



Mineral Deposits Limited

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2008**

Expressed in Australian dollars unless otherwise stated

MINERAL DEPOSITS LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2008

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

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

The following MD&A of the company is in relation to the financial year ended June 30, 2008 and should be read in conjunction with the audited financial statements for the financial year ended June 30, 2008 and the notes thereto. The effective date of this report is September 26, 2008.

1. OVERVIEW SUMMARY

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

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

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

2. OVERALL PERFORMANCE

Highlights for the financial year ended June 30, 2008 include:

Sabodala Gold Project

- Construction at the SGP was 70% complete.
- MDL incorporated a new operating company, Sabodala Gold Operations SA ("SGO"), to own and operate the SGP. MDL holds a 90% indirect interest in SGO while the Government of the Republic of Senegal ("GRS") owns the 10% balance.
- A global resource estimate of 2.74 million ounces and a mineable gold reserve of 1.41 million ounces were announced on October 27, 2007. Following year-end, an updated global gold resource of 3.51 million ounces was announced in September 2008.
- The main mining fleet has been delivered to site and has commenced production activities.
- Gold production is forecast to commence at the SGP during December 2008.

Grande Côte Mineral Sands Project

- MDL and GRS finalised arrangements for the development of the GCMSP on September 24, 2007.
- MDL incorporated a new operating company, Grande Côte Operations SA ("GCO"), to own and operate the GCMSP. MDL holds a 90% indirect interest in GCO while the GRS owns the 10% balance.
- New testwork has been undertaken to reoptimise the recovery of zircon and ilmenite in light of increased interest in the ilmenite product stream.
- Fabrication of the mine dredge pump completed.
- Aerial photography was acquired across the whole site to provide an accurate topographic surface along the dunal system.

Corporate

- The company successfully listed on the TSX on December 20, 2007.
- Negotiation of a US\$130 million debt financing package was completed with leading Australian mining finance institutions.
- Three capital raisings were completed during the course of the 12 months to raise a combined \$198.5 million for the advancement of the company's Senegalese projects.
- A representative office was opened in Toronto.

3. CASH POSITION AND CAPITAL RESOURCES

As at June 30, 2008, the company held cash and cash equivalents of \$46 million.

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

During the course of the year ended June 30, 2008, the company drew down US\$35 million from RMB Australia Holdings Limited ("RMB") and MBL under the RMB Resources Limited arranged Revolving Working Capital Facility. As part of this finance facility, the company issued 10 million options at an exercise price of \$1.40 per option to each of MBL and RMB. In addition, the company is required to issue up to nine million 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 December 31, 2008 plus 15% on a pro rata basis should the Revolving Working Capital Facility remain drawn post December 31, 2008.

As announced to the ASX and TSX on August 20, 2008, the company has made its initial drawdown under the MBL project finance facility. Currently, the project finance loan balance stands at US\$40 million. As part of the requirements for accessing the project finance facility, the company was required to put a gold price protection programme in place. Details of the outstanding gold hedging positions can be found below under *Gold Hedging*.

4. CAPITAL RAISINGS

During the year, the company raised equity capital to further the development of the SGP and GCMSF, as well as for corporate overhead and general working capital expenses. These were:

- On July 2, 2007, MDL successfully completed an \$94 million share placement involving the issue of 75 million shares at an issue price of \$1.25 per share. The placement was managed by Euroz Securities in Perth, Western Australia. Shares under the placement were issued in two tranches. The first tranche (44 million shares), raising \$56.1 million before costs, was settled on July 10, 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 August 6, 2007 and was settled on August 9, 2007.
- On December 13, 2007, MDL successfully completed a Cdn\$50 million (\$56 million) share placement involving the issue of 45.5 million shares at an issue price of Cdn\$1.10 per share (equivalent to \$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.

In addition to the above equity capital raisings, on August 6, 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).

Following the above share issues, the company has 483,619,234 ordinary shares and 28,435,000 options at various exercise prices and expiry dates on issue.

5. RESULTS OF OPERATIONS

Net loss for the year ended June 30, 2008 was \$9,028,964 compared to a net loss of \$20,819,712 during the corresponding period in 2007.

The main reason that the net loss for the year ended June 30, 2008 was smaller than the corresponding period in 2007 was the difference in unrealised foreign currency losses. The unrealised foreign currency loss for the year ended June 30, 2008 was \$908,586, compared to an unrealised loss of \$13,350,007 for the corresponding 12 month period ended June 30, 2007.

Other significant differences related to interest revenue which dropped to \$2,174,555 during 2008 compared to \$5,390,969 for the year ended June 30, 2007. The decline in interest received is due to the lower level of average balances held during the course of 2008. Finance costs were higher in 2008 at \$2,021,874 compared with nil in 2007 and are essentially a result of the drawdown of funds under the Revolving Working Capital Facility.

Employee benefits were higher in 2008, largely due to the requirement to expense equity-settled share-based payments of \$2,405,487, compared to nil for the year ended June 30, 2007.

The diluted loss per share for the year ended June 30, 2008 was 2.29 Australian cents per share compared with a diluted loss of 6.96 Australian cents per share in the corresponding 12 month period ended June 30, 2007. The reduced diluted loss per share is largely a result of the smaller loss for the year ended June 30, 2008 compared with the corresponding period ended June 30, 2007, as well as the higher number of shares on issue as at June 30, 2008.

6. BALANCE SHEET

As at June 30, 2008, the company had total assets of \$443,611,945 and total liabilities of \$77,727,596 with net assets of \$365,884,349. Net assets as at June 30, 2007 were \$183,347,270 and the increase in net assets between the two periods was a result of the equity capital raisings that occurred in the period. The funds raised from these capital raisings were invested in the company's two projects, as well as providing general working capital. The investment in the company's projects is highlighted by the increases in property plant and equipment which stood at \$205,984,734 as at June 30, 2008, compared to \$11,243,880 as at June 30, 2007. Similarly, mine development expenditure increased to \$99,507,644 as at June 30, 2008 compared to nil as at June 30, 2007.

The company had current interest bearing liabilities of \$32,693,220 as at June 30, 2008 which was largely comprised of the Revolving Working Capital Facility. Trade and other payables increased to \$42,751,767 as at June 30, 2008 compared to \$7,716,205 as at June 30, 2007. The increase in trade and other payables is associated with the ramp up of expenditure at the SGP and will reduce as construction activities are completed towards the end of 2008.

The reduction in exploration and evaluation expenditure to \$62,954,992 as at June 30, 2008 from \$109,245,974 as at June 30, 2007 reflects the reclassification of investment expenditure associated with the SGP. Amounts of \$66,199,833 and \$105,047,428 were transferred to the "mine development expenditure" and "construction" classifications respectively. Please refer to Note 13 of the June 30, 2008 accounts for further details.

Equity attributable to equity holders of the parent as at June 30, 2008 was \$365,879,207 compared to \$183,347,270 as at June 30, 2007. Of this, the equity-settled share-based payment reserve increased from 1,605,795 in 2007 to \$8,756,350 as at June 30, 2008. This increase is associated with the amortised value of the options granted to directors and employees during the period. However, in the case of the unlisted options issued to our financiers \$4,745,068 was capitalised against borrowing costs.

7. CASH FLOW

Net cash used in operating activities for the year ended June 30, 2008 was \$4,152,920 compared with \$2,486,351 for the corresponding period in 2007. The main reason that net operating cash was lower was a result of the lower amount of interest earned during the period due to lower average lower cash holdings over the course of 2008 as funds were spent on the development of the SGP.

Net cash used in investing activities for the year ended June 30, 2008 was \$220,436,170 compared to \$82,733,846 in the corresponding 12 month period in 2007. The large increase in expenditure is a result of a full 12 months of construction activities at the SGP as well as continued evaluation expenditure at the GCMSP. The level of expenditure on investment activities is expected to reduce towards the end of calendar 2008 as the SGP nears completion.

Net cash provided by financing activities over the course of 2008 was \$223,056,511 compared to \$432,505 for the year ended June 30, 2007. The main components of the increased cash provided by financing activities were \$198,680,000 from the proceeds of equity issues and \$36,039,924 of proceeds from borrowings, both of which are discussed above. Payments associated with the equity issues amounted to \$11,531,277.

The net decrease in cash in the year ended June 30, 2008 was \$1,532,579. After allowing for the decrease associated with the effect of exchange rates on cash holdings in foreign currencies of \$1,233,599, cash and cash equivalents on hand at the end of the period was \$45,363,816.

8. GOLD HEDGING

As part of the project finance facility negotiated with MBL, the company was required to initiate a gold price protection programme to protect the SGP from adverse movements in the gold price.

A total of 687,000 ounces has been protected using a combination of forwards and bought put options. The programme is for five years commencing in February 2009 and features quarterly delivery dates and option expiries. In total, the forwards commit the company to deliver at a price of US\$861.35 per ounce for 460,000 ounces or approximately 60% of the forecast production from the SGP over the five year term. In addition, the bought puts give the right, but not the obligation, to the company to deliver 227,000 ounces or approximately 30% of production over the same period.

While the company has protection for approximately 90% of its production over the first five years of operation at the SGP, it is not obligated to exercise the bought puts in the event that the spot price for gold is higher than US\$861.35 at the time of the relevant options' expiry. In effect, the company is free to sell up to 40% of its production over the first five years of operation at the SGP at the spot gold price.

9. CONTINGENT LIABILITIES

- (a) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its moribund New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes water monitoring and revegetation. Some aspects of the rehabilitation obligations extend for a period in excess of 10 years after the cessation of previous mining activities. Ongoing rehabilitation work therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW, Australia. No adverse situations were reported and work continued to schedule. At the time of this report, the company has insurance bonds in place for \$1.39 million and \$1.0 million respectively in favour of its NSW government and MidCoast Water rehabilitation obligations.
- (b) There are no outstanding native title claims against the company which could or would have a financial impact.
- (c) As at June 30, 2008, New Hampton Goldfields Limited, the former parent entity of the company, was continuing to provide a guarantee to GIO Australia in regard to the ongoing provision of environmental bonds by the latter for the mineral sands operations of the group in NSW. The guarantee concerned is a joint one also given by Mineral Deposits Limited.
- (d) The company faces potential liabilities in respect of the SGO. The company has agreed that the following amounts will be payable:
 - approximately US\$4.2 million to the 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 GCMSP. The company has agreed that the following amounts will be payable if the project proceeds to production:
 - \$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;
 - \$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 December 31, 2008 plus 15% on a pro rata basis should the Revolving Working Capital Facility remain drawn post December 31, 2008.

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

10. CORPORATE RESPONSIBILITY FOR FINANCIAL REPORTS

MDL's Managing Director (as chief executive officer of the company) and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the company's disclosure controls and procedures. Access to material information with respect to the company is facilitated by the small size of the company's senior management team. The Managing Director and CFO, after evaluating the effectiveness of the company's disclosure controls and procedures as of June 30, 2008, have concluded that the company's disclosure controls and procedures were adequate and effective to ensure that material information relating to MDL and its subsidiaries would have been known to them.

11. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The table below shows selected financial data for each of the eight quarters ended June 30, 2008. The financial data is derived from the company's interim unaudited financial statements and its audited financial statements with respect to June 2008 and June 2007, which are prepared in accordance with IFRS.

Financial Data - Last Eight Quarters								
Three months ended	Jun 08	Mar 08	Dec 07	Sep 07	Jun 07	Mar 07	Dec 06	Sep 06
Interest and other income (\$)	2,467,295	371,091	11,133,429	3,152,874	5,916,942	1,382,509	1,607,279	2,380,569
Income/(loss) (\$)	(9,028,964)	(7,799,326)	7,033,676	64,243	(20,819,712)	(3,454,230)	(9,524,540)	172,305
Income/(loss) per share (cents)	(2.29)	(2.02)	1.91	0.02	(6.96)	(1.15)	(3.18)	0.06
Weighted average number of shares	394,898,617	385,821,271	368,611,409	356,663,367	299,317,659	300,119,234	299,309,234	299,307,604

12. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This press release contains "forward-looking statements" which are subject to various risks and uncertainties that could cause actual results and future events to differ materially from those expressed or implied by such statements. Investors are cautioned that such statements are not guarantees of future performance and results. Risks and uncertainties about the company's business are more fully discussed in the company's disclosure documents filed from time to time with the Canadian and Australian securities authorities. Readers are cautioned not to rely solely on the summary of such information contained in this release, but should read MDL's financial statements for the financial years ended June 30, 2008 and June 30, 2007, the final prospectus dated December 12, 2007 and related technical reports posted on the company's website (www.mineraldeposits.com.au) and filed on SEDAR (www.sedar.com) and any future amendments to such reports. Readers are also directed to the cautionary notices and disclaimers contained herein. All currency references in this release are to Australian dollars unless otherwise stated.

13. RISKS AND UNCERTAINTIES

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

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

The company reports its financial results in Australian dollars. MDL's group costs, however, are in Australian dollars, Franc cFa, United States dollars and Euro. The Franc cFa is currently pegged to the Euro. If the SGP and the GCMSP reach commercial production, as expected by management, future product sales will be in United States dollars. Fluctuations in these exchange rates or interest rates through the MDL group may therefore significantly affect the future financial results of the company.

As at the date of this report, a condition precedent of the project finance facility and gold hedging programme with MBL was the establishment by MDL of a gold hedging programme. 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 2013 at a delivery price of US\$861.35 per ounce.

The continued exploration and development of the company's properties will require substantial additional financing. Failure to obtain sufficient financing in the future may result in the delay or indefinite postponement of one or both projects. There can be no assurance that bank financing or other types of financing will be available when needed or that, if available, the terms of such financing will be acceptable to MDL.