces*

On 15 September 2008, the company announced that the total Sabodala gold resource exceeded 3.51 million ounces, up 28% on the previous resource announced in October 2007.

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

- the current 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;
- Inferred resources for the Sabodala deposit now stand at 10.6 million tonnes at an average grade of 1.38 g/t gold containing 469,000 ounces compared to the 182,000 ounces Inferred resources reported in 2007; and
- the Measured and Indicated Niakafiri (diluted) resource remains at 8.2 million tonnes at an average grade of 1.34g/t gold containing 355,000 ounces above a cut-off grade of 0.5g/t gold. An Inferred resource of 6.2 million tonnes grading 0.97g/t gold contains 192,000 ounces.

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Step-out drilling since 1 September 2007 has extended the deposits to the east and west along the Main Flat, to the south to Sutuba, to the north along the Main Flat and Northwest Shear intersection and to depth along the steep Fg related zone. Infill drilling targeted near surface in-pit zones to increase drill confidence from Indicated and Inferred to Measured and Indicated in areas to be mined in 2008 and 2009. The Niakafiri deposit remains open at depth and to the west a new deposit (Niakafiri West) is in the planning stages for a third round of drilling.

The current mineable ore reserves estimate is based on SGO's drill holes and assay data available at 1 September 2008. The drill database for the new resource estimate includes a total of 1,276 drill holes for 134,069 metres representing 126,642 assays.

The updated Mineral Resource for the Sabodala Mining Concession was recently audited by independent consultants Geosystems International in USA. The grade estimates have been classified as a combination of Measured, Indicated and Inferred Mineral Resources in accordance with CIM Definitions (2005) and reconciled to the JORC Code (2004).

#### *Mining and Mill Construction*

MDL initiated mining with the new Komatsu mining fleet in June 2008. Through August, a total of 1,029,544 tonnes representing 98% of the budgeted tonnes for the period were mined at 96% percent of the budgeted cost. Production will increase as the wet season concludes and two-shift, around-the-clock mining is implemented. The primary goals of this stage of mining are to complete on schedule the construction of the ROM pad and to mine 500,000 tonnes of ore prior to mill commissioning.

The construction of the processing plant is progressing well and it is anticipated that plant Practical Completion status will be achieved in December 2008 and commence the commissioning phase immediately thereafter. However, because of the staged nature of the completion and handover, some of the plant, such as the power station, will be able to begin commissioning activities prior to this date. The commissioning schedule is on track for the first gold production pour towards the end of December.

Continued good wet season rain has the total water storage levels at site at 2.59 million cubic metres, vindicating the decision for the early construction of dams on site.

#### *Sustainable Development*

##### Site Safety and Training

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 from other operators in the area. 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.

#### *Environmental Monitoring*

An independent environmental monitoring audit took place during mid-August, with favourable results. Additionally, a suite of sensitive environmental monitoring equipment was installed during August and September which, combined with the DataSight environmental monitoring software, enables MDL to remain at the forefront of environmental responsibility. At this juncture, MDL is still on track to secure ISO 140001 certification at the Sabodala site by mid-2009.

#### **Corporate**

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

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

On 6 August 2008, the company announced that shareholders had approved 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. The amount raised was \$48.51 million (before costs).

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On 20 August 2008, MDL announced the first drawdown under the US\$70 million Project Finance facility provided by Macquarie Bank Limited. A condition precedent of the Project Finance facility was the establishment by the borrower, SGO, of a gold hedging programme and this programme has been completed.

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 million shares (12.8%) of MDL's issued capital.

Other than the above, in the opinion of the directors of the company there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely to affect substantially the results of the operations of the company during the remainder of the financial year during which the company expects to be in the investment (construction) phase in relation to the GCMSP, having completed this phase at SGP.

### FUTURE DEVELOPMENTS

Over the remainder of the current and coming year, the company intends to build on its experience base to bring the SGP into full production and commence construction at Grande Cote in late 2009.

Further work is also planned at Sabodala during the balance of 2008 including:

- evaluating suitable underground mining methods, cost structures and cut-off grades for the deeper mineralised zones presently being defined; and
- a new mineable reserve estimate for the project is in progress and will be available late in the December 2008 quarter.

On the regional gold projects, exploration programmes will continue to identify and test potential gold targets to discover additional resources for throughput for the Sabodala mill at the SGP.

For the Grande Côte project, the key milestone will be the completion of a scoping study to support the project moving to the development stage, anticipated in late 2009.

### 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.

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### DIRECTORS' REPORT

#### 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 (\$)	No.
MDLAI	28 November 2003	28 November 2008	0.25	1,000,000
MDLAK	1 December 2004	1 December 2009	0.33	5,000,000
MDLAM	31 December 2004	2 January 2010	0.45	285,000
MDLAO	10 March 2005	10 March 2010	0.65	500,000
MDLAQ	23 November 2005	23 November 2010	0.85	500,000
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000
MDLAS	1 May 2006	1 May 2011	2.00	1,000,000
MDLAA	1 July 2008	1 July 2011	1.40	10,000,000
MDLAU	19 July 2007	18 July 2012	1.60	2,650,000
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000
MDLAY	5 December 2007	5 December 2012	1.60	1,000,000
				<u>38,435,000</u>

During the year ended 30 June 2008, no ordinary shares of the company were issued on exercise of options granted.

Further details of options on issue are contained in Note 20 of the financial report.

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' MEETINGS

Name	Meetings Held	Eligible to Attend	Meetings Attended
N J Limb	20	20	20
J W Williams	20	20	20
M C Ackland	20	20	20
C G Da Fonseca – appointed 1 April 2008	20	8	8
D J Isles	20	20	19
R V Danchin	20	20	18
O Lennox-King – appointed 27 November 2007	20	11	8

Name	Remuneration Committee			Audit Committee		
	Held	Eligible	Attended	Held	Eligible	Attended
D J Isles	1	1	1	2	2	2
R V Danchin	1	1	1	2	2	2
O Lennox-King – appointed 27 November 2007	1	1	-	2	1	-

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### **DIRECTORS' REPORT**

#### **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 32 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 32 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 34 of the financial report.

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### 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 2008.

#### Directors and senior management details

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

Nicholas J Limb	Chairman – Executive
Jeffrey W Williams	Managing Director – Executive
Martin C Ackland	Director – Executive
Clever G Da Fonseca	Director – Executive (appointed 1 April 2008)
David J Isles	Director – Non-Executive
Robert V Danchin	Director – Non-Executive
Oliver Lennox-King	Director – Non-Executive (appointed 27 November 2007)
Melvyn J S Drummond	Company Secretary
John A Dorward	Chief Financial Officer
Owen J Cavanough	Project Manager
Christopher H Young	Chief Geologist

#### 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 will take responsibility for setting and reviewing remuneration policy in future.

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 would 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 a 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.

## **DIRECTORS' REPORT**

The fees payable to individual non-executive directors must be determined by the board within the aggregate sum of \$150,000 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. An approach to shareholders to increase that aggregate sum at the upcoming annual general meeting is, however, foreshadowed as at the date of this report. 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 is 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.

**The company's policy for determining the nature and amount of compensation of board members of the company is as follows:**

(i) Non-Executive Directors

The fees payable to individual non-executive directors have been determined by the board within the aggregate amount approved by shareholders. The current approved aggregate remuneration is \$150,000 per annum excluding share based payments. An increase in the overall sum at the upcoming annual general meeting is foreshadowed at the date of this report.

(ii) Executive Directors

The remuneration levels of executive directors are determined by the executive chairman after taking into consideration those that apply to similar positions in comparable companies in Australia and the possible grant of options in the company to them subject to prior shareholder approval as required by the Listing Rules of ASX on the recommendation of the managing director and unanimous resolution to this effect by the board. The executive chairman utilises industry-wide data gathered by independent remuneration experts as his point of reference. The board uses an identical approach to determine the remuneration levels of executive staff.

Neither during the financial year nor since year-end has any director of the company received or become entitled to receive a benefit (other than a normal remuneration benefit for services provided as an employee or consultant) by reason of a contract made by the company or a related company with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest other than the transactions below:

- An amount of \$285,000 (2007 – \$285,000) (excluding GST) was paid to Mineral Properties Pty Ltd, of which Mr M C Ackland is and continues to be a director, which provided professional services at commercial rates to the consolidated entity in relation to the company's Senegalese projects.
- During the year, geological services were provided to the consolidated entity at commercial rates by The Goongarrie Trust of which Dr D J Isles is trustee and a beneficiary. The Goongarrie Trust charged \$58,175 (excluding GST) in relation to the provision of these services to 30 June 2008. Dr Isles continues as a non-executive director of the company.

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### DIRECTORS' REPORT

#### Performance Based Remuneration

There are no options on issue subject to performance criteria. However, during the year, share options were issued to directors with certain conditions. Fifty percent of the options issued to each director will vest on the first commercial product sales in respect of the Sabodala Gold Project or in the event the company's interest in the Sabodala Gold Project is sold, joint ventured, farmed out or its value similarly realised. 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.

#### Relationship Between the Remuneration Policy and Company Performance

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
	\$	\$	\$	\$	\$
Revenue	2,467,295	5,916,942	-	138,691	3,859,831
Net loss before tax	(8,973,713)	(20,819,712)	(1,037,815)	(7,154,307)	(3,305,555)
Net loss after tax	(9,028,964)	(20,819,712)	(1,037,815)	(7,154,307)	(3,305,555)
Share price at start of year	1.33	1.30	0.61	0.27	0.14
Share price at end of year	0.82	1.33	1.30	0.61	0.27
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share	(2.286)	(6.956)	(0.491)	(6.89)	(4.414)
Diluted earnings per share	(2.286)	(6.956)	(0.491)	(6.89)	(4.414)

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.

There is no explicit relationship between the performance of the company and the remuneration policy.

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## DIRECTORS' REPORT

### Remuneration of Directors and Key Executives

The remuneration of each director and each of the executives of the company receiving the highest remuneration during the year is as follows:

	Short term benefits			Post employment benefits	Equity settled share based payments	Total	Share-based payment
	Salary and Fees \$	Non-Cash Benefits \$	Cash Bonus \$	Superannuation Contributions \$	Options \$	\$	%
<b>Directors' Remuneration</b>							
<b>2008</b>							
Nicholas J Limb	382,552	7,919	-	33,820	283,725	708,016	40.1
Jeffrey W Williams	382,552	45,014	-	33,820	283,725	745,111	38.1
Martin C Ackland	67,800	-	-	5,496	283,725	357,021	79.5
Clever G Da Fonseca*	237,248	5,692	-	-	381,122	624,062	61.1
David J Isles	34,404	-	-	3,096	-	37,500	-
Robert V Danchin	68,807	-	-	6,193	189,150	264,150	71.6
Oliver Lennox-King**	40,833	-	-	-	189,150	229,983	82.2
	<b>1,214,196</b>	<b>58,625</b>	<b>-</b>	<b>82,425</b>	<b>1,610,597</b>	<b>2,965,843</b>	
<b>2007</b>							
Nicholas J Limb	307,916	6,811	-	100,000	-	414,727	
Jeffrey W Williams	311,962	44,410	-	96,000	-	452,372	
Martin C Ackland	64,933	-	-	5,367	-	70,300	
David J Isles	7,500	-	-	28,800	-	36,300	
Robert V Danchin	24,865	-	-	2,238	-	27,103	
Jacobus C Strauss	-	-	-	22,237	-	22,237	
Kevin J Ross	64,887	-	-	105,113	-	170,000	
	<b>782,063</b>	<b>51,221</b>	<b>-</b>	<b>359,755</b>	<b>-</b>	<b>1,193,039</b>	

\* Appointed to the board on 1 April 2008.

\*\* Appointed to the board on 27 November 2007.

### Key Executives' Remuneration

<b>2008</b>							
Melvyn J S Drummond	305,855	15,644	-	26,917	74,990	423,406	17.7
Christopher H Young	187,890	7,919	-	16,910	-	212,719	-
John A Dorward	210,470	17,885	-	18,942	74,990	322,287	23.3
Owen J Cavanough	184,321	7,723	-	16,590	44,994	253,628	17.7
	<b>888,536</b>	<b>49,171</b>	<b>-</b>	<b>79,359</b>	<b>194,974</b>	<b>1,212,040</b>	
<b>2007</b>							
Melvyn J S Drummond	155,984	7,543	-	101,978	-	265,505	
Christopher H Young	136,000	6,590	-	64,000	-	206,590	
John A Dorward	123,307	13,591	-	16,117	-	153,015	
Owen J Cavanough	180,000	-	-	16,200	-	196,200	
	<b>595,291</b>	<b>27,724</b>	<b>-</b>	<b>198,295</b>	<b>-</b>	<b>821,310</b>	

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND SUBSIDIARIES

### DIRECTORS' REPORT

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

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

	Granted	Grant date	Grant date fair value	Exercise price	First exercise date	Last exercise date
	No.		\$	\$		
<b>2008</b>						
<b>Directors (i)</b>						
N J Limb	1,500,000	29 November 2007	0.32	1.60	(i)	29 November 2012
J W Williams	1,500,000	29 November 2007	0.32	1.60	(i)	29 November 2012
M C Ackland	1,500,000	29 November 2007	0.32	1.60	(i)	29 November 2012
C G Da Fonseca (iii)	1,000,000	4 December 2007	0.41	1.60	(i)	4 December 2012
R V Danchin	1,000,000	29 November 2007	0.32	1.60	(i)	29 November 2012
O Lennox-King	1,000,000	29 November 2007	0.32	1.60	(i)	29 November 2012
	<u>7,500,000</u>					
<b>Executives (ii)</b>						
M J Drummond	250,000	19 July 2007	0.79	1.60	19 July 2009	18 July 2012
J A Dorward	250,000	19 July 2007	0.79	1.60	19 July 2009	18 July 2012
O J Cavanough	150,000	19 July 2007	0.79	1.60	19 July 2009	18 July 2012
	<u>650,000</u>					

- (i) The term of each option is five years. Fifty percent of the options issued to each director will vest on the first commercial product sales in respect of the Sabodala Gold Project or in the event the company's interest in the Sabodala Gold Project is sold, joint ventured, farmed out or its value similarly realised. The remaining 50% of the options will vest on the first commercial product sales in respect of the Grande Côte Mineral Sands Project or in the event the company's interest in the Grande Côte Mineral Sands 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. The options hold no voting or dividend rights, and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from date of termination.
- (ii) All share options issued to key management personnel during the year were in accordance with the terms of the MDL option plan. The options fully vest on 19 July 2009 and are exercisable at any time before 18 July 2012. The options hold no voting or dividend rights and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from date of termination. There are no performance conditions in respect of these grants.
- (iii) Issued under the terms of the MDL option plan. Mr Fonseca was appointed as a director on 1 April 2008. The vesting conditions on this issue are outlined in (i) above.

All options granted as part of remuneration are exercisable at any time up to and including expiry date. No options were exercised or vested during the year.

# MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND SUBSIDIARIES

## DIRECTORS' REPORT

### Value of Options Issued to Directors and Executives

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

Name	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed
	Value at grant date	Value at exercise date	Value at lapse date	
	\$	\$	\$	\$
Nicholas J Limb	744,858	-	-	744,858
Jeffrey W Williams	744,858	-	-	744,858
Martin C Ackland	744,858	-	-	744,858
Clever G Da Fonseca	634,939	-	-	634,939
Robert V Danchin	496,572	-	-	496,572
Oliver Lennox-King	496,572	-	-	496,572
Melvyn J S Drummond	158,191	-	-	158,191
John A Dorward	158,191	-	-	158,191
Owen J Cavanough	94,915	-	-	94,915

### Employment Contracts of Directors and Senior Executives

The employment conditions of the executive chairman, the managing director, the executive directors and key executives are formalised in contracts of employment. The executive chairman, managing director, executive directors and certain senior executives are employed under fixed period contracts (two years), the earliest of which commenced on 9 September 2000 and each of which continues to roll forward for 12 months every anniversary date.


The employment contracts in force incorporate a 24 month termination period. The company may terminate the executive chairman's and managing director's employment contract without cause by providing 24 months' written notice or by making payment based on their 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.

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 35 of this financial report.

This report is made in accordance with a resolution of the directors and dated this 26<sup>th</sup> day of September 2008.



J W Williams  
Director



M C Ackland  
Director

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

26 September 2008

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 audit of the financial statements of Mineral Deposits Limited for the financial year ended 30 June 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 audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*Deloitte Touche Tohmatsu*

**DELOITTE TOUCHE TOHMATSU**

*M. J. Schofield*

**M J Schofield**  
Partner  
Chartered Accountants

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND SUBSIDIARIES

**INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Other income	4	2,467,295	5,916,942	2,362,685	5,645,977
Finance costs	5	-	(2,966)	(2,021,874)	(1,625)
Administration expenses	6	(11,357,570)	(23,366,314)	(10,601,233)	(12,661,868)
Allowance for doubtful debt	6	-	-	(725,891)	(119,473)
Disposal of non-current asset	6	(13,433)	(3,367,374)	(433)	-
Loss on disposal of financial assets	6	(70,005)	-	(70,005)	-
<b>Loss before tax</b>	6	<b>(8,973,713)</b>	<b>(20,819,712)</b>	<b>(11,056,751)</b>	<b>(7,136,989)</b>
Income tax expense	7	(55,251)	-	-	-
<b>Loss for the year</b>		<b>(9,028,964)</b>	<b>(20,819,712)</b>	<b>(11,056,751)</b>	<b>(7,136,989)</b>
Attributable to:					
Equity holders of the parent		(9,028,964)	(20,819,712)	(11,056,751)	(7,136,989)
Minority interest		-	-	-	-
<b>Loss for the year</b>		<b>(9,028,964)</b>	<b>(20,819,712)</b>	<b>(11,056,751)</b>	<b>(7,136,989)</b>
<b>Earnings per share</b>					
Basic earnings per share (cents)	22	(2.29)	(6.96)		
Diluted earnings per share (cents)	22	(2.29)	(6.96)		

*Notes to the financial statements are included on pages 40 to 92.*

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND SUBSIDIARIES

**BALANCE SHEET**

AS AT 30 JUNE 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	35	45,997,029	48,129,994	43,677,112	21,165,215
Other receivables	8	1,197,443	4,622,574	143,504	59,482
Other financial assets	11(a)	922,300	-	922,300	-
Inventories	9	758,578	125,746	-	-
Other	10	649,691	257,116	112,641	81,627
<b>TOTAL CURRENT ASSETS</b>		<b>49,525,041</b>	<b>53,135,430</b>	<b>44,855,557</b>	<b>21,306,324</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	11(b)	-	-	379,114,182	184,734,897
Property, plant and equipment	12	205,984,734	11,324,880	159,981	98,582
Exploration and evaluation expenditure	13	62,954,992	109,245,974	-	-
Mine development expenditure	14	99,507,644	-	-	-
Capitalised mining convention & concession costs	15	25,322,223	19,206,512	3,325,862	3,325,862
Other intangible assets	16	317,311	202,976	29,382	20,948
<b>TOTAL NON-CURRENT ASSETS</b>		<b>394,086,904</b>	<b>139,980,342</b>	<b>382,629,407</b>	<b>188,180,289</b>
<b>TOTAL ASSETS</b>		<b>443,611,945</b>	<b>193,115,772</b>	<b>427,484,964</b>	<b>209,486,613</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	42,751,767	7,716,205	5,434,720	2,533,387
Borrowings	18	32,693,220	-	32,100,158	-
Current tax liabilities	7	33,351	-	-	-
Provisions	19(a)	2,249,258	1,725,552	1,320,155	571,066
<b>TOTAL CURRENT LIABILITIES</b>		<b>77,727,596</b>	<b>9,441,757</b>	<b>38,855,033</b>	<b>3,104,453</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	19(b)	-	326,745	-	326,745
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>326,745</b>	<b>-</b>	<b>326,745</b>
<b>TOTAL LIABILITIES</b>		<b>77,727,596</b>	<b>9,768,502</b>	<b>38,855,033</b>	<b>3,431,198</b>
<b>NET ASSETS</b>		<b>365,884,349</b>	<b>183,347,270</b>	<b>388,629,931</b>	<b>206,055,415</b>
<b>EQUITY</b>					
Issued capital	20	420,664,054	234,115,062	420,664,054	234,115,062
Reserves	21	6,632,409	1,620,500	8,688,070	1,605,795
Accumulated losses		(61,417,256)	(52,388,292)	(40,722,193)	(29,665,442)
Equity attributable to equity holders of the parent		365,879,207	183,347,270	388,629,931	206,055,415
Minority interest		5,142	-	-	-
<b>TOTAL EQUITY</b>		<b>365,884,349</b>	<b>183,347,270</b>	<b>388,629,931</b>	<b>206,055,415</b>

Notes to the financial statements are included on pages 40 to 92.

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND SUBSIDIARIES

**STATEMENT OF CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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>Consolidated</b>								
<b>Balance at 1 July 2006</b>	233,689,362	(31,568,580)	15,010	-	1,605,795	203,741,587	-	203,741,587
Loss attributable to members of the consolidated entity	-	(20,819,712)	-	-	-	(20,819,712)	-	(20,819,712)
Reserves increment/(decrement)	-	-	(305)	-	-	(305)	-	(305)
Total recognised income and expenses	-	(20,819,712)	(305)	-	-	(20,820,017)	-	(20,820,017)
Options exercised during the financial year	428,100	-	-	-	-	428,100	-	428,100
Shares issued during the year	-	-	-	-	-	-	-	-
Share issue costs	(2,400)	-	-	-	-	(2,400)	-	(2,400)
<b>Balance at 30 June 2007</b>	234,115,062	(52,388,292)	14,705	-	1,605,795	183,347,270	-	183,347,270
<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	-	(9,028,964)	-	-	-	(9,028,964)	-	(9,028,964)
Reserves increment/(decrement)	-	-	(2,070,366)	-	-	(2,070,366)	-	(2,070,366)
Total recognised income and expenses	-	(9,028,964)	(2,070,366)	-	-	(11,099,330)	-	(11,099,330)
Loss on available-for-sale investments	-	-	-	(68,280)	-	(68,280)	-	(68,280)
Issue of options to directors and employees	-	-	-	-	2,405,487	2,405,487	-	2,405,487
Issue of options to financiers	-	-	-	-	4,745,608	4,745,068	-	4,745,068
Issue of minority interest	-	-	-	-	-	-	5,142	5,142
Shares issued during the year	198,680,000	-	-	-	-	198,680,000	-	198,680,000
Share issue costs	(12,131,008)	-	-	-	-	(12,131,008)	-	(12,131,008)
<b>Balance at 30 June 2008</b>	420,664,054	(61,417,256)	(2,055,661)	(68,280)	8,756,350	365,879,207	5,142	365,884,349

Notes to the financial statements are included on pages 40 to 92.

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND SUBSIDIARIES

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

Company	Issued Capital \$	Accumulated Losses \$	Investments Revaluation Reserve \$	Equity- Settled Share-Based Payments Reserve \$	Total \$
<b>Balance at 1 July 2006</b>	233,689,362	(22,528,453)	-	1,605,795	212,766,704
Loss attributable to members of the company	-	(7,136,989)	-	-	(7,136,989)
Reserves increment/(decrement)	-	-	-	-	-
Total income and expenses recognised for the period	-	(7,136,989)	-	-	(7,136,989)
Options exercised during the financial year	428,100	-	-	-	428,100
Shares issued during the year	-	-	-	-	-
Share issue costs	(2,400)	-	-	-	(2,400)
<b>Balance at 30 June 2007</b>	234,115,062	(29,665,442)	-	1,605,795	206,055,415
<b>Balance at 1 July 2007</b>	234,115,062	(29,665,442)	-	1,605,795	206,055,415
Loss attributable to members of the company	-	(11,056,751)	-	-	(11,056,751)
Reserves increment/(decrement)	-	-	-	-	-
Total income and expenses recognised for the period	-	(11,056,751)	-	-	(11,056,751)
Loss on available-for-sale investments	-	-	(68,280)	-	(68,280)
Issue of options to directors and employees	-	-	-	2,405,487	2,405,487
Issue of options to financiers	-	-	-	4,745,068	4,745,068
Shares issued during the year	198,680,000	-	-	-	198,680,000
Share issue costs	(12,131,008)	-	-	-	(12,131,008)
<b>Balance at 30 June 2008</b>	420,664,054	(40,722,193)	(68,280)	8,756,350	388,629,931

Details of movements in reserves are contained in Note 21 to the financial statements.

*Notes to the financial statements are included on pages 40 to 92.*

**MINERAL DEPOSITS LIMITED**

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**CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		850,674	1,096,030	120,954	1,027,128
Payments to suppliers and employees		(7,170,303)	(9,363,376)	(8,829,070)	(2,921,938)
Interest received		2,166,709	5,783,961	2,157,166	5,781,708
Finance costs		-	(2,966)	(241,877)	(1,625)
Net cash (used in)/provided by operating activities	28	(4,152,920)	(2,486,351)	(6,792,827)	3,885,273
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for capitalised exploration and development expenditure		(52,758,470)	(75,228,847)	-	-
Payments for construction costs		(131,996,691)	-	-	-
Payments for acquisition of property, plant and equipment		(28,276,196)	(4,113,114)	(68,480)	(41,665)
Payments for capitalised mining convention/concession costs		(6,115,711)	(3,325,862)	-	(3,325,862)
Payments for acquisition of other intangible assets		(29,183)	(170,124)	(29,183)	(17,877)
Proceeds from sale of property, plant & equipment		42,543	130,981	543	526
Payment on acquisition of investment securities		(1,985,860)	(26,880)	(1,985,860)	-
Proceeds from sale of investment securities		925,275	-	925,275	-
Interest paid – capitalised borrowing costs		(241,877)	-	-	-
Advances to subsidiaries		-	-	(191,149,902)	(114,650,225)
Net cash used in investing activities		(220,436,170)	(82,733,846)	(192,307,607)	(118,035,103)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of equity securities		198,680,000	428,100	198,680,000	428,100
Payment for share issue costs		(11,531,277)	(2,400)	(11,531,277)	(2,400)
Proceeds from monies held in trust		6,431	6,805	6,431	6,805
Proceeds from borrowings		36,039,924	-	36,039,924	-
Payment for debt issue costs		(138,567)	-	(110,406)	-
Net cash provided by financing activities		223,056,511	432,505	223,084,672	432,505
<b>Net (decrease)/ increase in cash and cash equivalents held</b>		(1,532,579)	(84,787,692)	23,984,238	(113,717,325)
Cash and cash equivalents at beginning of financial year		48,129,994	145,876,533	21,165,215	142,525,743
Effect of exchange rates on cash holdings in foreign currencies		(1,233,599)	(12,958,847)	(1,472,341)	(7,643,203)
<b>Cash and cash equivalents at end of financial year</b>	28(a)	<u>45,363,816</u>	<u>48,129,994</u>	<u>43,677,112</u>	<u>21,165,215</u>

Notes to the financial statements are included on pages 40 to 92.

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

#### 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 Australia and Senegal, west Africa.

The registered office and principal place of business of the company is:

Level 7 Exchange Tower  
530 Little Collins Street  
Melbourne, VIC 3000

#### 2. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

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 company and consolidated entity.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and the company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
• AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

Initial application of the following Standards is not expected to have any material impact on the financial report of the group and the company:

• AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
• AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010
• AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	30 June 2010
• AASB Interpretation 12 'Service Concession Arrangements', AASB Interpretation 4 'Determining whether an Arrangement contains a Lease' (revised), AASB Interpretation 129 'Service Concession Arrangements: Disclosure' (revised), AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12'	1 January 2008	30 June 2009

## MINERAL DEPOSITS LIMITED

ABN 19 064 377 420

AND SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010

#### *Revised AASB 101 "Presentation of Financial Statements"*

The impact of this standard will be on disclosure in the financial statements. All non-owner changes in equity must be presented in one statement of comprehensive income, or in a separate income statement and statement of comprehensive income. Components of comprehensive income may not be presented in the statement of changes in equity. Income tax and reclassification adjustments relating to each component of other comprehensive income have to be disclosed. The titles of financial statements will also change.

#### *AASB 123 "Borrowing Costs"*

The Standard eliminates the option of expensing borrowing costs related to qualifying assets, instead requiring capitalisation. Transitional provisions require prospective application to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after the application date.

#### *AASB 3 "Business Combinations" and AASB 127 "Separate and Consolidated Financial Statements"*

The Standard introduces greater emphasis on the use of fair value through increasing the judgement and subjectivity around business combination accounting and requiring greater involvement of valuation experts. Further volatility in the income statement will be introduced through the separate accounting for transaction costs, changes in the fair value of contingent consideration, settlement of pre-existing contracts and share-based payments.

#### *AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations'*

The Standard clarifies for share-based payments what are vesting conditions and restricts the definition to include only service conditions and performance conditions. It also amends the definition of performance conditions to require the completion of a service period in addition to specified performance targets and to specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

#### *Interpretation 12 "Service Concession Arrangements"*

This Interpretation addresses the appropriate accounting for service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities.

#### *AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'*

The Standard includes 35 amendments across 20 different Standards that largely clarify the required accounting treatment where previous practice had varied.

#### *AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'*

The amendments:

- allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements;
- remove the definition of the cost method from AASB 127 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor;
- implement consequential amendments to AASB 136, introducing a new indicator of impairment for investments in subsidiaries, jointly controlled entities and associates where a dividend has been recognised; and

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

- require the separate financial statements of a new parent formed as the result of a specific type of reorganisation to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganisation.

#### *Australian Accounting Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'*

The Interpretation deals with the following issues with respect to net investment hedging:

- which foreign currency risks qualify for hedge accounting, and what amount can be designated;
- where within the group, the hedging instrument can be held; and
- what amount should be reclassified to profit or loss when the hedged foreign operation is disposed of.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The financial report is a general purpose financial report 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 report includes the separate financial statements of the company and 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 26 September 2008.

#### Basis of preparation

The financial report 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 Australian dollars unless otherwise stated.

#### *Going concern*

The group has recorded a net loss of \$9,028,964 for the year ended 30 June 2008 and net cash outflows from operating activities of \$4,152,920, commitments of \$30,790,041 and has cash reserves of \$45,997,029 at 30 June 2008. The group has a net current asset deficiency of \$28,202,555 at 30 June 2008.

Whilst there are uncertainties as to the exact timing and form of additional fund raising necessary to fund the current level of activities of the consolidated entity and company for at least the next 12 months, the directors have reasonable expectations that they can raise additional cash resources during the period for this purpose. These financial statements have therefore 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.

To continue as a going concern, the company and the consolidated entity require:

- generation of sufficient funds from operating activities which includes commencement of gold production as planned in December 2008; and/or
- the continued support of its bankers, creditors and major shareholders.

The directors believe the going concern basis of preparation to be appropriate given the following reasons:

- sufficient net cash inflows will be generated through gold sales after the commissioning of the Sabodala Gold Project. Management's budgeted sales from gold production and subsequent net cash inflows is forecast to service operating costs and the Macquarie Bank Limited project finance facility;

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

- the directors are confident that they can refinance the US\$35 million Revolving Working Capital Facility provided by RMB Australia Holdings Limited and Macquarie Bank Limited via facilities that will have a later repayment date than the current Revolving Working Capital Facility provided by these lenders which must be repaid by 31 March 2009. The facility with the later repayment date is the \$70 million Macquarie Bank Limited facility; and
- alternatively the directors can raise capital through the issue of new shares on the Australian Securities Exchange or Toronto Stock Exchange by March 2009.

Having carefully assessed the current uncertainties relating to the likelihood of securing additional funding 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.

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

In the application of A-IFRS 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.

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. Details of the impact of the adoption of these new accounting standards are set in the accounting policy notes set out above. The group has also adopted the following Standards as listed below which only impacted on the group's financial statements with respect to disclosure:

- AASB 101 "Presentation of Financial Statements" (revised October 2006)
- AASB 7 "Financial Instruments: Disclosures"

#### **Accounting policies**

##### **(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 27 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 2008 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.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to the profit and loss in the period of acquisition.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

The consolidated financial statements include the information and results of each subsidiary from the date on which Mineral Deposits Limited 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.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### (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 income 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.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### (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 exploration 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.

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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 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.

**(f) 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.

**(g) Provision for 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.

**(h) 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 diminution in value which is other than temporary. Where there has been such diminution in the value of an investment, it is recognised as an expense in the period in which the diminution 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 income statement.

***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 29. 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.

**NOTES TO THE FINANCIAL STATEMENTS  
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Dividends on available-for-sale equity instruments are recognised in profit and loss when the group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

*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 balance sheet 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.

**(i) 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 Australian dollars which is the company's presentation currency.

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#### *Transaction 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 arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

#### *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 foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the statement of changes in equity in the period.

#### **(j) 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 balance sheet are shown inclusive of GST.

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

#### **(k) Impairment of Assets**

At each reporting date, the group reviews its tangible assets excluding inventory and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for capitalised mining convention costs and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **(l) Income 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).

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

Mineral Deposits Limited and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Mineral Deposits Limited is the head entity in the tax-consolidated group, responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax-consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of 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 the "separate taxpayer within the group" approach. 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 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 participant.

#### (m) Inventories

Inventories are valued at the lower of cost and net realisable value.

#### (n) Leases

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.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

#### *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 balance sheet 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 3(b).

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

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.

#### **(o) Property, Plant and Equipment**

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 income statement 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 assets' residual values 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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### **(p) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

**(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 3(r).

*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.

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) Revenue**

Revenue from the sale of goods is recognised when the consolidated entity has transferred the significant risks and rewards of ownership of the goods to the buyer, which is upon delivery of goods to the customer.

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

Revenue from the rendering of a service is recognised by reference to stage of completion of the service.

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

All revenue is stated net of the amount of goods and services tax (GST).

**(s) 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 31.

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.

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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.

### (t) Comparative Figures

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

### (u) 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.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>4. OTHER INCOME</b>				
Interest revenue from:				
- bank deposits	2,174,555	5,390,969	2,165,013	5,388,715
Other revenue				
- rental income received	80,310	81,633	66,586	81,633
- finance lease income	13,724	15,835	-	-
- other	150,254	253,187	129,634	175,629
	<u>2,418,843</u>	<u>5,741,624</u>	<u>2,361,233</u>	<u>5,645,977</u>
Non-operating activities				
Gain on disposal of non-current assets:				
- gain from sale of property, plant and equipment	48,452	175,318	1,452	-
	<u>2,467,295</u>	<u>5,916,942</u>	<u>2,362,685</u>	<u>5,645,977</u>
<b>5. FINANCE COSTS</b>				
Interest on obligations under hire purchase	-	(2,966)	-	(1,625)
Interest on loans	2,021,874	-	(2,021,874)	-
Less amounts included in the cost of qualifying assets	(2,021,874)	-	-	-
	<u>-</u>	<u>-</u>	<u>(2,021,874)</u>	<u>-</u>

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>6. LOSS FOR THE YEAR BEFORE TAX</b>				
<b>Charging as expenses:</b>				
Loss for the year before tax includes the following expenses:				
Depreciation of non-current assets:				
- buildings and property improvement	(94,684)	(30,392)	-	-
- plant and equipment	(469)	(822,396)	(469)	(404)
- office furniture	(12,796)	(12,282)	(12,796)	(12,282)
- computer equipment and software	(100,175)	(89,461)	(42,946)	(40,331)
- other assets	(48,158)	(35,346)	-	-
- fixtures and fittings	-	(666)	-	(666)
- motor vehicles	(50,565)	(34,996)	-	-
	<u>(306,847)</u>	<u>(1,025,539)</u>	<u>(56,211)</u>	<u>(53,683)</u>
Amortisation of intangible assets:				
- computer software	<u>(50,836)</u>	<u>(45,668)</u>	<u>(20,748)</u>	<u>(11,031)</u>
Employee benefits:				
- equity settled share based payments	(2,405,487)	-	(2,405,487)	-
- post employment benefits – defined contributions plans	(579,061)	(574,082)	(579,061)	(574,082)
- other – provision for leave entitlements	(705,284)	(510,841)	(422,344)	(77,265)
	<u>(3,689,832)</u>	<u>(1,084,923)</u>	<u>(3,406,892)</u>	<u>(651,347)</u>
Foreign currency losses (unrealised)	<u>(908,586)</u>	<u>(13,350,007)</u>	<u>(777,029)</u>	<u>(7,643,203)</u>
Impairment of other financial assets	<u>-</u>	<u>-</u>	<u>(725,891)</u>	<u>(119,473)</u>
<b>Gains and losses:</b>				
Loss for the year before tax has been derived after the following gains/(losses) have been included:				
- loss on disposal of property, plant and equipment	(13,433)	(3,367,374)	(433)	-
- fair value loss of financial assets	(70,005)	-	(70,005)	-
	<u>(83,438)</u>	<u>(3,367,374)</u>	<u>(70,438)</u>	<u>-</u>

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>7. INCOME TAXES</b>				
<b>Income tax recognised in profit of loss</b>				
<b>Tax expense comprises:</b>				
Current tax expense	(55,251)	-	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-	-	-
<b>Total tax expense</b>	<b>(55,251)</b>	<b>-</b>	<b>-</b>	<b>-</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	(8,973,713)	(20,819,712)	(11,056,751)	(7,136,989)
Income tax income calculated at 30% (2007 – 30%)	2,692,114	6,245,913	3,317,025	2,141,097
Add tax effect of:				
- Non-deductible expenses	(7,028)	(97,323)	(613,590)	(4,110)
- Share based payments	(721,646)	-	(721,646)	-
- Doubtful debts allowance	-	-	(217,767)	(35,842)
- Movement in tax assets not recognised	(891,498)	(124,891)	(1,039,997)	(42,063)
- Unused tax losses not recognised as deferred tax assets	(2,449,686)	(2,880,080)	(2,014,315)	(1,846,719)
- Non deductible losses	(72,012)	(3,012,931)	-	-
Less tax effect of:				
- Tax deferred liabilities offset by tax losses carried forward	75,630	(617,008)	75,630	(698,617)
- Non-assessable income	159,466	-	-	-
- Capital raising costs	1,214,660	486,080	1,214,660	486,080
- Effect of tax rate in other jurisdictions	(55,251)	240	-	174
	<b>(55,251)</b>	<b>-</b>	<b>-</b>	<b>-</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 3(l) occur:</b>				
Temporary differences	1,353,570	1,866,962	3,520,840	3,612,716
Tax losses (revenue or operating losses)	11,037,576	8,702,167	11,037,576	8,702,167
Tax losses (capital)	920,392	899,390	920,392	899,390
Unused tax credits	55,251	-	-	-
	<b>13,366,789</b>	<b>11,468,519</b>	<b>15,478,808</b>	<b>13,214,273</b>

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Current tax liabilities</b>				
<b>Income tax payable attributable to:</b>				
Parent entity	-	-	-	-
Entities in the tax consolidation group	-	-	-	-
Other – foreign subsidiaries	33,351	-	-	-
	<u>33,351</u>	<u>-</u>	<u>-</u>	<u>-</u>

The benefit of these losses has not been brought to account at 30 June 2008 because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time or that there are sufficient deferred tax liabilities to offset these losses. These tax losses are also subject to final determination by the Australian Taxation Office when the company derives taxable income. The benefits will only be realised if:

- the company and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;
- the company and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and
- no changes in the tax legislation adversely affect the company and its subsidiaries in realising the benefit of the losses.

#### 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 27.

##### *Nature of tax funding arrangements and tax sharing agreements*

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 consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>8. OTHER RECEIVABLES</b>				
<b>CURRENT</b>				
Other receivables	1,101,661	831,367	117,874	46,080
Deposit paid on construction contract	-	2,942,624	-	-
Amounts due from other related parties	25,630	13,402	25,630	13,402
	<u>1,127,291</u>	<u>3,787,393</u>	<u>143,504</u>	<u>59,482</u>
Finance lease receivable (Note 25(a))	70,152	848,905	-	-
Unearned finance charges on finance lease	-	(13,724)	-	-
	<u>70,152</u>	<u>835,181</u>	<u>-</u>	<u>-</u>
	<u>1,197,443</u>	<u>4,622,574</u>	<u>143,504</u>	<u>59,482</u>

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

Amounts due from other related parties comprise charges for accommodation, facilities and administrative support as described in Note 36. Trading terms are 30 days from date of invoice.

Other receivables are debtors with a carrying value amount of \$687,720 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	113,448	-	-
90-120 days	574,272	-	-
	<u>687,720</u>	<u>-</u>	<u>-</u>

**9. INVENTORIES**

Diesel fuel stocks	<u>758,578</u>	<u>125,746</u>	<u>-</u>	<u>-</u>
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**MINERAL DEPOSITS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>10. OTHER ASSETS</b>				
<b>CURRENT</b>				
Prepayments	248,830	107,819	69,362	52,337
Security deposit	400,861	149,297	43,279	29,290
	<u>649,691</u>	<u>257,116</u>	<u>112,641</u>	<u>81,627</u>
<b>11. OTHER FINANCIAL ASSETS</b>				
<b>(a) CURRENT</b>				
Available-for-sale investments carried at fair value:				
- Floating rate note	<u>922,300</u>	-	<u>922,300</u>	-
At year end, the company held two floating rate notes earning variable interest rates. The weighted average interest rate on these notes are 7.28% interest payable 90 days cycles.				
<b>(b) NON-CURRENT</b>				
Investments in subsidiaries, at cost:				
- MDL (Mining) Limited	-	-	6,500,002	6,500,002
- MDL Gold Limited	-	-	10	10
- Mineral Deposits (Operations) Pty Ltd	-	-	100	100
	-	-	<u>6,500,112</u>	<u>6,500,112</u>
Loans carried at amortised cost:				
- wholly-owned subsidiaries:				
- MDL (Mining) Limited	-	-	94,341,357	72,815,211
- Mineral Deposits (Operations) Pty Ltd	-	-	7,282,358	6,556,466
- accumulated impairment	-	-	(7,282,358)	(6,556,466)
- MDL Gold Limited	-	-	273,923,904	101,070,765
- MDML (Capital) Limited	-	-	2,480,063	4,348,809
- SGML (Capital) Limited	-	-	1,868,746	-
	-	-	<u>372,614,070</u>	<u>178,234,785</u>
	-	-	<u>379,114,182</u>	<u>184,734,897</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**12. PROPERTY, PLANT AND EQUIPMENT**

CONSOLIDATED	Freehold land, buildings & prop. imp'ment \$	Plant and equipment \$	Office furniture \$	Computer equipment & software \$	Other assets \$	Fixtures & fittings \$	Motor vehicles \$	Mine Construction \$	Capital works in progress \$	Drilling programme equipment \$	Camp construction \$	Total \$
<b>Gross carrying amount</b>												
Balance at 1 July 2006	637,369	9,243,793	491,987	334,939	21,808	25,347	2,136,340	-	574,098	357,366	349,578	14,172,625
Additions	669,807	6,413,909	110,778	176,813	16,924	923	228,429	-	352,460	21,071	279,562	8,270,676
Transfer	(412,568)	322,405	(104,029)	14,079	(7,184)	(15,652)	(229,215)	-	(375,948)	(357,366)	964,771	(200,707)
Disposals	-	(7,810,607)	(19,550)	(8,129)	(6,585)	-	(33,418)	-	-	-	-	(7,878,289)
Net foreign currency exchange differences	(10,855)	(71,661)	(8,130)	(8,301)	(101)	(922)	(36,857)	-	(33,849)	(21,071)	(20,611)	(212,358)
<b>Balance at 1 July 2007</b>	<b>883,753</b>	<b>8,097,839</b>	<b>471,056</b>	<b>509,401</b>	<b>24,862</b>	<b>9,696</b>	<b>2,065,279</b>	<b>-</b>	<b>516,761</b>	<b>-</b>	<b>1,573,300</b>	<b>14,151,947</b>
Additions	-	31,410,763	128,478	136,949	-	-	708,180	59,899,399	1,429,754	-	73,572	93,787,095
Transfer	84,466	(1,152,384)	(84,684)	(149,614)	(6,576)	-	(466,107)	105,047,428	(604,184)	-	(236,457)	102,431,888
Disposals	-	(2,832,325)	(15,840)	(50,516)	-	-	(156,809)	-	-	-	-	(3,055,490)
Net foreign currency exchange differences	6,928	46,519	3,865	3,770	294	-	22,651	-	6,132	-	18,672	108,831
<b>Balance at 30 June 2008</b>	<b>975,147</b>	<b>35,570,412</b>	<b>502,875</b>	<b>449,990</b>	<b>18,580</b>	<b>9,696</b>	<b>2,173,194</b>	<b>164,946,827</b>	<b>1,348,463</b>	<b>-</b>	<b>1,429,087</b>	<b>207,424,271</b>
<b>Accumulated depreciation</b>												
Balance at 1 July 2006	(24,052)	(434,649)	(142,448)	(127,465)	(7,320)	(9,997)	(398,548)	-	-	(58,653)	(45,445)	(1,248,577)
Transfer	20,938	(72,572)	(1,916)	-	433	968	10,346	-	-	58,653	(15,897)	953
Depreciation expense	(32,171)	(1,338,533)	(47,005)	(121,357)	(3,755)	(723)	(367,527)	-	-	(3,458)	(91,338)	(2,005,867)
Disposals	-	333,271	19,550	7,603	6,585	-	30,682	-	-	-	-	397,691
Net foreign currency exchange differences	1,418	4,872	1,226	2,050	43	56	12,931	-	-	3,458	2,679	28,733
<b>Balance at 1 July 2007</b>	<b>(33,867)</b>	<b>(1,507,611)</b>	<b>(170,593)</b>	<b>(239,169)</b>	<b>(4,014)</b>	<b>(9,696)</b>	<b>(712,116)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(150,001)</b>	<b>(2,827,067)</b>
Transfer	92,624	1,152,384	92,113	192,537	6,576	-	839,529	-	-	-	236,457	2,612,220
Depreciation expense	(96,375)	(1,496,611)	(63,435)	(149,159)	(3,445)	-	(449,244)	-	-	-	(121,502)	(2,379,771)
Disposals	-	950,579	15,457	50,466	-	-	156,809	-	-	-	-	1,173,311
Net foreign currency exchange differences	(382)	(7,439)	(658)	(1,341)	(47)	-	(6,583)	-	-	-	(1,780)	(18,230)
<b>Balance at 30 June 2008</b>	<b>(38,000)</b>	<b>(908,698)</b>	<b>(127,116)</b>	<b>(146,666)</b>	<b>(930)</b>	<b>9,696</b>	<b>(171,605)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,826)</b>	<b>(1,439,537)</b>
<b>Net book value</b>												
As at 30 June 2007	849,886	6,590,228	300,463	270,232	20,848	-	1,353,163	-	516,761	-	1,423,299	11,324,880
As at 30 June 2008	937,147	34,661,714	375,759	303,324	17,650	-	2,001,589	164,946,827	1,348,463	-	1,392,261	205,984,734

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COMPANY	Plant and equipment	Office furniture	Computer equipment & software	Fixtures & fittings	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>						
Balance at 1 July 2006	4,640,473	141,319	157,166	9,696	-	4,948,654
Additions	-	3,999	37,666	-	-	41,665
Transfer	(197,287)	-	-	-	-	(197,287)
Disposals	(4,438,898)	-	(3,160)	-	-	(4,442,058)
<b>Balance at 1 July 2007</b>	<b>4,288</b>	<b>145,318</b>	<b>191,672</b>	<b>9,696</b>	<b>-</b>	<b>350,974</b>
Additions	-	17,093	34,586	-	66,363	118,042
Transfer	-	-	-	-	-	-
Disposals	-	(15,840)	(50,516)	-	-	(66,356)
<b>Balance at 30 June 2008</b>	<b>4,288</b>	<b>146,571</b>	<b>175,742</b>	<b>9,696</b>	<b>66,363</b>	<b>402,660</b>
<b>Accumulated depreciation</b>						
Balance at 1 July 2006	(331,453)	(102,089)	(87,707)	(9,030)	-	(530,279)
Transfer	-	-	-	-	-	-
Depreciation expense	(404)	(12,282)	(40,331)	(666)	-	(53,683)
Disposals	328,937	-	2,633	-	-	331,570
<b>Balance at 1 July 2007</b>	<b>(2,920)</b>	<b>(114,371)</b>	<b>(125,405)</b>	<b>(9,696)</b>	<b>-</b>	<b>(252,392)</b>
Transfer	-	-	-	-	-	-
Depreciation expense	(469)	(12,796)	(42,946)	-	-	(56,211)
Disposals	-	15,458	50,466	-	-	65,924
<b>Balance at 30 June 2008</b>	<b>(3,389)</b>	<b>(111,709)</b>	<b>(117,885)</b>	<b>(9,696)</b>	<b>-</b>	<b>(242,679)</b>
<b>Net book value</b>						
As at 30 June 2007	1,368	30,947	66,267	-	-	98,582
As at 30 June 2008	899	34,862	57,857	-	66,363	159,981

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 – 7.7
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.

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>13. EXPLORATION AND EVALUATION EXPENDITURE</b>				
Costs carried forward in respect of areas of interest at cost	109,245,974	32,972,072	-	-
Transferred to development expenditure	(66,199,833)	-	-	-
Transferred to construction	(105,047,428)	-	-	-
Expenditure incurred during the year	122,294,200	76,273,902	-	-
Net foreign currency exchange differences	2,662,079	-	-	-
	<u>62,954,992</u>	<u>109,245,974</u>	<u>-</u>	<u>-</u>

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.

**14. MINE DEVELOPMENT EXPENDITURE**

Costs carried forward in respect of areas of interest at cost	-	-	-	-
Transferred from exploration and evaluation expenditure	66,199,833	-	-	-
Expenditure incurred during the year	31,750,960	-	-	-
Net foreign currency exchange differences	1,556,851	-	-	-
	<u>99,507,644</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Capitalised mining convention costs – at cost (i)	15,880,650	15,880,650	-	-
Capitalised mining concession costs – at cost (ii)	9,441,573	3,325,862	3,325,862	3,325,862
	<u>25,322,223</u>	<u>19,206,512</u>	<u>3,325,862</u>	<u>3,325,862</u>

(i) Capitalised mining convention costs comprise costs incurred to secure the mining conventions for the Grande Côte and Sabodala projects. Capitalised mining convention costs comprised \$3,120,000 (2007 - \$3,120,000) in regard to the GCMSP and \$12,760,650 (2007 - 12,760,650) in regard to the SGP.

(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. At 30 June 2008, capitalised mining concessions costs comprised \$8,087,873 (2007 - \$1,353,700) in regard to the GCMSP and \$1,972,162 (2007 - \$1,972,162) in regard to the SGP.

Whilst neither project is currently generating cash flow, the company is of the view that both projects will contribute significant value in the future and that this value will be in excess of the current value of the capitalised costs.

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**16. OTHER INTANGIBLE ASSETS**

Software	Consolidated 2008 \$	Company 2008 \$
<b>Gross carrying amount</b>		
Balance at 1 July 2006	252,545	56,345
Additions	170,125	-
Transfer	-	17,878
Disposals	(39,576)	-
Net foreign currency exchange differences	(9,235)	-
<b>Balance at 1 July 2007</b>	<u>373,859</u>	<u>74,223</u>
Additions	780,029	29,182
Transfer	(237,527)	-
Disposals	(488,154)	-
Net foreign currency exchange differences	3,556	-
<b>Balance at 30 June 2008</b>	<u>431,763</u>	<u>103,405</u>
<b>Accumulated depreciation</b>		
Balance at 1 July 2006	(101,209)	(42,244)
Transfer	-	-
Amortisation expense	(110,393)	(11,031)
Disposals	39,576	-
Net foreign currency exchange differences	1,143	-
<b>Balance at 1 July 2007</b>	<u>(170,883)</u>	<u>(53,275)</u>
Transfer	240,848	-
Amortisation expense	(183,024)	(20,748)
Disposals	-	-
Net foreign currency exchange differences	(1,393)	-
<b>Balance at 30 June 2008</b>	<u>(114,452)</u>	<u>(74,023)</u>
<b>Net book value</b>		
As at 30 June 2007	202,976	20,948
As at 30 June 2008	<u>317,311</u>	<u>29,382</u>

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 income statement as "amortisation of intangible assets".

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

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>17. TRADE AND OTHER PAYABLES</b>				
<b>CURRENT</b>				
Unsecured liabilities:				
Trade creditors	23,739,034	6,885,339	5,033,331	2,093,214
Sundry creditors and accrued expenses	18,841,404	665,968	230,060	275,275
Amounts payable held in trust	171,329	164,898	171,329	164,898
	<u>42,751,767</u>	<u>7,716,205</u>	<u>5,434,720</u>	<u>2,533,387</u>

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

**18. BORROWINGS****CURRENT****Unsecured – at amortised cost**

Bank overdraft	<u>633,212</u>	-	-	-
<b>Secured – at amortised cost</b>				
Bank loans	<u>32,060,008</u>	-	<u>32,100,158</u>	-
	<u>32,693,220</u>	-	<u>32,100,158</u>	-

During the year, the company negotiated a US\$35 million revolving working capital facility with RMB Australia Holdings Limited and Macquarie Bank Limited, repayable in full by 31 March 2009. Interest is calculated using LIBOR plus 3% per annum up to 31 December 2008 (and LIBOR plus 4.2% per annum thereafter) and is payable at the end of each 60 day period.

A drawdown fee, comprising up to 20 million options over company shares at a strike price of \$1.40 per share exercisable at any time up to 36 months after the date on which they are issued. An initial 10 million options were issued to the financiers on 10 April 2008 at an issue price of \$1.40 per share. On 1 July 2008, an additional 10,000,000 options were issued under the terms of the option deed. The cost of the options issued was \$4,745,068 which has been included within transaction costs and is being amortised by applying the effective interest rate over the expected maturity date, 12 December 2008.

The company is required to issue up to 9,000,000 additional options at an exercise price 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 should the Revolving Working Capital Facility remain drawn post 31 December 2008.

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.

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>19. PROVISIONS</b>				
<b>(a) CURRENT</b>				
Employee entitlements (i), (ii)	2,044,191	1,029,032	1,320,155	571,066
Mine restoration and rehabilitation (iii)	205,067	696,520	-	-
	<u>2,249,258</u>	<u>1,725,552</u>	<u>1,320,155</u>	<u>571,066</u>
<b>(b) NON-CURRENT</b>				
Employee entitlements (i)	-	326,745	-	326,745
Mine restoration and rehabilitation (ii)	-	-	-	-
	<u>-</u>	<u>326,745</u>	<u>-</u>	<u>326,745</u>
<b>PROVISIONS:</b>				
<b>(a) CURRENT</b>				
(i) Annual leave:				
Opening balance	1,029,032	551,912	571,066	531,145
Amounts provided	2,135,276	1,095,762	411,545	127,749
Amounts paid	(1,556,396)	(618,642)	(137,374)	(87,828)
Net foreign currency exchange difference	(38,639)	-	-	-
Closing balance	<u>1,569,273</u>	<u>1,029,032</u>	<u>845,237</u>	<u>571,066</u>
(ii) Long service leave:				
Opening balance	-	-	-	-
Amounts provided	148,173	-	148,173	-
Amounts paid	-	-	-	-
Transferred from non-current provision	326,745	-	326,745	-
Closing balance	<u>474,918</u>	<u>-</u>	<u>474,918</u>	<u>-</u>
(iii) Mine rehabilitation:				
Opening balance	696,520	240,750	-	-
Amounts provided	198,073	1,016	-	-
Amounts paid	(689,526)	(62,575)	-	-
Transferred from non-current provision	-	517,329	-	-
Closing balance	<u>205,067</u>	<u>696,520</u>	<u>-</u>	<u>-</u>
Total current provisions	<u>2,249,258</u>	<u>1,725,552</u>	<u>1,320,155</u>	<u>571,066</u>

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(b) NON-CURRENT</b>				
(i) Long service leave:				
Opening balance	326,745	289,400	326,745	289,400
Amounts provided	-	37,345	-	37,345
Amounts paid	-	-	-	-
Transferred to current provision	(326,745)	-	(326,745)	-
Closing balance	-	326,745	-	326,745
(ii) Mine rehabilitation:				
Opening balance	-	133,084	-	-
Amounts provided	-	410,200	-	-
Amounts paid	-	(25,955)	-	-
Transferred to current provision	-	(517,329)	-	-
Closing balance	-	-	-	-
Total non-current provisions	-	326,745	-	326,745

The current provisions for employee benefits include \$1,569,273 (company - \$845,237) annual leave and long service leave entitlements of \$474,918 for both the consolidated entity and company respectively.

The provision for mine rehabilitation represents the company's liability in relation to its remaining rehabilitation obligations on its former New South Wales mine site which include water monitoring, revegetation and the removal of buildings.

	2008 No.	2008 \$	2007 No.	2007 \$
<b>20. ISSUED CAPITAL</b>				
<b>(a) Fully paid ordinary shares</b>				
Paid up capital				
483,619,234 (2007 – 300,119,234) fully paid ordinary shares	483,619,234	420,664,054	300,119,234	234,115,062
At the beginning of the financial year	300,119,234	234,115,062	299,259,234	233,689,362
Shares issued during the year:				
- 3 July 2006	-	-	50,000	-
- 29 January 2007	-	-	15,000	6,750
- 29 June 2007	-	-	795,000	421,350
- 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	-	-
Transaction costs relating to issue	-	(12,131,009)	-	(2,400)
Total for the financial year	183,500,000	186,548,992	860,000	425,700
At the end of the financial year	483,619,234	420,664,054	300,119,234	234,115,062

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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 2 July 2007, MDL successfully completed an A\$94 million share placement involving the issue of 75 million shares at an issue price of A\$1.25 per share. The placement was managed by Euroz Securities in Perth. Shares under the placement were issued in two tranches. The first tranche (44 million shares), raising \$56.1 million before costs, was settled on 11 July 2007. The issue of the second tranche (31 million shares), raising \$37.6 million before costs, obtained shareholder approval at a general meeting of MDL on 6 August 2007 and was settled on 9 August 2007.
- On 20 December 2007, MDL successfully settled a Cdn\$50 million (A\$56 million) share placement involving the issue of 45.5 million shares at an issue price of Cdn\$1.10 per share (equivalent to A\$1.24 per share). The syndicate of underwriters was co-led by CIBC World Markets Inc. and BMO Capital Markets, and included GMP Securities LP, Cormark Securities Inc. and Toll Cross Securities Inc.
- On 27 June 2008, the company completed a private placement of 63 million ordinary shares in MDL at an issue price of A\$0.77 each to raise a total of A\$48.51 million. These were placed outside of Canada and the United States to institutional clients of GMP Securities Europe LLP and Euroz Securities Limited of Australia.

#### (b) Options

The closing share market price of an ordinary share of the company on ASX at 30 June 2008 was \$0.82 (2007 – \$1.33).

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

ASX Code	Issue Date	Expiry Date	Exercise Price \$	2008 No.	2007 No.
MDLAI	28 November 2003	28 November 2008	0.25	1,000,000	1,000,000
MDLAK	1 December 2004	1 December 2009	0.33	5,000,000	5,000,000
MDLAM	31 December 2004	2 January 2010	0.45	285,000	285,000
MDLAO	10 March 2005	10 March 2010	0.65	500,000	500,000
MDLAQ	23 November 2005	23 November 2010	0.85	500,000	500,000
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000	-
MDLAS	1 May 2006	1 May 2011	2.00	1,000,000	1,000,000
MDLAU	19 July 2007	18 July 2012	1.60	2,650,000	-
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000	-
MDLAY	5 December 2007	5 December 2012	1.60	1,000,000	-
Total options outstanding at year end				<u>28,435,000</u>	<u>8,285,000</u>

Full details of the issue and exercise of options during the financial year are contained in Note 31 – Share-Based Payments.

The following options have been issued since 30 June 2008:

ASX Code	Issue Date	Expiry Date	Exercise Price \$	2008 No.	2007 No.
MDLAA	1 July 2008	1 July 2011	1.40	<u>10,000,000</u>	-

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.

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>21. RESERVES</b>				
(a) Foreign currency translation reserve:				
Opening balance	14,705	15,010	-	-
Translation of foreign operations	(2,070,366)	(305)	-	-
Closing balance	<u>(2,055,661)</u>	<u>14,705</u>	<u>-</u>	<u>-</u>
(b) Investments revaluation reserve:				
Opening balance	-	-	-	-
Valuation loss recognised	(68,280)	-	(68,280)	-
Closing balance	<u>(68,280)</u>	<u>-</u>	<u>(68,280)</u>	<u>-</u>
(c) Equity-settled share-based payment reserve:				
Opening balance	1,605,795	1,605,795	1,605,795	1,605,795
- issued to directors and employees	2,405,487	-	2,405,487	-
- issued to financiers	4,745,068	-	4,745,068	-
Closing balance	<u>8,756,350</u>	<u>1,605,795</u>	<u>8,756,350</u>	<u>1,605,795</u>
Total reserves	<u>6,632,409</u>	<u>1,620,500</u>	<u>8,688,070</u>	<u>1,605,795</u>

- (a) The foreign currency translation reserve records exchange differences arising on translation from the functional currencies of the group's foreign controlled entities into Australian dollars which are brought to account by entries made directly to the foreign currency translation reserve.
- (b) 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.
- (c) 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 31 to the financial statements.

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	Consolidated	
	2008	2007
<b>22. EARNINGS PER SHARE</b>		
	Cents per Share	Cents per Share
Basic earnings per share (cents)	(2.29)	(6.96)
Diluted earnings per share (cents)	<u>(2.29)</u>	<u>(6.96)</u>
<b>Basic earnings per share</b>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
	\$	\$
Net loss	<u>(9,028,964)</u>	<u>(20,819,712)</u>
Earnings used in the calculation of basic and diluted EPS	<u>(9,028,964)</u>	<u>(20,819,712)</u>
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	<u>394,989,617</u>	<u>299,317,659</u>

The options on issue throughout 2007 and 2008 are not dilutive in effect, as the consolidated entity recorded a net loss in each of those financial years.

**23. DIVIDENDS**

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

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>24. COMMITMENT FOR EXPENDITURE</b>				
<b>(a) Capital Expenditure Commitments</b>				
The group has commenced its construction phase of the Grande Côte Mineral Sands Project and the Sabodala Gold Project in the Republic of Senegal. Capital expenditure commitments outstanding at 30 June 2008 comprised:				
Grande Côte Mineral Sands Project	1,229,262	5,700,502	-	-
Sabodala Gold Project	29,560,779	38,062,272	-	-
	<u>30,790,041</u>	<u>43,762,774</u>	<u>-</u>	<u>-</u>
- within one year	30,790,041	43,762,774	-	-
- within two to five years	-	-	-	-
	<u>30,790,041</u>	<u>43,762,774</u>	<u>-</u>	<u>-</u>
<b>(b) Exploration Commitments</b>				
The company has committed to spend a total of US\$5.3 million over the next three years in respect of the Sabodala regional exploration programme.				
<b>25. LEASES</b>				
<b>(a) Finance Lease Receivable</b>				
Not later than 12 months	70,152	848,905	-	-
Minimum future lease payments receivable	70,152	848,905	-	-
Less unearned finance income	-	(13,724)	-	-
	<u>70,152</u>	<u>835,181</u>	<u>-</u>	<u>-</u>
Included in the financial statements as Note 8 Current other receivables	<u>70,152</u>	<u>835,181</u>	<u>-</u>	<u>-</u>
<b>(b) Operating Lease Commitments</b>				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
- not later than 12 months	266,102	379,491	197,593	80,807
- between 12 months and five years	257,348	34,673	167,291	-
	<u>523,450</u>	<u>414,164</u>	<u>364,884</u>	<u>80,807</u>
Total operating lease liability	<u>523,450</u>	<u>414,164</u>	<u>364,884</u>	<u>80,807</u>

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### NOTES TO THE FINANCIAL STATEMENTS

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#### 26. 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 30 June 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 Sabodala. The company has agreed that the following amounts will be payable:
- approximately US\$4.2 million to the Government of the Republic of Senegal ("GRS") 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 once-off bonus payment to the GRS for capped mineable reserves exceeding 556,000 ounces for a total of US\$6.52 million;
  - 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.
- (e) 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.
- (f) The company entered into a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited.
- (g) 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.
- (h) The company is required to issue up to 9,000,000 additional options at an exercise price 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 should the Revolving Working Capital Facility remain drawn post 31 December 2008.

The directors are not aware of any other contingent liabilities at 30 June 2008.

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**NOTES TO THE FINANCIAL STATEMENTS  
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(a) Subsidiary entities consolidated	Country of Incorporation	Percentage owned	
		2008	2007
Company and head of tax consolidation group:			
- Mineral Deposits Limited*	Australia		
Subsidiaries of Mineral Deposits Limited:			
- MDL (Mining) Limited* (i)	Australia	100	100
- MDL Gold Limited* (i)	Australia	100	100
- Mineral Deposits (Operations) Pty Ltd*	Australia	100	100
Subsidiaries of MDL (Mining) Limited:			
- HNFL (Holdings) Pty Ltd*	Australia	100	100
- Mineral Deposits Mauritius Limited	Mauritius	100	100
Subsidiaries of MDL Gold Limited:			
- Sabodala Gold (Mauritius) Limited	Mauritius	100	100
- SGML (Capital) Limited	Mauritius	100	-
Subsidiaries of Mineral Deposits Mauritius Limited:			
- MDML (Capital) Limited	Mauritius	100	100
- MDL Senegal SARL	Senegal	100	100
- Grande Côte Operations SA	Senegal	89.5	-
Subsidiaries of Sabodala Gold (Mauritius) Limited:			
- Sabodala Mining Company SARL	Senegal	100	100
- Ausind Sands India Private Limited (ii)	India	72	72
- Sabodala Gold Operations SA	Senegal	89.5	-
Subsidiaries of MDML (Capital) Limited:			
- Mineral Deposits (Operations) Senegal SUARL	Senegal	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.
- (ii) An application to the Indian courts for the winding up of subsidiary Ausind Sands India Private Limited and Mauritius Titanium India Private Limited was made during the previous financial year but has not yet been heard.

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The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are:

<b>INCOME STATEMENT</b>	<b>Consolidated 2008 \$</b>
Interest revenue	2,165,013
Other revenue	197,672
	<hr/>
	2,362,685
Administration expenditure	(7,649,268)
Finance costs	(2,021,874)
Equity settled share based payments	(2,405,487)
Employee benefits expense	(422,344)
Depreciation and amortisation expense	(76,959)
Loss on disposal of property, plant and equipment	(433)
Fair value loss of financial assets	(70,005)
Foreign currency losses (unrealised)	(777,029)
	<hr/>
	(13,423,399)
Loss before tax	(11,060,714)
Income tax expense	-
	<hr/>
Loss for the year	<u>(11,060,714)</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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<b>BALANCE SHEET</b>	<b>Consolidated 2008 \$</b>
<b>Current assets</b>	
Cash and cash equivalents	43,677,124
Trade and other receivables	143,504
Other financial assets – investments	922,300
Other	112,641
<b>Total current assets</b>	<b>44,855,569</b>
<b>Non-current assets</b>	
Receivables	373,982,301
Other financial assets – investments	1,395,844
Property, plant and equipment	159,981
Capitalised mining convention and concession costs	3,325,862
Other intangible assets	29,382
<b>Total non-current assets</b>	<b>378,893,370</b>
<b>Total assets</b>	<b>423,748,939</b>
<b>Current liabilities</b>	
Trade and other payables	5,434,720
Borrowings	32,100,158
Provisions	1,320,155
<b>Total current liabilities</b>	<b>38,855,033</b>
<b>Net assets</b>	<b>384,893,906</b>
<b>Equity</b>	
Issued capital	420,664,054
Reserves	8,688,010
Accumulated losses	(44,458,158)
Equity attributable to equity holders of the parent	384,893,906
Minority interest	-
<b>Total equity</b>	<b>384,893,906</b>

**(b) Subsidiaries acquired or disposed of**

During the period, MDL and the GRS established two Senegalese operating companies, Grande Côte Operations SA and Sabodala Gold Operations SA, to complete construction of the two projects and subsequently extract minerals under the terms of the respective granted mining concessions. These entities were registered on 29 and 31 January 2008 respectively. MDL's wholly owned Mauritian subsidiaries, Mineral Deposits Mauritius Limited and Sabodala Gold (Mauritius) Limited, beneficially control 90% of the shares in the respective operating companies and the GRS holds the remaining 10% interest on a free-carried basis.

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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>28. 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 balance sheet as follows:				
Cash and cash equivalents	45,997,026	48,129,994	43,677,112	21,165,215
Bank overdraft	(633,210)	-	-	-
	<u>45,363,816</u>	<u>48,129,994</u>	<u>43,677,112</u>	<u>21,165,215</u>
<b>Reconciliation of loss for the period to net cash flows from operating activities</b>				
Loss for the year	(9,028,964)	(20,819,712)	(11,056,751)	(7,136,989)
<i>Non cash flows in loss</i>				
Depreciation	904,030	1,025,540	56,211	53,683
Amortisation	20,748	45,669	20,748	11,031
Finance costs	-	-	1,779,998	-
Doubtful debts allowance	-	-	725,892	119,473
Share based remuneration	2,405,487	-	2,405,487	-
Foreign exchange (gain)/loss	853,835	13,350,008	777,029	7,643,203
Profit on sale of non-current assets	(48,452)	(175,318)	(1,452)	-
Loss on disposal of non-current assets	13,433	3,367,374	433	-
Loss on sale of other financial investments	70,005	-	70,005	-
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and term debtors	912,542	(3,030,117)	(89,256)	761,077
(Increase)/decrease in prepayments	(125,662)	118,323	(17,026)	68,934
(Increase)/decrease in accrued income	(7,847)	392,993	(7,847)	392,993
(Increase)/decrease in inventories	(387,116)	(125,746)	-	-
Increase/(decrease) in trade creditors and accruals	(413,477)	3,394,183	(1,878,643)	1,894,603
Increase/(decrease) in other liabilities	567,234	(866,700)	-	-
Increase in employee entitlements	602,736	514,466	422,345	77,265
Increase/(decrease) in rehabilitation provisions	(491,454)	322,686	-	-
	<u>(4,152,920)</u>	<u>(2,486,351)</u>	<u>(6,792,827)</u>	<u>3,885,273</u>
Cash flows from operations				

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### NOTES TO THE FINANCIAL STATEMENTS

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

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

During the year, the company issued options to RMB Australia Holdings Limited ("RMB") and Macquarie Bank Limited ("MBL") as part of the consideration for the provision of a US\$35 million Revolving Working Capital Facility provided by RMB and MBL pursuant to the Facility Agreement between MDL, MDL (Mining) Limited, RMB and MBL dated 10 April 2008.

The options were issued pursuant to the terms of an Option Deed between the parties. Under the terms, 10 million options were issued equally to RMB and MBL on 10 April 2008 and a further 10 million options equally to RMB and MBL following the final drawdown of funds on or about 10 June 2008. On 1 July 2008, an additional 10,000,000 options were issued under the terms of the option deed. The cost of the options issued was \$4,745,068 and has been included within transaction costs and is being amortised by applying the effective interest rate over the expect maturity date, 12 December 2008.

The options are exercisable into fully paid ordinary shares at an exercise price of \$1.40 per option at any time up to the expiry date for each option, i.e. three years after issue date.

The company is required to issue up to 9,000,000 additional options at an exercise price 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 should the Revolving Working Capital Facility remain drawn post 31 December 2008.

#### (c) Financing activities

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Unsecured bank overdraft facility				
- amount used	633,212	-	-	-
- amount unused	-	-	-	-
	<u>633,212</u>	<u>-</u>	<u>-</u>	<u>-</u>
Secured revolving working capital facility				
- amount used	36,514,272	-	36,514,272	-
- amount unused	-	-	-	-
	<u>36,514,272</u>	<u>-</u>	<u>36,514,272</u>	<u>-</u>

On 20 August 2008, MDL announced the first drawdown under the US\$70 million Project Finance facility provided by MBL. A condition precedent of the Project Finance facility was the establishment by the borrower, SGO, of a gold hedging programme.

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

The company has \$408,353 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 for the provision of credit for airline travel and travel related services.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008****29. 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 18, 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.

None of the group's entities are subject to externally imposed capital requirements.

The gearing ratio at year end was as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Financial Assets</b>				
Long and short term debt (Note 18)	32,693,220	-	32,100,158	-
Cash and cash equivalents (Note 35)	45,363,816	48,129,994	43,677,112	31,165,215
Net debt	12,670,596	48,129,994	11,576,954	31,165,215
Total equity	365,884,349	183,347,270	390,651,805	206,055,415
Net debt to equity ratio	29%	26%	3%	15%

**(b) Categories of financial instruments****Financial assets:**

Loans receivable	-	-	372,614,070	178,234,785
Other receivables	1,197,443	4,622,574	143,504	59,482
Cash and cash equivalents	45,997,029	48,129,994	43,677,112	21,165,215
Available-for-sale financial assets (i)	922,300	-	922,300	-

**Financial liabilities:**

Other payables and accruals	42,751,767	7,716,205	5,434,720	2,533,387
Borrowings	32,693,220	-	32,100,158	-

(i) Available-for-sale financial assets include floating rate note.

**(c) 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 market volatility.

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**(d) Foreign currency risk management**

The company and group has certain financial instruments denominated in CFA Franc, Euro and USD. Consequently, the company is exposed to the risk that the exchange rate of the AUD relative to the CFA Franc, Euro and USD 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 USD.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Financial Assets		Financial Liabilities	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Consolidated</b>				
AUD	-	-	2,152,497	-
USD	2,992,105	7,082,309	41,641,592	660,909
EUR	-	6,994,390	-	-
CFA Franc (XOF)	320,824,885	162,866,118	-	-
ZAR	-	-	106,155	1,304,741
Other	-	-	224,939	5,756
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Company</b>				
USD	2,260,057	2,951,663	36,514,272	-
EUR	-	6,994,390	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**Foreign currency sensitivity analysis**

The company and group is mainly exposed to CFA Franc and USD. 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 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 AUD 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.

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	Financial Assets		Financial Liabilities	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CONSOLIDATED</b>				
<b>USD Impact</b>				
Profit or loss	(332,456)	(786,923)	4,626,844	258,184
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EUR Impact</b>				
Profit or loss	-	(777,154)	-	-
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>XOF Impact</b>				
Profit or loss	(35,647,209)	(18,096,235)	239,166	34,628
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>ZAR Impact</b>				
Profit or loss	-	-	89,190	851,294
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Impact</b>				
Profit or loss	-	-	(12,242)	265
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>COMPANY</b>				
<b>USD Impact</b>				
Profit or loss	(251,117)	(327,963)	4,057,141	-
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EUR Impact</b>				
Profit or loss	-	(777,154)	-	-
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

**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.

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### NOTES TO THE FINANCIAL STATEMENTS

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#### (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.

##### 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/lower by 50 basis points and all other variables were held constant, the profit and net assets would increase/decrease by:

	Financial Assets		Financial Liabilities	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>COMPANY AND GROUP</b>				
Profit or loss	229,985	238,150	182,571	-
Other equity	-	-	-	-

#### (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 balance sheet.

#### (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 undiscounted 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.

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	Weighted average effective interest rate %	Due on demand \$	Due one to three months \$	Due between three months to one year \$	Due for more than five years \$	Total \$
<b>Consolidated</b>						
<b>2008</b>						
<i>Financial Liabilities</i>						
Non-interest bearing	-	42,751,767	-	-	-	42,751,767
Variable interest rate instruments	27.0	633,212	2,472,370	39,450,944	-	42,556,526
Financial guarantee contracts		-	-	-	-	-
		<b>43,384,979</b>	<b>2,472,370</b>	<b>39,450,944</b>	<b>-</b>	<b>85,308,293</b>
<b>2007</b>						
<i>Financial Liabilities</i>						
Non-interest bearing		7,716,205	-	-	-	7,716,205
Variable interest rate instruments	-	-	-	-	-	-
Financial guarantee contracts		-	-	-	-	-
		<b>7,716,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,716,205</b>
<b>Company</b>						
<b>2008</b>						
<i>Financial Liabilities</i>						
Non-interest bearing	-	5,434,720	-	-	-	5,434,720
Variable interest rate instruments	27.0	-	2,472,370	39,450,944	-	41,923,314
Financial guarantee contracts		-	-	-	-	-
		<b>5,434,720</b>	<b>2,472,370</b>	<b>39,450,944</b>	<b>-</b>	<b>47,358,034</b>
<b>2007</b>						
<i>Financial Liabilities</i>						
Non-interest bearing	-	2,533,387	-	-	-	2,533,387
Variable interest rate instruments	-	-	-	-	-	-
Financial guarantee contracts		-	-	-	-	-
		<b>2,533,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,533,387</b>

At year end, it was not probable that the counterparty to the financial guarantee contract will claim under contract. Consequently, the amount included above is nil.

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	Weighted average effective interest rate %	Due on demand \$	Due one to three months \$	Due between three months to one year \$	Due for more than five years \$	Total \$
<b>Consolidated</b>						
<b>2008</b>						
<i>Financial Assets</i>						
Non-interest bearing	-	1,197,443	-	-	-	1,197,443
Variable interest rate instruments	8.36	-	20,851	997,598	-	1,018,449
Finance lease receivable	5.0	70,152	-	-	-	70,152
		<u>1,267,595</u>	<u>20,851</u>	<u>997,598</u>	<u>-</u>	<u>2,286,044</u>
<b>2007</b>						
<i>Financial Assets</i>						
Non-interest bearing	-	3,787,393	-	-	-	3,787,393
Variable interest rate instruments	-	-	-	-	-	-
Finance lease receivable	5.0	-	-	835,181	-	835,181
		<u>3,787,393</u>	<u>-</u>	<u>835,181</u>	<u>-</u>	<u>4,622,574</u>
<b>Company</b>						
<b>2008</b>						
<i>Financial Assets</i>						
Non-interest bearing	-	143,504	-	-	372,614,070	372,757,574
Variable interest rate instruments	8.36	-	20,851	997,598	-	1,018,449
		<u>143,504</u>	<u>20,851</u>	<u>997,598</u>	<u>372,614,070</u>	<u>373,776,023</u>
<b>2007</b>						
<i>Financial Assets</i>						
Non-interest bearing	-	59,482	-	-	178,234,785	178,294,267
Variable interest rate instruments	-	-	-	-	-	-
		<u>59,482</u>	<u>-</u>	<u>-</u>	<u>178,234,785</u>	<u>178,294,267</u>

**(h) Off-balance sheet derivative instruments**

As at 30 June 2008, the company did not utilise any off-balance sheet derivative instruments. Subsequent to 30 June 2008, the company drew down its project finance facility and gold hedging programme with MBL, whereby 227,000 ounces of uncommitted put options at a strike price of US\$861.35 per ounce were purchased with exercise dates between February 2009 and February 2013.

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### NOTES TO THE FINANCIAL STATEMENTS

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(i) **Commodity contracts**

As at 30 June 2008, the company did not have in place any commodity contracts. Subsequent to 30 June 2008, a condition precedent of the project finance facility and gold hedging programme with MBL was the establishment by MDL of a gold hedging programme and this programme has been completed. It has been constructed to be a mix of forward sales and put options. In total, 460,000 ounces of gold has been committed for delivery between February 2009 and February 2013 at a delivery price of US\$861.35 per ounce.

(j) **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.:

### 30. SEGMENT REPORTING

The activities of the company can be separated into mineral sands activities and gold activities. The mineral sands activities incorporate exploration and development activities in Senegal in relation to the Grande Côte Mineral Sands Project. The gold activities incorporate the company's exploration, development and construction in Senegal in relation to the Sabodala Gold Project and regional exploration works in the Sabodala area.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**
**(a) Primary Reporting – Business Segments**

	Mineral sands activities		Gold activities		Total	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>						
External sales	-	-	-	-	-	-
Other revenue	26,374	2,492,224	16,460	15,834	42,834	2,508,058
Unallocated revenue					2,424,461	3,408,884
Total income from ordinary activities					2,467,295	5,916,942
<b>Results:</b>						
Segment result	(346,348)	(7,161,066)	(139,372)	(4,397,215)	(485,720)	(11,558,281)
Unallocated expenses net of unallocated revenue					(8,487,993)	(9,261,431)
Loss from ordinary activities before income tax expense					(8,973,713)	(20,819,712)
Income tax expense					(55,251)	-
Net loss					(9,028,964)	(20,819,712)
<b>Assets:</b>						
Segment assets	92,635,723	74,499,593	300,509,075	98,297,490	393,144,798	172,797,083
Unallocated assets					50,467,147	20,318,689
Total assets					443,611,945	193,115,772
<b>Liabilities:</b>						
Segment liabilities	1,935,665	3,071,826	36,730,122	5,751,421	38,665,787	8,823,247
Unallocated liabilities					39,061,809	945,255
Total liabilities					77,727,596	9,768,502
<b>Other:</b>						
Depreciation and amortisation of segment assets	-	1,006,495	-	-	-	1,006,495
Unallocated					357,683	64,714
					357,683	1,071,209

**(b) Secondary Reporting – Geographical Segments**

	Segment revenue		Segment results		Carrying amounts of segment assets	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Australia	10,000	245,130	(8,539,339)	(13,023,702)	50,767,168	20,391,302
Mauritius	22,086	2,262,928	(489,625)	(7,796,010)	52,158,937	20,736,151
Republic of Senegal						
- Mineral sands	10,748	-	-	-	84,354,466	66,233,976
- Gold	-	-	-	-	256,331,374	85,754,343
	42,834	2,508,058	(9,028,964)	(20,819,712)	443,611,945	193,115,772

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**31. SHARE-BASED PAYMENTS**

(a) The following share options were granted during the year ended 30 June 2008:

ASX Code	Grant Date	Expiry Date	Exercise Price (\$)	No.
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000
MDLAU	19 July 2007	18 July 2012	1.60	2,650,000
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000
MDLAY	5 December 2007	5 December 2012	1.60	<u>1,000,000</u>
				<u>20,150,000</u>

On 1 July 2008, the company issued a further 10,000,000 unlisted option pursuant to the terms of the option deed between the company and RMB and MBL.

MDLAA	1 July 2008	1 July 2011	1.40	<u>10,000,000</u>
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**(b) Director and Employee Share Options**

The following options were outstanding during the periods ended 30 June 2008 and 30 June 2007:

- On 23 November 2003, 1,000,000 share options were granted to executive directors to accept ordinary shares at an exercise price of \$0.25 (MDLAI). The options are exercisable at any time before 28 November 2008. The options hold no voting or dividend rights, are not transferable except with the prior written approval of the company and lapse if not exercised during the option period. Since balance date, no director has ceased employment. At balance date, no share option has been exercised.
- On 1 December 2004, 5,000,000 share options were granted to executive directors to accept ordinary shares at an exercise price of \$0.33 (MDLAK). The options are exercisable at any time before 1 December 2009. The options hold no voting or dividend rights, are not transferable except with the prior written approval of the company and lapse if not exercised during the option period. Since balance date, no director has ceased employment. At balance date, no share option has been exercised.
- On 31 December 2004, 450,000 share options were granted under the MDL Employee Option Plan to take up ordinary shares at an exercise price of \$0.45 (MDLAM). The options are exercisable at any time before 2 January 2010. The options hold no voting or dividend rights and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from the date of termination. At balance date, 165,000 share options had been exercised and shares issued.
- On 10 March 2005, 500,000 share options were granted under the MDL Employee Option Plan to take up ordinary shares at an exercise price of \$0.65 (MDLAO). The options are exercisable at any time before 10 March 2010. The options hold no voting or dividend rights and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from the date of termination. At balance date, no share options had been exercised.
- On 23 November 2005, 1,500,000 share options were granted to non-executive directors to accept ordinary shares at an exercise price of \$0.85 (MDLAQ). The options are exercisable at any time before 23 November 2010. The options hold no voting or dividend rights, are not transferable except with the prior written approval of the company and lapse if not exercised during the option period. Following the resignation of one director, 500,000 share options remain outstanding in this class. At balance date, no share options had been exercised.

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### NOTES TO THE FINANCIAL STATEMENTS

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- On 1 May 2006, 1,000,000 share options were granted under the MDL Employee Option Plan to take up ordinary shares at an exercise price of \$2.00 (MDLAS). The options are exercisable at any time before 1 May 2011. The options hold no voting or dividend rights and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from the date of termination. At balance date, no share options had been exercised.
- On 19 July 2007, 2,650,000 share options were granted to senior personnel and employees to accept ordinary shares at an exercise price of \$1.60 (MDLAU). These share options were issued under the employee share option plan. The options fully vest on 19 July 2009, and are exercisable at any time before 18 July 2012. The options hold no voting or dividend rights, and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from date of termination.
- On 29 November 2007 shareholders approved the issue of 6,500,000 share options (MDLAW) to directors to accept ordinary shares at an exercise price of \$1.60 at any time (subject to vesting conditions, fifty percent of the options issued to each director will vest on the first commercial product sales in respect of the Sabodala Gold Project or in the event the company's interest in the Sabodala Gold Project is sold, joint ventured, farmed out or its value similarly realised. The remaining 50% of the options will vest on the first commercial product sales in respect of the Grande Côte Mineral Sands Project or in the event the company's interest in the Grande Côte Mineral Sands 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 29 November 2012. The option will lapse and be cancelled if prior to the vesting date, the director of the Company to which the option relates resigns or the office of that director becomes vacant pursuant to clause 60.1 of the Company's Constitution.
- On 5 December 2007, 1,000,000 share options were granted to a senior executive (MDLAY) to accept ordinary shares at an exercise price of \$1.60 at any time (subject to vesting conditions, fifty percent of the options issued to each director will vest on the first commercial product sales in respect of the Sabodala Gold Project or in the event the company's interest in the Sabodala Gold Project is sold, joint ventured, farmed out or its value similarly realised. The remaining 50% of the options will vest on the first commercial product sales in respect of the Grande Côte Mineral Sands Project or in the event the company's interest in the Grande Côte Mineral Sands 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 4 December 2012. When the employee ceases employment, the options will lapse from date of termination.

Share-based payments to directors and employees are measured at fair value at the date of grant and are expensed where there is no vesting conditions and in cases where a vesting restriction exists, amortised over the vesting period. As allowed under Accounting Standards, the fair value is determined using a binomial options valuation model. The company has elected not to recognise options granted and vested prior to 1 January 2005.

During the year, share based payments to directors and employees were expensed using a binomial option pricing model. Where relevant, the expected life in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including probability of meeting market conditions attached to the options) and behavioural considerations. Expected volatility is based on the historical share price volatility. To allow for the effects of early exercise, it was assumed that executives and employees would exercise the options after vesting date when the share price was one and three quarters times the exercise price.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Option Series	MDLAU	MDLAW	MDLAY
Issue date	19 July 2007	29 November 2007	5 December 2007
Number of options issued	2,650,000	6,500,000	1,000,000
Weighted average exercise price	\$1.60	\$1.60	\$1.60
Weighted average life of option	5 years	5 years	5 years
Underlying share price	\$1.48	\$1.30	\$1.48
Expected share price volatility	54%	53%	53%
Risk free interest rate	6.28%	6.31%	6.28%
Weighted average fair value	\$0.63	\$0.50	\$0.63
Total value of options	\$1,676,829	\$3,227,716	\$634,939
Value of options expensed during period	\$794,890	\$1,229,475	\$381,122

Included under administration expenses in the income statement is \$2,405,487 (2007 – nil) and relates, in full, to equity settled share based payment transactions issued to directors and employees.

#### (c) Options issued under terms of options deed between the company and their financiers

On 10 April 2008, the company issued options to RMB Australia Holdings Limited (“RMB”) and Macquarie Bank Limited (“MBL”) as part of the consideration for the provision of a US\$35 million Revolving Working Capital Facility provided by RMB and MBL pursuant to the Facility Agreement between MDL, MDL (Mining) Limited, RMB and MBL dated 10 April 2008. The options were issued pursuant to the terms of an Option Deed between the parties. Ten million share options were issued equally to RMB and MBL on 10 April 2008 and a further 10 million options equally to RMB and MBL following the final drawdown of funds on or about 10 June 2008. The options are exercisable into fully paid ordinary shares at an exercise price of \$1.40 per option at any time up to the expiry date for each option, i.e. three years after issue date.

The value of the financing costs paid through the option issue cannot be measured reliably as they were a condition of the financing facility and consequently the fair value of the transaction costs has been measured by reference to the value of the options granted.

Share based payments to the company's financiers in the financial year were capitalised using the Black Scholes option pricing model applying the following inputs:

Option Series	MLDAZ/MDLAA
Issue date	10 April / 1 July 2008
Number of options issued	20,000,000
Weighted average exercise price	\$1.40
Weighted average life of option	3 years
Weighted average underlying share price	\$0.95
Weighted average expected share price volatility	47%
Weighted average risk free interest rate	6.23%
Weighted average fair value	\$0.24
Value of options included within transactions costs	\$4,745,068

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The options value was recognised using a weighted average based on the daily drawdown amount to amount fully drawdown on 10 June 2008. The cost of the options issued was \$4,745,068 which has been included within transaction costs and is being amortised by applying the effective interest rate over the expect maturity date, 12 December 2008.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

In addition, the company is required to issue up to 9,000,000 additional options at an exercise price 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 should the Revolving Working Capital Facility remain drawn post 31 December 2008.

	2008		2007	
	Number of options	Weighted Average Exercise Price \$	Number of options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	8,285,000	0.62	9,895,000	0.59
Granted	30,150,000	1.47	-	-
Exercised	-	-	(810,000)	0.53
Lapsed	-	-	(800,000)	0.45
Outstanding at year-end	<u>38,435,000</u>	<u>1.28</u>	<u>8,285,000</u>	<u>0.62</u>
Exercisable at year-end	<u>28,285,000</u>	<u>1.17</u>	<u>8,285,000</u>	<u>0.62</u>

There were no share options exercised during the year ended 30 June 2008 (2007 - 810,000 with a weighted average share price at exercise date of \$0.53).

The options outstanding at 30 June 2008 had a weighted average remaining contractual life of 2.97 years (2007 - 2.55 years). Exercise prices range from \$0.25 to \$2.00 in respect of options outstanding at 30 June 2008.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>32. AUDITORS' REMUNERATION</b>				
<b>Auditor of the parent entity</b>				
Audit or review of financial reports of the entity	93,551	50,000	93,551	42,000
Other non-audit services – TSX listing	75,289	-	75,289	-
Other non-audit services – taxation advice	27,950	72,756	27,950	41,055
Total remuneration – Deloitte Touche Tohmatsu	<u>196,790</u>	<u>122,756</u>	<u>196,790</u>	<u>83,055</u>
<b>Related practice of the parent entity auditor</b>				
Other non-audit services	5,128	-	5,128	-
<b>Other auditors</b>				
Audit or review of financial reports of the entity	134,522	39,669	-	-
Preparation of tax return	2,270	-	-	-
Other non-audit services	26,994	28,491	-	-
Total remuneration – other auditors	<u>163,787</u>	<u>68,160</u>	<u>-</u>	<u>-</u>

The auditors did not receive any other benefits.

The auditor of the company is Deloitte Touche Tohmatsu.

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#### 33. SUBSEQUENT EVENTS

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

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

On 6 August 2008, the company announced that shareholders had approved 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. The amount raised was \$48.51 million (before costs).

On 20 August 2008, MDL announced the first drawdown under the US\$70 million Project Finance facility provided by Macquarie Bank Limited. A condition precedent of the Project Finance facility was the establishment by the borrower, SGO, of a gold hedging programme and this programme has been completed.

#### 34. KEY MANAGEMENT PERSONNEL COMPENSATION

##### Total Key Management Personnel Compensation

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

	Consolidated/Company	
	2008	2007
	\$	\$
Short term employee benefits	2,210,528	1,456,299
Post employment benefits	161,784	558,050
Equity-settled share based payments	1,805,571	-
	<u>4,177,883</u>	<u>2,014,349</u>

Consolidated		Company	
2008	2007	2008	2007
\$	\$	\$	\$

#### 35. CASH AND CASH EQUIVALENTS

Cash at bank and cash on hand	44,078,369	6,038,305	43,427,112	2,806,636
Deposits at call	-	9,273,650	-	9,273,650
Term deposits	1,918,660	32,818,039	250,000	9,084,929
	<u>45,997,029</u>	<u>48,129,994</u>	<u>43,677,112</u>	<u>21,165,215</u>

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**36. RELATED PARTY TRANSACTIONS**

**(a) Equity interests in related parties**

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 27 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.

*Key management personnel equity holdings:*

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

	Balance as at 1 July 2007	Received as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2008
<b>2008</b>					
<b>Directors</b>					
Nicholas J Limb	2,083,528	-	-	-	2,083,528
Jeffrey W Williams	362,400	-	-	-	362,400
Martin C Ackland	25,000	-	-	-	25,000
Clever G Da Fonseca	-	-	-	-	-
David J Isles	137,000	-	-	-	137,000
Oliver Lennox-King	-	-	-	-	-
<b>Key Executives</b>					
Melvyn J S Drummond	113,333	-	-	-	113,333
Christopher H Young	100,000	-	-	-	100,000
John Dorward	25,000	-	-	-	25,000
Owen Cavanough	54,000	-	-	15,651	69,651
<b>TOTAL</b>	<b>2,900,261</b>	<b>-</b>	<b>-</b>	<b>15,651</b>	<b>2,915,912</b>
	Balance as at 1 July 2006	Received as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2007
<b>2007</b>					
<b>Directors</b>					
Nicholas J Limb	2,083,528	-	-	-	2,083,528
Jeffrey W Williams	362,400	-	-	-	362,400
Martin C Ackland	21,833	-	-	3,167	25,000
David J Isles	137,000	-	-	-	137,000
Jacobus C Strauss**	200,000	-	-	(200,000)	-
Kevin J Ross	827,845	-	-	(827,845)	-
<b>Key Executives</b>					
Melvyn J S Drummond	133,333	-	-	(20,000)	113,333
Christopher H Young	100,000	-	-	-	100,000
John Dorward	-	-	-	25,000	25,000
Owen Cavanough	-	-	-	54,000	54,000
<b>TOTAL</b>	<b>3,865,939</b>	<b>-</b>	<b>-</b>	<b>(965,678)</b>	<b>2,855,261</b>

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

\*\* Net change other represents the adjustment as a result of the resignation of the respective director during the year.

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The aggregate number of shares held by directors of the company or their director related entities at year-end was 2,607,928 (2007 – 2,607,928).

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

	Granted No.	Grant date	Grant date fair value \$	Exercise price \$	First exercise date	Last exercise date
<b>2008</b>						
<b>Directors (i)</b>						
N J Limb	1,500,000	29 November 2007	0.32	1.60	(i)	29 November 2012
J W Williams	1,500,000	29 November 2007	0.32	1.60	(i)	29 November 2012
M C Ackland	1,500,000	29 November 2007	0.32	1.60	(i)	29 November 2012
C G Da Fonseca (iii)	1,000,000	4 December 2007	0.41	1.60	(i)	4 December 2012
R V Danchin	1,000,000	29 November 2007	0.32	1.60	(i)	29 November 2012
O Lennox-King	<u>1,000,000</u>	29 November 2007	0.32	1.60	(i)	29 November 2012
	<u>7,500,000</u>					
<b>Executives (ii)</b>						
M J Drummond	250,000	19 July 2007	0.79	1.60	19 July 2009	18 July 2012
J A Dorward	250,000	19 July 2007	0.79	1.60	19 July 2009	18 July 2012
O J Cavanough	<u>150,000</u>	19 July 2007	0.79	1.60	19 July 2009	18 July 2012
	<u>650,000</u>					

- (i) The term of each option is five years. Fifty percent of the options issued to each director will vest on the first commercial product sales in respect of the Sabodala Gold Project or in the event the company's interest in the Sabodala Gold Project is sold, joint ventured, farmed out or its value similarly realised. The remaining 50% of the options will vest on the first commercial product sales in respect of the Grande Côte Mineral Sands Project or in the event the company's interest in the Grande Côte Mineral Sands 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. The options hold no voting or dividend rights, and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from date of termination.
- (ii) All share options issued to key management personnel during the year were in accordance with the terms of the MDL option plan. The options fully vest on 19 July 2009, and are exercisable at any time before 18 July 2012. The options hold no voting or dividend rights, and are not transferable except with the prior written approval of the board. When an employee ceases employment, the options lapse from date of termination.
- (iii) Issued under the terms of the MDL option plan. Mr Fonseca was appointed as a director on 1 April 2008. The vesting conditions on this issue are outlined in (i) above.

All options granted as part of remuneration are exercisable at any time up to and including expiry date.

NOTES TO THE FINANCIAL STATEMENTS  
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Options and Rights Holdings

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

	Balance as at 1 July 2007	Granted as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2008	Total Vested 30 June 2008	Total Exercisable 30 June 2008	Total Unexercisable 30 June 2008
<b>2008</b>								
<b>Directors</b>								
Nicholas J Limb	2,500,000	1,500,000	-	-	4,000,000	2,500,000	2,500,000	1,500,000
Jeffrey W Williams	2,500,000	1,500,000	-	-	4,000,000	2,500,000	2,500,000	1,500,000
Martin C Ackland	1,000,000	1,500,000	-	-	2,500,000	1,000,000	1,000,000	1,500,000
Clever G Da Fonseca	-	1,000,000	-	-	1,000,000	-	-	1,000,000
David J Isles	500,000	-	-	-	500,000	500,000	500,000	-
Robert V Danchin	-	1,000,000	-	-	1,000,000	-	-	1,000,000
Oliver Lennox-King	-	1,000,000	-	-	1,000,000	-	-	1,000,000
<b>Key Executives</b>								
Melvyn J S Drummond	500,000	250,000	-	-	750,000	500,000	500,000	250,000
John A Dorward	-	250,000	-	-	250,000	-	-	250,000
Owen J Cavanough	-	150,000	-	-	150,000	-	-	150,000
<b>TOTAL</b>	<b>7,000,000</b>	<b>8,150,000</b>	<b>-</b>	<b>-</b>	<b>15,150,000</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>8,150,000</b>

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

The aggregate number of options of all classes held by directors of the company or their director related entities at year-end was 14,000,000 (2007 – 6,500,000).

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	Balance as at 1 July 2006	Granted as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2007	Total Vested 30 June 2007	Total Exercisable 30 June 2007	Total Unexercisable 30 June 2007
<b>2007</b>								
<b>Directors</b>								
Nicholas J Limb	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000	-
Jeffrey W Williams	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000	-
Martin C Ackland	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000	-
David J Isles	500,000	-	-	-	500,000	500,000	500,000	-
Jacobus C Strauss	800,000	-	-	(800,000)	-	-	-	-
<b>Key Executives</b>								
Melvyn J S Drummond	500,000	-	-	-	500,000	500,000	500,000	-
<b>TOTAL</b>	<b>7,800,000</b>	<b>-</b>	<b>-</b>	<b>(800,000)</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>7,000,000</b>	<b>-</b>

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

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#### (c) Transactions with other related parties

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

During the year, the following transactions occurred between the company and its related parties:

Amounts advanced during the period:

- MDL Gold Limited	\$172,853,139
- MDL (Mining) Limited	\$21,526,146
- MDML (Capital) Limited	\$2,480,063
- SGML (Capital) Limited	<u>\$1,868,746</u>
	<u>\$194,379,285</u>

Balances at 30 June 2008:

- MDL Gold Limited	\$273,923,904
- MDL (Mining) Limited	\$94,341,357
- MDML (Capital) Limited	\$2,480,063
- SGML (Capital) Limited	<u>\$1,868,746</u>
	<u>\$372,614,070</u>

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 2008, the following transaction occurred between the group and its related parties:

- During the year, technical service was provided by the company's subsidiary Mineral Deposits Mauritius Limited to its related party Grande Cote Operations SA. The company charged \$322,822 (2007 – nil) in relation to the provision of these services in accordance with the Technical Service Fee agreement.
- During the year, technical service was provided by the company's subsidiary Sabodala Gold (Mauritius) Limited to its related party Sabodala Gold Operations SA. The company charged \$2,520,007 (2007 – nil) in relation to the provision of these services in accordance with the Technical Service Fee agreement.
- During the year, rental hire of heavy mobile equipment was provided by the company's subsidiary MDML (Capital) Limited to its related parties MDL Senegal SUARL, Grande Cote Operations SA, Sabodala Mining Company SARL and Sabodala Gold Operations SA. The company charged \$1,802,418 (2007 – \$2,485,094) in relation to the provision of these services.
- During the year, 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 \$447,512 (2007 – nil) in relation to the provision of these services.

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

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### NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

#### (d) Transactions with director related entities

- During the year, office accommodation/facilities were provided by the consolidated entity at commercial rates to a related party, Cockatoo Ridge Wines Limited, of which Messrs N J Limb was and M J S Drummond continues to be a director. The company charged \$3,300 (2007 – \$6,300) (excluding GST) in relation to the provision of these services to 30 June 2008.
- During the year, office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Gippsland Offshore Petroleum Limited of which Mr N J Limb continues as a non-executive director. The company charged \$81,410 (2007 – \$74,000) (excluding GST) in relation to the provision of these services to 30 June 2008.
- During the year, office accommodation/facilities were provided by the consolidated entity at commercial rates to XDM Resources Inc of which Mr O Lennox-King was a non-executive director. The company charged \$28,375 (2007 – nil) (excluding GST) in relation to the provision of these services to 30 June 2008.
- During the year, technical assistance, office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Stellar Resources Limited of which Messrs D J Isles and M J S Drummond continue as director and company secretary respectively. The company charged \$109,750 (2007 – \$28,667) (excluding GST) in relation to the provision of these services to 30 June 2008.
- An amount of \$285,000 (2007 – \$285,000) was paid for consulting fees provided to the company by Mineral Properties Pty Ltd of which Mr M C Ackland is a director and has a beneficial interest. These amounts are also disclosed in the Directors' Remuneration Report.
- During the year, geological services were provided to the consolidated entity by The Goongarrie Trust of which Dr D J Isles is trustee and a beneficiary. The Goongarrie Trust charged \$58,175 (2007 - \$47,146) (excluding GST) in relation to the provision of these services to 30 June 2008. Dr Isles continues as a director of the company. These amounts are also disclosed in the Directors' Remuneration Report.

Amounts due from Cockatoo Ridge Wines Limited, Gippsland Petroleum Limited, and Stellar Resources Limited are disclosed as amounts due from other related parties in Note 7. None are overdue or impaired.

#### 37. 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, MDL is exempt from certain requirements otherwise imposed on reporting issuers in Canada.

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### DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Act 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated entity.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company and the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year 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 27 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.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.



J W Williams  
Director



M C Ackland  
Director

Dated at Melbourne this 26<sup>th</sup> day of September 2008.

## **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 balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 35 to 93.

#### *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 3, 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.

# Deloitte.

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 company's and consolidated entity's financial position as at 30 June 2008 and of their 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 pages 28 to 33 of the directors' report for the year ended 30 June 2008. 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 2008, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

**DELOITTE TOUCHE TOHMATSU**

*M. J. Schofield*

M J Schofield

Partner

Chartered Accountants

Melbourne, 26 September 2008

## 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 2008 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*

**DELOITTE TOUCHE TOHMATSU**

*M. J. Schofield*

**M J Schofield**

Partner

Chartered Accountants

Melbourne, 26 September 2008

**MINERAL DEPOSITS LIMITED**

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**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 22 September 2008 was 483,619,234 ordinary shares fully paid.

**(a) Distribution of Shareholder Numbers**

Size of Holding	Number of Shareholders	Number of Shares Held	%
1 - 1,000	208	139,779	0.03
1,001 - 5,000	992	2,982,451	0.62
5,001 - 10,000	584	4,622,469	0.96
10,001 - 100,000	931	28,448,513	5.88
100,001 - 9,999,999,999	169	447,426,022	92.51
	<u>2,884</u>	<u>483,619,234</u>	<u>100.00</u>

(b) There were 129 shareholders who held less than a marketable parcel (834 shares) based on the market price of \$0.60.

(c) The names of the substantial shareholders listed in the holding company's register as at 22 September 2008 are:

Name	Number of Shares Held	%
1. HSBC Custody Nominees (Australia) Limited	112,225,605	23.21
2. Canadian Register Control	81,183,251	16.79
3. National Nominees Limited	45,537,013	9.42
4. AZN Nominees Limited <Cash Income A/C>	31,009,312	6.41
5. J P Morgan Nominees Australia Limited	28,107,982	5.81
6. Citicorp Nominees Pty Limited	24,473,032	5.06
	<u>322,536,195</u>	<u>66.70</u>

**MINERAL DEPOSITS LIMITED**

ABN 19 064 377 420

AND SUBSIDIARIES

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

## (d) 20 Largest Shareholders – Ordinary Shares

Name	Number of Shares Held	%
1. HSBC Custody Nominees (Australia) Limited	112,225,605	23.21
2. Canadian Register Control	81,183,251	16.79
3. National Nominees Limited	45,537,013	9.42
4. AZN Nominees Limited <Cash Income A/C>	31,009,312	6.41
5. J P Morgan Nominees Australia Limited	28,107,982	5.81
6. Citicorp Nominees Pty Limited	24,473,032	5.06
7. Actis Capital LLP	18,500,000	3.83
8. HSBC Custody Nominees (Australia) Limited - A/C 3	10,188,105	2.11
9. Actis Capital LLP	9,400,000	1.94
10. HSBC Custody Nominees (Australia) Limited-GSCO ECSA	6,443,382	1.33
11. African Lion 2 Limited	6,000,000	1.24
12. Invia Custodian Pty Limited <Black A/C>	4,851,953	1.00
13. African Lion 2 Limited	4,600,000	0.95
14. HSBC Custody Nominees (Australia) Limited - A/C 2	4,305,958	0.89
15. HSBC Custody Nominees (Australia) Limited-GSCO ECA	4,029,584	0.83
16. Macquarie Bank Limited <Metals & Mining Divn A/C>	3,863,748	0.80
17. Cogent Nominees Pty Limited	3,071,962	0.64
18. Bond Street Custodians Limited <Officium Emerging Res A/C>	2,366,053	0.49
19. Fountain Oaks Pty Ltd <Limbs Family Super Fund A/C>	1,396,667	0.29
20. Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	1,218,853	0.25
	<b>402,772,460</b>	<b>83.29</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

38,435,000 options are held by 34 individual optionholders. Options do not carry a right to vote.

**2. TENEMENT SCHEDULE**

Project	Tenement Number	Interest %
Fullerton	Mining Lease 1414	100
Hawks Nest	Special Lease 400	100
	Mining Purposes Lease 217	100
	Mining Purposes Lease 218	100
	Mining Purposes Lease 1398	100
Stockton	Special Lease 598	100
Grande Côte	Concession minière Décret No. 1326-2007	100
Sabodala	Concession minière Décret No. 564-2007	100
Massakounda	Permis de recherche Arrêté No. 202-2005	80 JV
Dembala Berola	Permis de recherche Arrêté No. 197-2005	80 JV
Makana	Permis de recherche Arrêté No. 10454-2004	80 JV
Bransan	Permis de recherche Arrêté No. 6933-2006	70 JV

## 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) (appointed 1 April 2008)  
David J Isles (non-executive)  
Robert V Danchin (non-executive)  
Oliver Lennox-King (non-executive) (appointed 27 November 2007)

#### COMPANY SECRETARY

Melvyn J Drummond

#### REGISTERED OFFICE

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

Telephone: +61 3 9909 7633  
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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

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Dakar  
Senegal

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Facsimile: +221 338 603 683

#### SOLICITORS

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Melbourne, Victoria 3000  
Australia

#### TAX AGENTS AND ADVISERS

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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