



Mineral Deposits Limited

ABN 19 064 377 420

Annual Report

for the financial year ended 30 June 2009

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.

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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 encouraged companies to make an early transition to the revised Recommendations in their corporate reporting for the 2008/09 year, which was implemented in last year's 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 2008/09 year and comply with the Recommendations;
- should be read in conjunction with the Statutory Financial Report 2009 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.

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

1. ROLE OF THE BOARD AND MANAGEMENT

Council Principle 1

Lay solid foundations for management and oversight

Council Recommendation 1.1:

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

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

In general, the Board:

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

Specifically, the Board:

- is responsible for the stewardship of the Company and has final accountability for the governance of the Company's business;
- is actively involved in the adoption of the Company's strategic plan by working with management to determine how the strategic plan is implemented and taking responsibility for monitoring the implementation of that plan;
- has delegated the day-to-day management of the business and affairs of the Company to the senior management of the Company, subject to compliance with strategic and capital plans approved from time to time by the Board;

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- 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).

Council Recommendation 1.2:

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

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

Council Recommendation 1.3:

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

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

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

CORPORATE GOVERNANCE STATEMENT

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 J M Grant was appointed to the Board on 21 May 2009, there were seven directors of whom three (Dr R Danchin, Dr D Isles and Mr O Lennox-King) were independent, non-executive directors. After Mr Grant's appointment as an additional independent, non-executive director there was an equal number of executive directors and independent, non-executive directors. There are now four executive directors (including the Executive Chairman) and four 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.

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

On 27 November 2008 Dr R Danchin was appointed Deputy Chairman of the Company with special responsibility for corporate governance and related areas.

Council Recommendation 2.3:
The roles of chair and chief executive officer should not be exercised by the same individual.

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

Council Recommendation 2.4:
The board should establish a nomination committee.

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

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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 2009, and the period of office held by each director, are as follows:

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 acquired in 2000. During that time, he also developed a number of other interests in the resources industry. Period of office: 15 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: 12 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 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 TiO₂ pigment operation. He brings to the Company a very strong background in project development, particularly in mineral sands and gold, at a time when the Company's Grande Côte Zircon Project is currently its primary focus of attention, plant commissioning of the Sabodala gold project having commenced in March 2009. His experience embraces a range from project development through financing and capital raising in both the project and corporate areas. Mr Ackland has prime responsibility for the project implementation and engineering aspects of the Company's projects and is Chairman of Grande Cote Operations SA. Period of office: 6 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: 15 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 acquired. He consults widely in his area of expertise in aeromagnetism. Period of office: 7 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: 2 years.

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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: 19 months.

James (Murray) Grant — Non-Executive Director (appointed 21 May 2009). Mr Grant has been a Partner of Actis LLP since its formation in 2004 and prior to that was a Director of CDC Group plc. He joined CDC in 2001 after a 13 year investment career with 3i Group plc. There he worked on a diverse range of investments in over 300 businesses across a range of industry sectors. Prior to working at 3i, Mr Grant spent four years in the construction industry working on large infrastructure projects including Africa. These projects were broadly split between the mining and power sectors. Mr Grant was a director of both Rashidi El Mizan (Egypt) and Flamingo Holdings (Kenya) prior to their successful exits in 2007 and Starcomms Nigeria Ltd in 2008. He remains on the boards of Sinai Marble (Egypt), Copperbelt PLC (UK) and Candax (Canada). He previously served on the boards of Capital Alliance (Nigeria) and Persianas Holdings (Nigeria). Mr Grant holds an MBA from London Business School and a BSc Hons in Engineering from Edinburgh University. Period of office: 4 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, Mr O Lennox-King and Mr J M Grant. None of the relationships which the Council considers may affect independent status applies to any of these directors.

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.

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

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

Council Recommendation 3.2

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

MDL practice: The Board adopted a Securities Trading Policy on 30 June 2004 and a revised version of the Policy was approved by the Board on 26 September 2008. Directors are required to notify the Company Secretary timeously before buying or selling securities in the Company. It is the individual responsibility of each director, senior executive and employee in possession of market sensitive information to ensure that he/she complies with the spirit and the letter of insider trading laws. Notification to the Company Secretary and, through 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
David Isles	BSc (Hons) PhD SEG ASEG AIG	2	2	2
Robert Danchin	BSc (Hons) MSc PhD AusIMM	2	2	2
Oliver Lennox-King	BComm	2	2	2

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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.

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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 and also on SEDAR at 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.

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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, the Republic of Senegal and Canada and that controls are adequate, in place and functioning effectively.

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

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

Council Recommendation 7.2:

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

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

Council Recommendation 7.3:

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

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

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

Council Recommendation 7.4:

Provide information on reporting on Principle 7.

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

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

MINERAL DEPOSITS LIMITED

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CORPORATE GOVERNANCE STATEMENT

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
David Isles	BSc (Hons) PhD SEG ASEG AIG	1	1	1
Robert Danchin	BSc (Hons) MSc PhD AusIMM	1	1	1
Oliver Lennox-King	BComm	1	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 2009 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.

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.

MINERAL DEPOSITS LIMITED

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DIRECTORS' REPORT

The directors of Mineral Deposits Limited ("MDL" or the "company") herewith submit the annual financial report of the company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

Nicholas Limb
Jeffrey Williams
Martin Ackland
Clever Fonseca
David Isles
Robert Danchin
Oliver Lennox-King
James (Murray) Grant (appointed 21 May 2009)

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 2006

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 2006

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

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

Mr Ackland is a qualified metallurgist and has spent over 30 years in the resources industry in a variety of roles that involved the creation of major resource groups from small capital bases. From 1997 to 2003, Mr Ackland was President and Chief Executive Officer of Southern Cross Resources Inc. (now SXR Uranium One Inc.). From 1987 to 1995, he was an executive director of 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 TiO₂ pigment operation. He brings to the Company a very strong background in project development, particularly in mineral sands and gold, at a time when the Company's Grande Côte Zircon Project is currently its primary focus of attention, plant commissioning of the Sabodala gold project having commenced in March 2009. His experience embraces a range from project development through financing and capital raising in both the project and corporate areas. Mr Ackland has prime responsibility for the project implementation and engineering aspects of the Company's projects and is Chairman of Grande Cote Operations SA.

Directorships of other listed companies since 1 July 2006

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

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DIRECTORS' REPORT

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.

No directorships of other listed companies held since 1 July 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 aeromagnetism.

Directorships of other listed companies since 1 July 2006

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 2006

Cluff Gold plc (May 2004 to present)

GMA Resources plc (June 2003 to February 2008)

Gravity Diamonds Limited (October 2004 to delisting in May 2007)

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 2006

Aurora Energy Resources Inc. (February 2006 to March 2009)

CGX Energy Resources Inc. (March 1997 to present)

Frontier Development Group Inc. (November 2003 to present)

Metallica Resources Inc. (June 1999 to June 2008)

Tiomin Resources Inc. (March 1992 to June 2007)

James (Murray) Grant (Non-Executive Director) BSc (Hons) (Engineering) MBA (appointed 21 May 2009)

Mr Grant has been a Partner of Actis LLP since its formation in 2004 and prior to that was a Director of CDC Group plc. He joined CDC in 2001 after a 13 year investment career with 3i Group plc. There he worked on a diverse range of investments in over 300 businesses across a range of industry sectors. Prior to working at 3i, Mr Grant spent four years in the construction industry working on large infrastructure projects including Africa. These projects were broadly split between the mining and power sectors. Mr Grant was a director of both Rashidi El Mizan (Egypt) and Flamingo Holdings (Kenya) prior to their successful exits in 2007 and Starcomms Nigeria Ltd in 2008. He remains on the boards of Sinai Marble (Egypt), Copperbelt PLC (UK) and Candax (Canada). He previously served on the boards of Capital Alliance (Nigeria) and Persianas Holdings (Nigeria). Mr Grant holds an MBA from London Business School and a BSc (Hons) in Engineering from Edinburgh University.

Directorships of other listed companies since 1 July 2006

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

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DIRECTORS' REPORT

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 and is Chairman of Sabodala Gold Operations SA.

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	
	Ordinary Shares No.	Share Options No.
Nicholas Limb	2,083,528	4,000,000
Jeffrey Williams	362,400	4,000,000
Martin Ackland	1,041,129	1,500,000
Clever Fonseca	-	1,000,000
David Isles	165,629	500,000
Robert Danchin	-	1,000,000
Oliver Lennox-King	-	1,000,000
James (Murray) Grant	-	-

PRINCIPAL ACTIVITIES

The principal activities of the company continue to be firmly focused on its two major projects in Senegal, west Africa. The Sabodala Gold Project ("SGP") was officially inaugurated by His Excellency Mr Abdoulaye Wade, President of Senegal, on 3 June 2009. The first gold pour took place in March 2009 and by 30 June 2009, 62,477 ounces of gold had been produced. The Grande Côte Zircon Project ("GCZP") has received all approvals, paving the way for development of this operation to commence, with a definitive feasibility study underway due for completion by February 2010.

OPERATING RESULTS

The net amount of the operating loss after provision for income tax for the financial year was \$2,530,121 (2008 – loss of \$9,028,964) for the consolidated entity and a loss of \$16,676,556 (2008 – loss of \$11,056,751) for the company.

REVIEW OF OPERATIONS

Gold – Sabodala Gold Project

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

Background

The SGP is located in Senegal, some 650 kilometres east of the capital Dakar within the West 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 33 square kilometre mining concession. During the period, work focused on the construction phase of the SGP which became operational in March 2009.

Performance Overview

Construction of the project was essentially finished in March 2009 with the only significant item outstanding being the completion of a 40 kilometre pipeline from the Faleme River to provide insurance against future poor wet seasons as well as provide water for future plant expansions. Laying of the pipeline was finished in August with the pumping stations scheduled for completion in Q1.

With mining having commenced in June 2008 involving initial pre-stripping followed by ore stockpiling, a substantial "run of mine" stockpile ("ROM pad") of over 1.0Mt had been established by March 2009 in readiness for the plant commissioning. Pit development continued to progress as planned. The only issue of significance to date has been the performance of the blast hole drill rigs which at times has limited access to broken ore. The mining fleet (owned and operated by MDL) and equipment acquired by SGO has otherwise performed well with adequate capacity evident.

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Commissioning of the processing plant commenced in mid March 2009. Production was ramped up through end June to a rate of 2.3Mtpa (well above nameplate capacity of 2Mtpa), partly as a result of much of the mill feed to that date being softer oxide ore which passed through at higher throughput rates. The operation commissioned extremely well with only minor issues encountered in the opening months, now largely overcome.

Gold production to the end of June was 62,477 ounces including 58,943 ounces during the last quarter. Recoveries were well above budget, at greater than 93% in the period just ended, in part due to the high proportion of oxide mill feed.

Gold Production Statistics

		June 2009 Quarter	March 2009 Month
Ore mined	('000t)	854	155
Total mined	('000t)	2,846	1,402
Ore processed	('000t)	575	132
Head grade	(g/t)	3.27	2.60
Gold recovery	(%)	93.8	91.0
Gold produced *	(oz)	58,943	3,534
Cash cost per oz #	US\$/oz	350	n/m
Gold sold	(oz)	52,325	nil
Average price received	US\$/oz	878	nil

* Gold produced is gold poured and does not include gold-in-circuit at period end

Cash costs do not include royalties which totalled US\$23/oz

n/m = not meaningful due to commissioning during the month

Presidential Inauguration

The Inauguration of the SGP on 3 June 2009 was undertaken by the President of Senegal, His Excellency Mr Abdoulaye Wade, and the Chairman of MDL, Mr Nic Limb. The inauguration involved a Presidential tour of the operation and very well received speeches signifying the importance of Sabodala to Senegal as its first modern gold mine. The beneficial impacts flowing through to the local community and Senegal as a whole were also noted. The project has created over 500 direct jobs of which some 90% are held by Senegalese citizens. During the construction period through March 2009, some 1,400 people were employed, with the great majority being Senegalese.

Mine Lease Exploration

The 33 square kilometre Mining Concession area contains the Sabodala mine, plant and associated infrastructure. Work over the 18 months to 30 June 2009 was focused within the Sabodala pit area. However, with the mine operating before year-end, attention returned to the numerous other prospects on the mine lease.

Exploration within the Mining Concession during the closing months of 2008/09 comprised detailed geological and structural mapping and rock chip sampling. Some 13 target areas were identified, four of which were sufficiently advanced to warrant drilling which was in the planning stage at year-end. These are:

- Masato Extension – the southern strike extension of the Masato Trend (1.32 Moz, Oromin Explorations Ltd) the extent of which was mapped by IP geophysics into the Mining Concession for a strike length exceeding two kilometres.
- Faloumbo – detailed rock chip sampling returned high values for a northeast trending cross structure. Higher values in this area were 6.0g/t gold and 1.8g/t gold with a further 21 samples in the 0.1 to <0.5g/t gold range.
- Niakafiri East – the target was extensively rock chip sampled with peak values ranging from 1.1 to 3.4g/t gold. The anomalous values defined a northeast trending zone of interest approximately 150 metres long and 80 metres wide.
- Soukhoto – geological mapping defined a series of east-west trending quartz veins where outcrop, dump and spoil sampling from artisanal workings provided assays up to 29.88g/t gold. Other high-values range from 4.5 to 23.2g/t gold. At Soukhoto South, outcrop sampling of a northwest trending quartz lode gave results up to 63.8g/t gold. A major review of previous drilling and its effectiveness is progressing to support further drilling.

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DIRECTORS' REPORT

Gold – Sabodala Regional Exploration Programmes

MDL, through its 100% subsidiary Sabodala Mining Company SARL, has four joint ventures covering a highly strategic part of the Birimian greenstone belt in Senegal now totalling 1,613 square kilometres. All projects are located within 10-50 kilometres of the Sabodala Mining Concession.

During the past 18 months regional exploration drilling was largely suspended while the Sabodala mine was built and brought to production. The region is essentially a greenfield gold province and MDL used the last 18 months to do basic work such as geological mapping and geochemical data collection as a precursor to a new exploration drilling phase. A total of 35 areas of interest on seven exploration permits have been identified to date.

Follow up work is in progress on a number of these, while regional programs of mapping are continuing on two of the permits. Some of the more interesting early results are described below:

Bransan Area (MDL 70%)

At Diadiako, a new RC/diamond drilling programme is in preparation as follow-up of previous gold intersections. The target is a structurally located gold deposit with alteration and mineralisation of similar style to that found at the Sabodala deposit.

Within the "Sabodala Structural Corridor" (SSC) geological mapping and geochemical sampling on a 200 x 50 metre grid is complete and over 4,000 samples have been despatched for analysis. The SSC is identified within the Bransan permit, over a strike length of some 10 kilometres and an approximate 3 kilometre width. With an extensive laterite cover, follow-up will be by RAB drilling.

Dembala Berola Area (MDL earning 80%)

Artisanal mining, trench sampling and drilling confirmed the presence of gold mineralisation within the sedimentary package at Dembala Berola.

Assay results from drilling in the final quarter of 2008/09 showed 13 of the 20 holes intersected sediment hosted gold mineralisation. One hole (with an intersection of 8m at 2.9g/t) was the first drill hole to test a recently mapped structure, part of a zone that has a strike length in excess of two kilometres. The intersection is located some 400 metres northeast of "Sadiola Hill" at Goundamekho South where previous drill holes had also intersected gold mineralisation. A follow-up drilling programme is in preparation.

More regional soil sampling and structural interpretation within the permit has so far defined eight other prospective areas including the "Dembola Hill" prospect for detailed geological mapping and geochemical sampling. Dembola Hill is centred on an intrusive body. A follow-up RAB drilling programme to define RC/diamond drilling targets is proposed.

Heremakono, Sounkounkou and Sabodala NW (MDL earning 80%)

Detailed geological mapping, rock-chip sampling and trenching is in progress to prioritise target areas. Stand out targets are "Zone D" and the Diegoun North prospect areas, both in the Sounkounkou permit.

At Zone D work is focused on mineralised quartz veins which are mapped intermittently over a strike length of some 600 metres. Previous limited drill testing of this lode system by AXMIN achieved best intersections of 10.5g/t gold over 1.85 metres and 4.3g/t gold over 4.45 metres. A drilling programme has been prepared to define a satellite ore source for the Sabodala mill which lies approximately 30 kilometres to the west.

The Diegoun prospect is located on the eastern boundary of the permit area, some 35 kilometres from Sabodala, in the transition zone between the mafic-dominated Mako Group and the sediment dominated Diale-Daleme Group. Limited previous RAB drilling across the NNE-SSW trend intersected up to 0.8g/t gold over 38 metres and 1.86g/t gold over 10 metres. The potential for easily mined feed for the Sabodala mill is to be evaluated. This area is accessed by the recently completed Sabodala-Faleme River pipeline road.

Makana Joint Venture (MDL 80%)

Located 12 kilometres south-southwest of Sabodala, the Makana permit covers part of the southern extension of the SSC. Geological mapping is being compiled to assist design of a proposed RAB drilling programme which will target mineralisation beneath cover in the more central part of the permit area where aeromagnetic interpretation places extensions of the SSC.

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Mineral Sands – Grande Côte Zircon Project

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

Background

The GCZP is located on a coastal mobile sand dune system starting about 50 kilometres north of Dakar and extending northwards for more than 80 kilometres. The mineralised dune system averages about two kilometres wide with some areas extending up to 4.5 kilometres wide, and consists of largely non vegetated and unpopulated sand masses.

Final government approvals were received for this project in November 2007 whereby the company was awarded a 25 year Mining Concession and other fiscal incentives under the executed Mining Convention/Supplementary Deed.

The large scale of the ore body and high quality of the zircon offers the opportunity to establish a very long life, low cost operation which will be a producer of international significance in the zircon market. The GCZP is underpinned by the supply of approximately 90,000 tonnes per annum of zircon. In addition to zircon, mining will also produce large volumes of ilmenite, a mineral which forms the predominant feedstock for titanium dioxide production.

Activity on the project was slowed during 2008 to allow corporate focus on Sabodala. During the June quarter of the year just ended, planning was finalised to recommence development activity and the planning was completed for finalisation of a definitive feasibility study ("DFS").

Once the DFS is complete in the new year, MDL proposes to consider the various funding options available for the development which may include partnering the project with a product consumer and/or development bank and export credit agency financing structures.

Definitive Feasibility Study

This study has recommenced with a schedule for completion by February 2010. The budget allocation for the finalisation of this study is US\$3.7 million. The DFS will incorporate:

- an expansion of the mining reserve and finalisation of resource drilling. A programme of 1,164 infill holes for 22,700 metres has commenced at Mboro which adjoins the southern end of the Fass Boye deposit;
- modifications to some detailed engineering work to accommodate a new generation of spirals that offers up to 10% higher HM recoveries;
- metallurgical check work on product from the new spirals to reconfirm the MSP circuit;
- further hydrology work to ensure a full understanding of dredge pond management;
- finalisation of the well advanced ilmenite study;
- detailed environment and social impact studies; and
- various options studies on power and other infrastructure items.

Further mine planning was conducted for the Diogo-Fass Boye area (approximately 40% of the resource) in the closing months of 2008/09 as this is scheduled to be the initial mining area.

As announced in May 2009, a range of resource figures at various cut-off grades and mining depths below the water table were calculated to help determine the optimum mining parameters. Current planning, which might be modified by further feasibility study work, is to operate at a six metre depth below the water table at a 1.25% cut-off grade. Using these parameters, the Measured and Indicated Resources for Diogo-Fass Boye are 493 million tonnes at 1.8% heavy mineral.

The planned mining rate is 48 million tonnes per annum. The principal conclusion reached from this work is that the dredge will be able to operate in long, relatively straight runs in acceptable grade material which will have significant impact on the general ease and cost of the operation.

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DIRECTORS' REPORT

Sustainable Development

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

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

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

The Community and Social Programmes

Through consultation and collaboration with the Government of Senegal, officials and local village chiefs, MDL has continued to foster its relationships with host communities, ensuring the people in close proximity to its operations can work in partnership on agreed social programmes and are well versed in regard to MDL's undertaking.

Significant contributions made to local Sabodala communities through 2009 include:

- providing two borehole pumps to the Sabodala Village. The Government Rural Water Supply Department assisted with the installation of the pumps and a generator. The borehole pumps were inter-linked to ensure sufficient water supply to residents of the village. Village technicians were trained to operate the generator;
- the provision of medical consultations and medical supplies to the previously established clinic at the Sabodala village. From July 2008 to June 2009, 7,192 patients were treated for various medical conditions or ailments;
- providing an ambulance for the transportation of patients from the villages in the region that require specialised treatment at Government clinics in larger centres;
- continued construction of the Khossanto Middle School;
- becoming a partner of the National Campaign for the Fight against HIV/AIDS and sponsor of AIDS awareness programmes in eight villages on AIDS Awareness day. Company representatives conducted HIV/AIDS awareness sessions attended by both employees and village residents;
- cooperating closely with the Public Health Service to implement aggressive programmes to combat malaria in the region. The company again initiated and funded a number of intensive indoor residual spray programmes during the year;
- purchasing six grain mills and allocating them to six villages in the region. The mills can each mill 400kg of grain per hour;
- repairing four diesel powered grain mills situated in various villages; and
- providing uniforms to all students of the Sabodala Kindergarten as well as two computers and supplying potable water to the kindergarten.

Health and Safety

The safety of all MDL's employees, business partners and the communities in which it operates is an integral part of and ranks highly in the company's business. The successful implementation of safety operating procedures and training programmes at Sabodala during the construction phase of the project provided a sound foundation for site safety awareness during transition from construction to production.

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

OHST&E management systems and performances were independently audited during the period and the audit confirmed that improvements had been made in the last 12 months associated with HSE management systems and environmental performance and risk reduction. The external medical services provider performed an extensive audit of the Sabodala site clinic operations and found the overall operation very satisfactory.

The company continued to improve emergency response capability and equipment. Regular emergency exercises and drills are being conducted to prepare emergency response teams for a range of emergency situations that could occur.

Mining and processing operations have accumulated more than 1.5 million hours without incurring any lost time injuries, an outstanding performance for a new operation in a developing country with no formative mining or related safety culture.

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DIRECTORS' REPORT

The Environment

Senegal

The commencement of production at the SGP during 2009 required the expansion of the environmental monitoring programmes that were in place during the construction phase.

The programmes implemented in 2009 included:

- tailings dam groundwater monitoring;
- tailings dam wall seepage through a series of piezometer bores;
- monitoring of tailings dam water;
- water sampling of various streams, rivers and raw water dams;
- water sampling of surface run off from mine pit sumps, waste rock dumps and ore stockpiles;
- sampling of site and local village potable water;
- water sampling of all water discharged into the environment;
- continuous weather monitoring;
- depositional dust monitoring on the mine site and surrounding villages;
- vibration and noise monitoring;
- ambient air quality monitoring to determine CO, NOx and SOx impacts from the dedicated site power station;
- annual soil samples from stream beds; and
- monitoring of rehabilitated sites.

The external environmental sample analysis was performed by SGS Netherlands, a certified laboratory that provides prompt, high quality service.

Since production commenced, a major oil company has been employed to remove hydrocarbon waste products for correct disposal and/or recycling. A Bioremediation facility was constructed on site for treating hydrocarbon-contaminated soils.

Environmental awareness training for all employees and contractors and monthly site-wide environmental inspections were also implemented.

A successful audit of SGO's environmental management systems was performed by an external environmental auditor during the year.

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

Capital Raising and Debt Financing

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

On 31 March 2009, the company successfully completed the private placement of 63.6 million new ordinary shares at an issue price of Cdn\$0.52 per share (equivalent to A\$0.62 per share) raising a total of Cdn\$33.1 million (equivalent to A\$39.4 million). The private placement was limited to a number of Canadian institutions, with the raising managed by Toll Cross Securities Inc. and Cormark Securities Inc.

In April 2009, the company undertook a Share Purchase Plan ("SPP") for working capital purposes. The record date for the SPP was 27 March 2009 and eligible shareholders were entitled to apply for a minimum of \$1,000 up to a maximum of \$10,000 worth of MDL shares at an issue price of \$0.62 per share. On 18 May 2009, 15,121,716 million ordinary shares were issued under the SPP raising \$9.4 million.

CHANGE IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year other than the commencement of gold production at Sabodala in March 2009.

MINERAL DEPOSITS LIMITED

ABN 19 064 377 420
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DIRECTORS' REPORT

SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

Over the remainder of the current and coming year, the company intends to investigate various opportunities to expand the footprint of its Sabodala operation and progress the definitive feasibility study commissioned for the GCZP to completion in February 2010.

Further work planned at Sabodala during the balance of 2009 includes:

- continuing to evaluate suitable underground mining methods, cost structures and cut-off grades for the deeper mineralised zones still being defined; and
- a review of the Life-of-Mine Plan to assess the potential to increase mill throughput.

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

ENVIRONMENTAL REGULATIONS

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

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

DIVIDENDS

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

SHARE OPTIONS

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

ASX Code	Grant Date	Expiry Date	Exercise Price (\$)	No.
MDLAA	1 July 2008	1 July 2011	1.40	10,000,000
MDLAB	30 June 2009	30 June 2014	0.75	750,000
MDLAI	1 January 2009	1 January 2012	0.69	9,000,000
MDLAK	1 December 2004	1 December 2009	0.33	5,000,000
MDLAM	31 December 2004	2 January 2010	0.45	250,000
MDLAO	10 March 2005	10 March 2010	0.65	500,000
MDLAQ	23 November 2005	23 November 2010	0.85	500,000
MDLAS	1 May 2006	1 May 2011	2.00	250,000
MDLAU	19 July 2007	18 July 2012	1.60	1,850,000
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000
MDLAY	5 December 2007	5 December 2012	1.60	1,000,000
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000
				<hr/>
				45,600,000

During the year ended 30 June 2009, 1,035,000 ordinary shares of the company were issued on exercise of options granted.

Further details of options on issue are contained in Note 22 to the financial statements.

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

MINERAL DEPOSITS LIMITED

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DIRECTORS' REPORT

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
Nicholas Limb	16	16	16
Jeffrey Williams	16	16	15
Martin Ackland	16	16	16
Clever Fonseca	16	16	16
David Isles	16	16	16
Robert Danchin	16	16	16
Oliver Lennox-King	16	16	16
James (Murray) Grant (appointed 21 May 2009)	-	-	-

Name	Remuneration Committee			Audit Committee		
	Held	Eligible	Attended	Held	Eligible	Attended
David Isles	1	1	1	2	2	2
Robert Danchin	1	1	1	2	2	2
Oliver Lennox-King	1	1	1	2	2	2

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR

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

NON-AUDIT SERVICES

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

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

The directors are of the opinion that the services as disclosed in Note 35 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.

MINERAL DEPOSITS LIMITED

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DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence statement is included on page 25 of the financial report.

ROUNDING OFF OF ACCOUNTS

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

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 2009.

Directors and senior management details

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

Nicholas Limb	Chairman – Executive
Jeffrey Williams	Managing Director – Executive
Martin Ackland	Director – Executive
Clever Fonseca	Director – Executive
David Isles	Director – Non-Executive
Robert Danchin	Director – Non-Executive
Oliver Lennox-King	Director – Non-Executive
James (Murray) Grant	Director – Non Executive
Melvyn Drummond	Company Secretary
Peter Spivey	Chief Operating Officer
Bruce Van Brunt	Mining Operations Manager
John Dorward	Chief Financial Officer (resigned 19 June 2009)
Christopher 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 has since taken responsibility for setting and reviewing remuneration policy.

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

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

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

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

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

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

MINERAL DEPOSITS LIMITED

ABN 19 064 377 420
AND SUBSIDIARIES

DIRECTORS' REPORT

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

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

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

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

Performance Based Remuneration

There exist options on issue subject to performance criteria, share options having been issued to directors with certain conditions in the previous period. Fifty percent of the options issued to each director vested on the first commercial product sales in respect of the SGP. 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 2009 \$'000	30 June 2008 \$'000	30 June 2007 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Revenue	158,599	2,467	5,917	-	139
Net loss before tax	(5,977)	(8,974)	(20,820)	(1,038)	(7,154)
Net loss after tax	(2,530)	(9,029)	(20,820)	(1,038)	(7,154)
	Cents	Cents	Cents	Cents	Cents
Share price at start of year	0.82	1.33	1.30	0.61	0.27
Share price at end of year	0.62	0.82	1.33	1.30	0.61
Interim dividend	-	-	-	-	-
Final dividend	-	-	-	-	-
Basic earnings per share	(0.5)	(2.3)	(7.0)	(0.5)	(6.9)
Diluted earnings per share	(0.5)	(2.3)	(7.0)	(0.5)	(6.9)

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.

MINERAL DEPOSITS LIMITED

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DIRECTORS' REPORT

Remuneration of Directors and Key Executives

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

	Short term benefits			Post employment	Equity settled	Total	Share-based payment
	Salary and Fees	Non-Cash Benefits	Cash Bonus	benefits Superannuation Contributions	share based payments Options		
	\$	\$	\$	\$	\$	\$	%
Directors							
2009							
N Limb	401,665	8,356	-	35,342	277,421	722,784	38.4
Jeffrey Williams	539,280	46,707	-	47,727	277,421	911,135	30.4
Martin Ackland	345,333	-	-	30,272	277,421	653,026	42.5
Clever Fonseca	420,810	-	-	-	131,296	552,106	23.8
David Isles	46,104	-	-	3,096	-	49,200	-
Robert Danchin	91,743	-	-	8,257	184,947	284,947	64.9
Oliver Lennox-King	70,000	-	-	-	184,947	254,947	72.5
James (Murray) Grant	9,300	-	-	-	-	9,300	-
	1,924,235	55,063	-	124,694	1,333,453	3,437,445	
2008							
Nicholas Limb	382,552	7,919	-	33,820	283,725	708,016	40.1
Jeffrey Williams	382,552	45,014	-	33,820	283,725	745,111	38.1
Martin Ackland	352,800	-	-	5,496	283,725	642,021	44.2
Clever Fonseca	237,248	5,692	-	-	381,122	624,062	61.1
David Isles	92,579	-	-	3,096	-	95,675	-
Robert Danchin	68,807	-	-	6,193	189,150	264,150	71.6
Oliver Lennox-King	40,833	-	-	-	189,150	229,983	82.2
	1,557,371	58,625	-	82,425	1,610,597	3,309,018	
Key Executives							
2009							
Melvyn Drummond	354,406	8,389	-	22,089	79,096	463,980	17.0
Peter Spivey	296,789	133,748	-	-	79,096	509,633	15.5
Bruce Van Brunt	241,881	116,900	-	-	158,191	516,972	30.6
John Dorward	376,269	56,479	-	4,820	(158,191)	279,377	(56.6)
Warwick Sharp	54,000	-	-	-	85,065	139,065	61.2
Christopher Young	196,345	8,356	-	17,671	-	222,372	-
	1,519,690	323,872	-	44,580	243,257	2,131,399	
2008							
Melvyn Drummond	305,855	15,644	-	26,917	74,990	423,406	17.7
Peter Spivey	234,954	122,859	-	-	74,990	432,803	17.3
Bruce Van Brunt	180,505	98,627	-	-	149,979	429,111	35.0
John Dorward	210,470	17,885	-	18,942	74,990	322,287	23.3
Christopher Young	187,890	7,919	-	16,910	-	212,719	-
	1,119,674	262,934	-	62,769	374,949	1,820,326	

No director or senior management person appointed during the period received a payment as part of his consideration for agreeing to hold his position, except for the Chief Financial Officer, Warwick Sharp who was invited to participate in the MDL Option Plan on 30 June 2009, in accordance with the established practice of offering options to acquire shares to senior employees under the Plan.

MINERAL DEPOSITS LIMITED

ABN 19 064 377 420
AND SUBSIDIARIES

DIRECTORS' REPORT

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
Executives (i)						
Warwick Sharp	750,000	30 June 2009	0.34	0.75	30 June 2009	30 June 2014

(i) All share options issued to key management personnel during the year were in accordance with the terms of the MDL option plan. One-third of the options issued vested immediately, one-third of the options issued will vest on 30 June 2010 and the remaining one-third will vest on 30 June 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 date of termination. There are no performance conditions in respect of this grant.

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

Value of Options Issued to Directors and Executives

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

Name	Options Granted	Options Exercised	Options Forfeited	Total value of options granted, exercised and forfeited \$
	Value at grant date \$	Value at exercise date \$	Value at forfeit date \$	
John Dorward	-	-	(151,250)	(151,250)
Warwick Sharp	255,194	-	-	255,194

Employment Contracts of Directors and Senior Executives

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

The employment contracts incorporated a 24 month termination period. The company may terminate the executive chairman's and managing director's employment contract without cause by providing 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 38 of this financial report.

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

On behalf of the directors


Jeffrey Williams
Director


Martin Ackland
Director

Melbourne, 28 September 2009

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

28 September 2009

Dear Board Members,

Mineral Deposits Limited

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

As the lead audit partner for the audit of the financial statements of Mineral Deposits Limited for the financial year ended 30 June 2009, I declare to the best of my knowledge and belief that there have been no contraventions of:

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

Yours sincerely,



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants

MINERAL DEPOSITS LIMITEDABN 19 064 377 420
AND SUBSIDIARIES**INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue	4	64,907	-	-	-
Cost of sales	6	(48,704)	-	-	-
Gross profit		16,203	-	-	-
Other income	4	93,692	2,467	526	2,363
Administration expenses	6	(17,777)	(10,449)	(10,682)	(9,825)
Finance costs	5	(2,876)	-	(8,267)	(2,022)
Impairment of other financial assets	6	(284)	(70)	(291)	(796)
Disposal of non-current assets		(1,348)	(13)	(2)	-
Exploration expenditure written off		(16,921)	-	-	-
Development expenditure written off		(7,355)	-	-	-
Net foreign exchange losses		(16,232)	(909)	(16,029)	(777)
Gold hedge unrealised losses		(56,371)	-	-	-
Oil hedge unrealised gains		3,292	-	-	-
Loss before tax	6	(5,977)	(8,974)	(34,745)	(11,057)
Income tax benefit/(expense)	7	3,447	(55)	18,069	-
Loss for the year		(2,530)	(9,029)	(16,676)	(11,057)
Attributable to:					
Equity holders of the parent		(5,286)	(9,029)	(16,676)	(11,057)
Minority interest		2,756	-	-	-
Loss for the year		(2,530)	(9,029)	(16,676)	(11,057)
Earnings per share					
Basic earnings per share (cents)	24	(0.5)	(2.3)		
Diluted earnings per share (cents)	24	(0.5)	(2.3)		

Notes to the financial statements are included on pages 31 to 80.

MINERAL DEPOSITS LIMITED

 ABN 19 064 377 420
 AND SUBSIDIARIES

**BALANCE SHEET
 AS AT 30 JUNE 2009**

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CURRENT ASSETS					
Cash and cash equivalents	31	22,585	45,997	12,761	43,677
Trade and other receivables	8	1,066	1,197	51	144
Other financial assets	11	-	922	-	922
Inventories	9	54,204	759	-	-
Financial derivative assets	12	471	-	-	-
Other	10	3,634	650	253	113
TOTAL CURRENT ASSETS		81,960	49,525	13,065	44,856
NON-CURRENT ASSETS					
Other financial assets	11	-	-	406,424	379,114
Financial derivative assets	12	2,637	-	-	-
Property, plant and equipment	13	296,840	205,985	234	160
Exploration and evaluation expenditure	14	59,690	62,955	-	-
Mine development expenditure	15	133,146	99,508	-	-
Capitalised mining convention & concession costs	16	24,834	25,322	-	3,326
Deferred tax assets		9,356	-	9,284	-
Other intangible assets	17	268	317	35	29
TOTAL NON-CURRENT ASSETS		526,771	394,087	415,977	382,629
TOTAL ASSETS		608,731	443,612	429,042	427,485
CURRENT LIABILITIES					
Trade and other payables	18	34,659	42,753	722	5,435
Borrowings	19	55,521	32,693	-	32,100
Financial derivative liabilities	20	13,168	-	-	-
Current tax liabilities		1,121	33	-	-
Provisions	21	3,044	2,249	1,431	1,320
TOTAL CURRENT LIABILITIES		107,513	77,728	2,153	38,855
NON-CURRENT LIABILITIES					
Trade and other payables	18	3,390	-	-	-
Borrowings	19	10,369	-	-	-
Financial derivative liabilities	20	40,052	-	-	-
Deferred tax liabilities		287	-	-	-
Provisions	21	176	-	26	-
TOTAL NON-CURRENT LIABILITIES		54,274	-	26	-
TOTAL LIABILITIES		161,787	77,728	2,179	38,855
NET ASSETS		446,944	365,884	426,863	388,630
EQUITY					
Issued capital	22	471,843	420,664	471,843	420,664
Reserves		39,042	6,632	12,418	8,688
Accumulated losses		(66,703)	(61,417)	(57,398)	(40,722)
Equity attributable to equity holders of the parent		444,182	365,879	426,863	388,630
Minority interest		2,762	5	-	-
TOTAL EQUITY		446,944	365,884	426,863	388,630

Notes to the financial statements are included on pages 31 to 80.

MINERAL DEPOSITS LIMITED

 ABN 19 064 377 420
 AND SUBSIDIARIES

**STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Issued Capital \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserve \$'000	Investments Revaluation Reserve \$'000	Equity-Settled Share-Based Payments Reserve \$'000	Attributable to Equity Holders of the Parent \$'000	Minority Interest \$'000	Total \$'000
Consolidated								
Balance at 1 July 2007	234,115	(52,388)	14	-	1,606	183,347	-	183,347
Loss attributable to members of the consolidated entity	-	(9,029)	-	-	-	(9,029)	-	(9,029)
Exchange difference on inter-company loans	-	-	(2,070)	-	-	(2,070)	-	(2,070)
Total recognised income and expenses	-	(9,029)	(2,070)	-	-	(11,099)	-	(11,099)
Loss on available-for-sale investments	-	-	-	(68)	-	(68)	-	(68)
Issue of options to directors and employees	-	-	-	-	2,405	2,405	-	2,405
Issue of options to financiers	-	-	-	-	4,745	4,745	-	4,745
Issue of minority interest	-	-	-	-	-	-	5	5
Shares issued during the year	198,680	-	-	-	-	198,680	-	198,680
Share issue costs	(12,131)	-	-	-	-	(12,131)	-	(12,131)
Balance at 30 June 2008	420,664	(61,417)	(2,056)	(68)	8,756	365,879	5	365,884
Balance at 1 July 2008	420,664	(61,417)	(2,056)	(68)	8,756	365,879	5	365,884
Loss attributable to members of the consolidated entity	-	(5,286)	-	-	-	(5,286)	2,756	(2,530)
Exchange difference arising on translation of foreign operations	-	-	(6,252)	-	-	(6,252)	1	(6,251)
Exchange difference on inter-company loans	-	-	34,932	-	-	34,932	-	34,932
Total recognised income and expenses	-	(5,286)	28,680	-	-	23,394	2,757	26,151
Gain on available-for-sale investments	-	-	-	68	-	68	-	68
Issue of options to directors and employees	-	-	-	-	2,258	2,258	-	2,258
Employee options forfeited during the year	-	-	-	-	(348)	(348)	-	(348)
Issue of options to financiers	-	-	-	-	1,752	1,752	-	1,752
Shares issued under MDL share option plan	265	-	-	-	-	265	-	265
Shares issued during the year	48,808	-	-	-	-	48,808	-	48,808
Share issue costs	(2,383)	-	-	-	-	(2,383)	-	(2,383)
Related income tax	4,489	-	-	-	-	4,489	-	4,489
Balance at 30 June 2009	471,843	(66,703)	26,624	-	12,418	444,182	2,762	446,944

Notes to the financial statements are included on pages 31 to 80.

MINERAL DEPOSITS LIMITED

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**STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

Company	Issued Capital \$'000	Accumulated Losses \$'000	Investments Revaluation Reserve \$'000	Equity- Settled Share-Based Payments Reserve \$'000	Total \$'000
Balance at 1 July 2007	234,115	(29,665)	-	1,606	206,056
Loss attributable to members of the company	-	(11,057)	-	-	(11,057)
Total income and expenses recognised for the period	-	(11,057)	-	-	(11,057)
Loss on available-for-sale investments	-	-	(68)	-	(68)
Issue of options to directors and employees	-	-	-	2,405	2,405
Issue of options to financiers	-	-	-	4,745	4,745
Shares issued during the year	198,680	-	-	-	198,680
Share issue costs	(12,131)	-	-	-	(12,131)
Balance at 30 June 2008	420,664	(40,722)	(68)	8,756	388,630
Balance at 1 July 2008	420,664	(40,722)	(68)	8,756	388,630
Loss attributable to members of the company	-	(16,676)	-	-	(16,676)
Total income and expenses recognised for the period	-	(16,676)	-	-	(16,676)
Gain on available-for-sale investments	-	-	68	-	68
Issue of options to directors and employees	-	-	-	2,258	2,258
Employee options forfeited during the year	-	-	-	(348)	(348)
Issue of options to financiers	-	-	-	1,752	1,752
Shares issued under MDL share option plan	265	-	-	-	265
Shares issued during the year	48,808	-	-	-	48,808
Share issue costs	(2,383)	-	-	-	(2,383)
Related income tax	4,489	-	-	-	4,489
Balance at 30 June 2009	467,354	(57,398)	-	12,418	426,863

Notes to the financial statements are included on pages 31 to 80.

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**CASH FLOW STATEMENT
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

	Note	Consolidated		Company	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		65,178	851	255	121
Payments to suppliers and employees		(87,695)	(7,170)	(8,647)	(8,829)
Interest and other costs of finance paid		(1,437)	-	(227)	(242)
Receipt from close-out of gold derivatives		93,503	-	-	-
Income tax paid		(45)	-	-	-
Net cash provided by/(used in) operating activities	31	69,504	(6,319)	(8,619)	(8,950)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for capitalised exploration and development expenditure		(45,063)	(52,758)	-	-
Payments for construction costs		(92,183)	(131,997)	-	-
Payments for acquisition of property, plant and equipment		(12,486)	(28,276)	(155)	(68)
Payments for capitalised mining convention/concession costs		-	(6,116)	-	-
Payments for acquisition of other intangible assets		(85)	(29)	(85)	(29)
Proceeds from sale of property, plant & equipment		24	43	1	-
Payment for acquisition of investment securities		-	(1,986)	-	(1,986)
Proceeds from sale of investment securities		722	925	722	925
Interest received		479	2,167	372	2,157
Interest paid – capitalised borrowing costs		(2,092)	(242)	(2,242)	-
Advances to subsidiaries		-	-	(14,663)	(191,150)
Advances to joint venture in exploration activities		(12)	-	-	-
Net cash used in investing activities		(150,696)	(218,269)	(16,050)	(190,151)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of equity securities		49,073	198,680	49,073	198,680
Payment for share issue costs		(2,981)	(11,531)	(2,981)	(11,531)
Proceeds from monies held in trust		3	6	3	6
Proceeds from borrowings		114,576	36,040	-	36,040
Repayment of borrowings		(97,498)	-	(51,207)	-
Payment for debt issue costs		(3,738)	(139)	-	(110)
Net cash provided by/(used in) financing activities		59,435	223,056	(5,112)	223,085
Net (decrease)/increase in cash and cash equivalents held		(21,757)	(1,532)	(29,781)	23,984
Cash and cash equivalents at beginning of financial year		45,364	48,130	43,677	21,165
Effect of exchange rates on cash holdings in foreign currencies		(1,022)	(1,234)	(1,135)	(1,472)
Cash and cash equivalents at end of financial year	31(a)	22,585	45,364	12,761	43,677

Notes to the financial statements are included on pages 31 to 80.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 and head office of the company is:

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

and principal place of business is:

Rue 26, N'Gor
Dakar
Senegal

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:

- AASB 101 Presentation of Financial Statements – revised September 2007, AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101 Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8: Introduces a new management approach to segment reporting. AASB 8 only applies to entities which have on issue debt or equity securities that are traded in a public market. Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments: Requires enhanced disclosures of fair value Effective for annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Consolidated Entity and the Company:

- AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements, AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127: Alters the manner in which business combinations and changes in ownership interests in subsidiaries are accounted for. Effective for annual reporting periods beginning on or after 1 July 2009
- AASB 123 Borrowing Costs – (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123: Eliminates the option of expensing borrowing costs related to qualifying assets, requiring capitalisation instead. Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-1 Amendments to Australian Accounting Standards – Share based Payments: Vesting Conditions and Cancellations: Clarify and restrict the definition of vesting conditions and specify that all cancellations should receive the same accounting treatment. Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-2 Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation: Permits certain puttable financial instruments and instruments (or components of instruments) that impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met. Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Clarifies the required accounting treatment where previous practice had varied, although some new or changed requirements are introduced. Effective for annual reporting periods beginning on or after 1 January 2009

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Includes requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation. Effective for annual reporting periods beginning on or after 1 July 2009
- AASB 2008-7 Amendments to Accounting for the Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associate: Amends AASB 127 *Consolidated and Separate Financial Statements* and AASB 118 *Revenue*, AASB 136 *Impairment of Assets* Effective for annual reporting periods beginning on or after 1 January 2009
- AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Effective for annual reporting periods beginning on or after 1 July 2009
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. Effective for annual reporting periods beginning on or after 1 July 2009
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project : As for AASB 2009-4 Effective for annual reporting periods beginning on or after 1 January 2010
- Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2: Amends IFRS 2 Share-based Payment to clarify the accounting for group cash-settled share-based payment transactions. Effective for annual reporting periods beginning on or after 1 January 2010

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

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

2. 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 28 September 2009.

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 recorded a net loss of \$2.5 million after income tax for the year ended 30 June 2009 and net cash provided by operating activities of \$69.5 million, capital commitments of \$4.1 million and cash reserves of \$22.5 million at 30 June 2009. The group had a net current asset deficiency of \$25.5 million at 30 June 2009.

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

- generation of sufficient funds from operating activities which include gold production as forecast in current Life of Mine Plan; and
- the continued support of its bankers, creditors and major shareholders.

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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 into the company's current hedge commitments and any excess gold above its hedge position being sold at spot and resultant net cash inflows is forecast to service operating costs and the Macquarie Bank Limited ("MBL") project finance facility;
- the directors are confident that they can meet the anticipated scheduled repayment obligations currently being renegotiated under the terms of the MBL project finance facility. This net current asset deficiency was primarily due to the classification of the MBL project finance facility as current due to certain pre-conditions of the facility not having been satisfied as at 30 June 2009. While a three month waiver was received prior to 30 June 2009, as at balance date MDL did not have the unconditional right to defer settlement of this liability for 12 months to make it a non-current liability. The group's current cash flow forecast is to repay the facility in full by 30 June 2010. It is unlikely that the financiers will require full repayment on or before 30 June 2010; and
- alternatively the directors can raise capital through the issue of new shares on the Australian Securities Exchange or Toronto Stock Exchange.

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, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

Adoption of new and revised Accounting Standards

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are in the accounting policy notes set out above.

(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 30 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 2009 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.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 profit or loss in the period in which they are incurred.

(c) Cash and Cash Equivalents

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

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 exploitation of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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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) Mine Development

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

(g) Provisions

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

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

(h) Restoration and Rehabilitation

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

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

(i) Financial Assets

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

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

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

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

Effective interest method

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

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 32. 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.

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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.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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.

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

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

(l) Impairment of Assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease (refer Note 2(p)).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Income Tax

Current tax

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

Deferred tax

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

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

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

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

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

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

Tax consolidation

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

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

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

(n) Inventories

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

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

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

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

(o) Leased assets

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

Group as lessor

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

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

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

Group as lessee

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

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

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

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

Lease incentives

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

(p) **Property, Plant and Equipment**

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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 consolidated entity uses the units of production method when depreciating mining assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine.

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

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

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

Assets under finance lease

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

(q) **Financial Instruments Issued by the Company**

Debt and equity instruments

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

Financial guarantee contract liabilities

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

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

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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) **Derivative Financial Instruments**

The group enters into a variety of derivative financial instruments to manage its exposure to gold and oil price risk, including gold forward contracts, gold put options and oil price swaps. Further details of derivative financial instruments are disclosed in Note 32 to the financial statements.

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

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

(s) **Revenue Recognition**

Gold and silver bullion sales

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

Interest revenue

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

Revenue from operating leases is recognised in accordance with the group's accounting policy outlined in Note 2(o).

(t) **Share-Based Payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of an appropriate model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 34.

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

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

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

(u) **Comparative Figures**

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

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(v) Earnings per Share

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

(w) Joint Venture Arrangements

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

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

(x) Intangible assets

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

(y) Government Royalties

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity's accounting policies

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

Ore reserves

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

Key sources of estimation uncertainty

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

Units of production

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

Exploration and evaluation expenditure

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

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Impairment of assets

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

Recovery of deferred tax assets

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

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

Production start date

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

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

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

Fair value of derivative financial instruments

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

Share based payments

The company measures the cost of equity settled share-based payments at fair value at the grant date using an appropriate valuation model taking into account the terms and conditions upon which the instruments were granted and expected vesting period as disclosed in Note 34.

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
4. REVENUE				
The following items are relevant in explaining the financial result:				
Gold sales at spot price	68,438	-	-	-
Realised loss on gold forward contracts	(3,531)	-	-	-
	<u>64,907</u>	<u>-</u>	<u>-</u>	<u>-</u>
Proceeds from closed hedge book:				
- gold flat forwards	20,759	-	-	-
- gold put options	72,277	-	-	-
	<u>93,036</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest revenue from:				
- bank deposits	423	2,028	315	2,018
- available for sale investments	35	147	35	147
Other revenue:				
- rental income received	70	80	70	67
- finance lease income	-	14	-	-
- other	128	150	106	130
Gain on disposal of non-current assets:				
- gain from sale of property, plant and equipment	-	48	-	1
	<u>656</u>	<u>2,467</u>	<u>526</u>	<u>2,363</u>
	<u>93,692</u>	<u>2,467</u>	<u>526</u>	<u>2,363</u>
5. FINANCE COSTS				
Interest on loans	10,428	2,022	8,267	2,022
Less amounts included in the cost of qualifying assets	(7,552)	(2,022)	-	-
	<u>2,876</u>	<u>-</u>	<u>8,267</u>	<u>2,022</u>

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
6. LOSS FOR THE YEAR BEFORE TAX				
Charging as expenses				
Loss for the year has been arrived at after (crediting)/charging the following:				
Cost of sales:				
- mine production costs	39,169	-	-	-
- depreciation and amortisation	13,236	-	-	-
- royalty expense	2,041	-	-	-
- inventory movements	(5,742)	-	-	-
Total cost of sales	48,704	-	-	-
Depreciation of non-current assets:				
- land and buildings	-	95	-	-
- plant and equipment	1	-	1	-
- office furniture	70	13	11	13
- computer equipment and software	209	100	73	43
- other assets	1	48	-	-
- motor vehicles	204	51	-	-
	485	307	85	56
Amortisation of intangible assets:				
- computer software	92	51	30	21
Employee benefits:				
- equity settled share based payments	1,909	2,405	1,909	2,405
- other employee benefits	5,198	3,994	3,193	3,138
- post employment benefits	641	579	641	579
- provision for leave entitlements	373	706	137	422
	8,121	7,684	5,880	6,544
Administration and other overheads	9,079	2,407	4,687	3,204
Total administration expenses	17,777	10,449	10,682	9,825
Gains and losses				
Loss for the year before tax has been derived after the following gains/(losses) have been included:				
- oil hedge unrealised gains	3,292	-	-	-
- impairment of other receivables	16	-	-	-
- allowance for doubtful debts (wholly owned subsidiary)	-	-	23	726
- fair value loss of financial assets available for sale	268	70	268	70
	284	70	291	796

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
7. INCOME TAXES				
Income tax recognised in profit of loss				
Tax expense / (income) comprises:				
Current tax expense	6,191	55	(9,292)	-
Adjustments recognised in the current year in relation to the current tax of prior years	11	-	-	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce current tax expense	(5,070)	-	-	-
Sub-total	<u>1,132</u>	<u>55</u>	<u>(9,292)</u>	<u>-</u>
Deferred tax expense relating to the origination and reversal of temporary differences	(599)	-	(814)	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce deferred tax expense	(3,980)	-	(7,963)	-
Total tax expense	<u>(3,447)</u>	<u>55</u>	<u>(18,069)</u>	<u>-</u>
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:				
Loss from operations	(5,977)	(8,974)	(34,745)	(11,057)
Income tax income calculated at 30% (2008 – 30%)	(1,793)	2,692	(10,424)	3,317
Effect of revenue that is exempt from taxation	(14,652)	(217)	-	(2)
Effect of expenses that are not deductible in determining taxable profit	8,213	3,671	2,211	3,933
Other assessable income	13,303	674	-	675
Other deductible expenses	-	(1,436)	-	(1,289)
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	(9,936)	-	(9,856)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1,418)	55	-	-
	<u>(3,447)</u>	<u>55</u>	<u>(18,069)</u>	<u>-</u>
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 2(m) occur:				
Tax losses - revenue	6,726	11,038	6,726	11,038
Tax losses - capital	3,336	920	3,336	920
Temporary differences	-	1,354	-	3,521
	<u>10,062</u>	<u>13,312</u>	<u>10,062</u>	<u>15,479</u>

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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 30.

Nature of tax funding arrangements

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

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
8. TRADE AND OTHER RECEIVABLES				
Current				
Other receivables (i)	1,059	1,101	44	118
Amounts due from other related parties (ii)	7	26	7	26
	<u>1,066</u>	<u>1,127</u>	<u>51</u>	<u>144</u>
Finance lease receivable (Note 27(a))	-	70	-	-
Unearned finance charges on finance lease	-	-	-	-
	<u>-</u>	<u>70</u>	<u>-</u>	<u>-</u>
	<u>1,066</u>	<u>1,197</u>	<u>51</u>	<u>144</u>

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

(ii) Amounts due from other related parties comprise charges for accommodation, facilities and administrative support as described in Note 38(c). Trading terms are 30 days from date of invoice.

Included in the group's other receivables are debtors with a carrying value amount of \$494,353 (2008 - \$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	1	113	-	-
90-120 days	493	574	2	-
	<u>494</u>	<u>687</u>	<u>2</u>	<u>-</u>

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
9. INVENTORIES				
Ore stockpiles	25,322	-	-	-
Gold in circuit	1,127	-	-	-
Gold bullion	6,406	-	-	-
Diesel fuel	2,824	226	-	-
Materials and supplies	16,797	533	-	-
Goods in transit	1,728	-	-	-
	<u>54,204</u>	<u>759</u>	<u>-</u>	<u>-</u>

There were no inventory write-downs recognised as an expense during the period (2008 - nil).

10. OTHER ASSETS

Current

Prepayments	3,190	249	217	70
Security deposit	444	401	36	43
	<u>3,634</u>	<u>650</u>	<u>253</u>	<u>113</u>

11. OTHER FINANCIAL ASSETS

(a) Current

Available-for-sale investments carried at fair value:

- floating rate note

	-	922	-	922
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(b) Non-Current

Shares in controlled entities, at cost

	-	-	6,500	6,500
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Loans carried at amortised cost:

- wholly-owned subsidiaries:

- MDL Gold Limited

- MDL (Mining) Limited

- Mineral Deposits (Operations) Pty Ltd

- accumulated impairment

- HNFL (Holdings) Pty Ltd

- MDML (Capital) Limited

- SGML (Capital) Limited

	-	-	291,759	273,924
	-	-	105,683	94,341
	-	-	7,306	7,282
	-	-	(7,306)	(7,282)
	-	-	2	-
	-	-	2,480	2,480
	-	-	-	1,869
	-	-	<u>399,924</u>	<u>372,614</u>
	-	-	<u>406,424</u>	<u>379,114</u>

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

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
12. DERIVATIVE FINANCIAL ASSETS				
(a) Current				
Oil - energy swap	471	-	-	-
(b) Non-Current				
Oil - energy swap	2,637	-	-	-

During the year the company entered into a hedge agreement with respect to the oil price in order to manage its exposure to commodity risk. The company hedged 80,000 barrels per annum for four years at a flat forward price of US\$70 per barrel. At balance date, 300,000 barrels were hedged valued at \$3,108,321.

13. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Freehold land, buildings & property improvement \$'000	Plant and equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Plant and equipment under finance lease \$'000	Total \$'000
Gross carrying amount						
Balance at 1 July 2007	884	10,213	990	2,104	-	14,191
Additions	-	92,814	265	708	-	93,787
Transfer	84	103,048	(235)	(466)	-	102,431
Disposals	-	(2,833)	(65)	(157)	-	(3,055)
Net foreign currency exchange differences	7	71	8	23	-	109
Balance at 1 July 2008	975	203,313	963	2,212	-	207,463
Additions	-	85,114	815	205	2,810	88,944
Transfer	34,997	(62,306)	(9)	-	27,242	(76)
Disposals	-	(232)	(2)	(50)	-	(284)
Net foreign currency exchange differences	75	19,073	70	240	-	19,498
Balance at 30 June 2009	36,047	244,962	1,837	2,607	30,052	315,505
Accumulated depreciation						
Balance at 1 July 2007	(34)	(1,662)	(419)	(751)	-	(2,866)
Transfer	92	1,395	285	840	-	2,612
Depreciation expense	(96)	(1,622)	(212)	(449)	-	(2,379)
Disposals	-	952	64	157	-	1,173
Net foreign currency exchange differences	-	(9)	(2)	(7)	-	(18)
Balance at 1 July 2008	(38)	(946)	(284)	(210)	-	(1,478)
Transfer	-	-	8	-	-	8
Depreciation expense	(978)	(7,776)	(560)	(504)	(7,513)	(17,331)
Disposals	-	139	9	49	-	197
Net foreign currency exchange differences	(4)	(33)	(5)	(19)	-	(61)
Balance at 30 June 2009	(1,020)	(8,616)	(832)	(684)	(7,513)	(18,665)
Net book value						
As at 30 June 2008	937	202,367	679	2,002	-	205,985
As at 30 June 2009	35,027	236,346	1,005	1,923	22,539	296,840

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COMPANY	Plant and equipment \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2007	4	347	-	351
Additions	66	52	-	118
Transfer	-	-	-	-
Disposals	-	(66)	-	(66)
Balance at 1 July 2008	70	333	-	403
Additions	-	221	5	226
Transfer	(66)	-	-	(66)
Disposals	-	(11)	-	(11)
Balance at 30 June 2009	4	543	5	552
Accumulated depreciation				
Balance at 1 July 2007	(3)	(249)	-	(252)
Transfer	-	-	-	-
Depreciation expense	-	(56)	-	(56)
Disposals	-	65	-	65
Balance at 1 July 2008	(3)	(240)	-	(243)
Transfer	-	-	-	-
Depreciation expense	(1)	(84)	-	(85)
Disposals	-	10	-	10
Balance at 30 June 2009	(4)	(314)	-	(318)
Net book value				
As at 30 June 2008	67	93	-	160
As at 30 June 2009	-	229	5	234

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

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

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

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	Consolidated	
	2009 \$'000	2008 \$'000
14. EXPLORATION AND EVALUATION EXPENDITURE		
Costs carried forward in respect of areas of interest at cost	62,955	109,246
Transferred to mine development expenditure	-	(66,200)
Transferred to mine construction	-	(105,047)
Expenditure incurred during the year	6,707	122,294
Expenditure written off during the year	(16,921)	-
Net foreign currency exchange differences	6,949	2,662
	<u>59,690</u>	<u>62,955</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.

15. MINE DEVELOPMENT EXPENDITURE

Costs carried forward in respect of areas of interest at cost	99,508	-
Transferred from exploration and evaluation expenditure	-	66,200
Expenditure incurred during the year	33,398	31,751
Amortisation of mine development	(3,389)	-
Expenditure written off during the year	(7,355)	-
Net foreign currency exchange differences	10,984	1,557
	<u>133,146</u>	<u>99,508</u>

16. CAPITALISED MINING CONVENTION AND CONCESSION COSTS

	Consolidated			Company		
	Mineral Sands \$'000	Gold \$'000	Total \$'000	Mineral Sands \$'000	Gold \$'000	Total \$'000
Capitalised mining convention costs						
Balance at 1 July 2008 – at cost (i)	3,120	12,761	15,881	-	-	-
Amortisation - mining convention costs	-	(423)	(423)	-	-	-
Balance at 30 June 2009	<u>3,120</u>	<u>12,338</u>	<u>15,458</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capitalised mining concession costs						
Balance at 1 July 2008 – at cost (ii)	7,469	1,972	9,441	1,354	1,972	3,326
Amortisation – mining concession costs	-	(65)	(65)	-	-	-
Transferred to wholly owned subsidiary	-	-	-	(1,354)	(1,972)	(3,326)
Balance at 30 June 2009	<u>7,469</u>	<u>1,907</u>	<u>9,376</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value						
As at 30 June 2008	10,589	14,733	25,322	1,354	1,972	3,326
As at 30 June 2009	<u>10,589</u>	<u>14,245</u>	<u>24,834</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

Amortisation of capitalised mining concession and convention costs in relation to the Sabodala Gold Project is amortised on a straight line basis over the life of the concession, 10 years.

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	Consolidated \$'000	Company \$'000
17. OTHER INTANGIBLE ASSETS		
Software		
Gross carrying amount		
Balance at 1 July 2007	374	74
Additions	780	29
Transfer	(238)	-
Disposals	(488)	-
Net foreign currency exchange differences	3	-
Balance at 1 July 2008	<u>431</u>	<u>103</u>
Additions	135	36
Transfer	9	-
Disposals	-	-
Net foreign currency exchange differences	36	-
Balance at 30 June 2009	<u>611</u>	<u>139</u>
Accumulated depreciation		
Balance at 1 July 2007	(171)	(53)
Transfer	241	-
Amortisation expense	(183)	(21)
Disposals	-	-
Net foreign currency exchange differences	(1)	-
Balance at 1 July 2008	<u>(114)</u>	<u>(74)</u>
Transfer	(8)	-
Amortisation expense	(217)	(30)
Disposals	-	-
Net foreign currency exchange differences	(4)	-
Balance at 30 June 2009	<u>(343)</u>	<u>(104)</u>
Net book value		
As at 30 June 2008	317	29
As at 30 June 2009	<u>268</u>	<u>35</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	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
18. TRADE AND OTHER PAYABLES				
(a) Current				
Unsecured liabilities:				
- trade payables (i)	2,111	23,740	265	5,033
- sundry creditors and accrued expenses	21,365	13,988	253	230
- government royalties (ii)	1,927	-	-	-
- amounts payable to Government of Senegal (ii)	9,082	4,853	-	-
- amounts payable held in trust	174	172	174	172
- amounts payable to wholly owned subsidiary	-	-	30	-
	<u>34,659</u>	<u>42,753</u>	<u>722</u>	<u>5,435</u>
(b) Non-Current				
Unsecured liabilities:				
- amounts payable to Government of Senegal (ii)	<u>3,390</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

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

- \$5,365,000 (US\$4.1 million) in four equal instalments over the first four years of production to which an annual interest rate of 6% applies on a reducing balance basis; and
- US\$6.50 per ounce once-off bonus payments for a capped mineable reserve exceeding 556,000 ounces for a total of US\$5.5 million. Repayments of five equal monthly instalments commence on 30 September 2009.

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
19. BORROWINGS				
(a) Current				
Unsecured – at amortised cost:				
- bank overdraft	-	633	-	-
Secured – at amortised cost:				
- project finance facility (i)	47,504	-	-	-
- borrowing costs	(2,179)	-	-	-
- finance lease liabilities (ii)	10,478	-	-	-
- borrowing costs	(282)	-	-	-
- working capital facility (iii)	-	36,514	-	36,514
- borrowing costs	-	(4,454)	-	(4,414)
	55,521	32,693	-	32,100
(b) Non-Current				
Secured – at amortised cost:				
- finance lease liabilities (ii)	10,478	-	-	-
- borrowing costs	(109)	-	-	-
	10,369	-	-	-

- (i) The Project Finance Facility for the SGP was drawn down to US\$38 million at period end, with a facility limit of US\$52 million. A US\$3 million repayment was made on 30 June 2009. No further drawdowns are expected. This facility was provided to, and the funds drawn down by MDL's 90%-owned subsidiary Sabodala Gold Operations SA ("SGO").

As at 30 June 2009, certain undertakings relating to this facility had not been complied with. Fulfilling these undertakings had been previously waived by MBL, with the most recent waiver dated 30 June 2009 extending until 30 September 2009. As at balance date, SGO was awaiting formal written approval to draw water from the Faleme River and a Presidential Decree concerning land formerly held by AXMIN Limited and Oromin Explorations Limited, now incorporated in SGO's mining perimeter. Both of these are considered a formality and will be completed in due course.

SGO is currently in discussion with MBL in regard to a revised repayment schedule in terms of which the entire outstanding MBL debt would be repaid prior to 30 June 2010.

The facility is secured by a fixed and floating charge over substantially all of SGO's assets. SGO continues to have the support of MBL.

- (ii) On 18 November 2008, MDL's subsidiary SGML (Capital) Limited entered into a sale and leaseback agreement with Societe Generale Australia over its mining fleet for US\$23.2 million, of which US\$16.9 million was outstanding at 30 June 2009. The lease contract expires 30 June 2011 with principal and interest payments due quarterly in arrears. Interest is calculated using LIBOR plus a margin. The lease is secured by the assets financed.
- (iii) The Working Capital Facility provided to the company by RMB Australia Holdings Limited ("RMB") and MBL was repaid in full on 31 March 2009.

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
20. DERIVATIVE FINANCIAL LIABILITIES				
(a) Current				
Gold flat forwards (unrealised revaluation)	13,168	-	-	-
(b) Non-Current				
Gold flat forwards (unrealised revaluation)	40,052	-	-	-

During the year the company entered into a project finance facility provided by MBL. A condition of this facility was the establishment of a gold hedging programme.

A total of 466,000 ounces was committed forward for delivery between February 2009 and February 2014 at a delivery price of US\$861.35 per ounce. Additionally, 227,000 ounces of put options were purchased with exercise dates over the same five year period with an exercise price of US\$861.35 per ounce.

During the year, the company sold the entire gold put option position of 227,000 ounces and closed 280,500 ounces of the flat forward sales to realise proceeds of US\$60 million (A\$93,036,527). The restructure resulted in 399,000 ounces of gold being committed forward for delivery between May 2009 and February 2013 at a delivery price of US\$846 per ounce.

At year end, the hedge position comprised 363,832 ounces of flat forward sales at US\$846 per ounce. At 30 June 2009, the mark to market gold hedge position (gold price at US\$944.60) was negative A\$53,220,000.

21. PROVISIONS

(a) Current				
Employee benefits (i)	2,840	2,044	1,431	1,320
Mine restoration and rehabilitation (ii)	204	205	-	-
	<u>3,044</u>	<u>2,249</u>	<u>1,431</u>	<u>1,320</u>
(b) Non-Current				
Employee benefits (i)	176	-	26	-
Total provisions	<u>3,220</u>	<u>2,249</u>	<u>1,457</u>	<u>1,320</u>
(i) The current provisions for employee benefits include \$2,313,394 (company - \$904,384) annual leave and long service leave entitlements of \$526,624 (company - \$526,624) respectively.				
(ii) Mine rehabilitation:				
Balance at 1 July 2008	205	697	-	-
Amounts provided	67	198	-	-
Amounts paid	(68)	(690)	-	-
Balance at 30 June 2009	<u>204</u>	<u>205</u>	<u>-</u>	<u>-</u>

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	2009 No.	2009 \$'000	2008 No.	2008 \$'000
22. ISSUED CAPITAL				
(a) Fully paid ordinary shares				
Paid up capital				
563,375,950 (2008 – 483,619,234) fully paid ordinary shares	563,375,950	471,843	483,619,234	420,664
At the beginning of the financial year	483,619,234	420,664	300,119,234	234,115
Shares issued during the year:				
- 11 July 2007	-	-	44,898,630	56,123
- 9 August 2007	-	-	30,101,370	37,627
- 20 December 2007	-	-	45,500,000	56,420
- 27 June 2008	-	-	63,000,000	48,510
- 8 December 2008	1,000,000	250	-	-
- 30 March 2009	63,600,000	39,432	-	-
- 13 May 2009	35,000	15	-	-
- 18 May 2009	15,121,716	9,376	-	-
Transaction costs relating to issue	-	(2,383)	-	(12,131)
Related income tax	-	4,489	-	-
Total for the financial year	79,756,716	51,179	183,500,000	186,549
At the end of the financial year	563,375,950	471,843	483,619,234	420,664

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 8 December 2008, 1,000,000 ordinary shares were issued to a director following the exercise of share options (MDLAI) at an exercise price of \$0.25.
- On 30 March 2009, the company successfully completed the private placement of 63,600,000 million new ordinary shares at an issue price of Cdn\$0.52 per share (equivalent to A\$0.62 per share) raising a total of Cdn\$33.1 million (equivalent to A\$39.4 million). The private placement was limited to a number of Canadian institutions, with the raising managed by Toll Cross Securities Inc. and Cormack Securities Inc.
- On 13 May 2009, 35,000 ordinary shares were issued to an employee following the exercise of share options (MDLAM) at an exercise price of \$0.45.
- The company undertook a Share Purchase Plan ("SPP") for working capital purposes. The record date for the SPP was 27 March 2009 and eligible shareholders were entitled to apply for a minimum of \$1,000 up to a maximum of \$10,000 worth of MDL shares at an issue price of \$0.62 per share.
- On 18 May 2009, 15,121,716 ordinary shares were issued under the SPP raising \$9.4 million.

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(b) Options

The closing share market price of an ordinary share of the company at 30 June 2009 was ASX: \$0.62; TSX: Cdn\$0.62 (2008 – \$0.82).

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

ASX Code	Issue Date	Expiry Date	Exercise Price \$	2009 No.
MDLAA	1 July 2008	1 July 2011	1.40	10,000,000
MDLAB	30 June 2009	30 June 2014	0.75	750,000
MDLAI	2 January 2009	1 January 2012	0.69	9,000,000
MDLAK	1 December 2004	1 December 2009	0.33	5,000,000
MDLAM	31 December 2004	2 January 2010	0.45	250,000
MDLAO	10 March 2005	10 March 2010	0.65	500,000
MDLAQ	23 November 2005	23 November 2010	0.85	500,000
MDLAS	1 May 2006	1 May 2011	2.00	750,000
MDLAU	19 July 2007	18 July 2012	1.60	2,100,000
MDLAW	29 November 2007	29 November 2012	1.60	6,500,000
MDLAY	5 December 2007	5 December 2012	1.60	1,000,000
MDLAZ	10 April 2008	10 April 2011	1.40	10,000,000
Total options outstanding at year end				<u>46,350,000</u>

Full details of the issue and exercise of options during the financial year are contained in Note 34 – Share-Based Payments.

No share options were issued to directors, senior personnel or employees since 30 June 2009.

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

MDLAS	1 May 2006	1 May 2011	2.00	250,000
MDLAU	19 July 2007	18 July 2012	1.60	<u>550,000</u>
				<u>800,000</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. Options do not carry any voting or dividend rights

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

23. RESERVES

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 and the revaluation of intercompany loans..

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

The equity-settled share based payment reserve arises on the grant of share options to directors, employees and financiers. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments is detailed in Note 34 to the financial statements.

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	Consolidated	
	2009	2008
	Cents	Cents
Basic earnings per share	(0.5)	(2.3)
Diluted earnings per share	(0.5)	(2.3)

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	\$'000	\$'000
Net loss	(2,530)	(9,029)
Earnings used in the calculation of basic and diluted EPS	(2,530)	(9,029)
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	501,881,635	394,989,617

The options on issue throughout 2008 and 2009 are not dilutive in effect as the consolidated entity recorded a net loss in each of those financial years.

25. DIVIDENDS

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

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28. CONTINGENT LIABILITIES

- (a) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes revegetation. Some aspects of the rehabilitation obligations extend for a period in excess of 10 years after the cessation of previous mining activities. Ongoing rehabilitation work therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW, Australia. No adverse situations were reported and work continued to schedule.
- (b) There are no outstanding native title claims against the company which could or would have a financial impact.
- (c) 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\$50,000 per year of production on training of DMG officers and logistical support to the technical services of the Ministry for Mines.
- (d) The company has a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited.
- (e) The company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to its subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.
- (f) The company's, wholly owned subsidiary, MDL (Mining) Limited previously entered into an agreement with a financier in relation to the arrangement of debt financing facilities for the Grande Cote Zircon Project. This agreement expires on 31 December 2009. If this agreement is not continued and subject to the financier being compliant with its obligations, the company will be liable for a break fee totalling US\$1.0 million.

The directors are not aware of any other contingent liabilities at 30 June 2009.

29. JOINTLY CONTROLLED OPERATIONS AND ASSETS

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

Name of venture	Principal activity	Output interest	
		2009 %	2008 %
Rokamco JV - Dembala Berola	Gold exploration	80	80
Rokamco JV - Massakounda	Gold exploration	80	80
Senegal Nominees JV – Bransan	Gold exploration	70	70
NAFPEC JV – Makana	Gold exploration	80	80
AXMIN JV – Sabodala NW	Gold exploration	51	-
AXMIN JV - Heremakono	Gold exploration	51	-
AXMIN JV - Sounkounkou	Gold exploration	51	-

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

	Consolidated	
	2009 \$'000	2008 \$'000
Non-current assets		
Exploration and evaluation expenditure	5,767	2,109

Exploration commitments and contingent liabilities

Exploration commitments and contingent liabilities arising from the group's interests in joint ventures are disclosed in Notes 26 and 28.

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30. SUBSIDIARIES

(a) Subsidiary entities consolidated	Country of Incorporation	Auditor	Percentage owned	
			2009	2008
Company and head of tax consolidation group:				
- Mineral Deposits Limited*	Australia	Deloitte Touche Tohmatsu		
Subsidiaries of Mineral Deposits Limited:				
- MDL (Mining) Limited* (i)	Australia	Deloitte Touche Tohmatsu	100	100
- MDL Gold Limited* (i)	Australia	Deloitte Touche Tohmatsu	100	100
- Mineral Deposits (Operations) Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
Subsidiaries of MDL (Mining) Limited:				
- HNFL (Holdings) Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
- Mineral Deposits Mauritius Limited	Mauritius	KPMG Mauritius	100	100
Subsidiaries of MDL Gold Limited:				
- Sabodala Gold (Mauritius) Limited	Mauritius	KPMG Mauritius	100	100
- SGML (Capital) Limited	Mauritius	KPMG Mauritius	100	100
Subsidiaries of Mineral Deposits Mauritius Limited:				
- MDML (Capital) Limited	Mauritius	KPMG Mauritius	100	100
- MDL Senegal SARL	Senegal	BDO MBA	100	100
- Grande Cote Operations SA (iii)	Senegal	BDO MBA	90	90
Subsidiaries of Sabodala Gold (Mauritius) Limited:				
- Sabodala Mining Company SARL (iv)	Senegal	KPMG Senegal	100	100
- Sabodala Gold Operations SA (iii) (iv)	Senegal	KPMG Senegal	90	90
- Ausind Sands India Private Limited (ii)	India	-	72	72
Subsidiaries of MDML (Capital) Limited:				
- Mineral Deposits (Operations) Senegal SUARL	Senegal	KPMG 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. The effect of the deed of cross guarantee is that the company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the company is wound up.
- (ii) Application to the Indian courts for the winding up of subsidiary Ausind Sands India Private Limited and Mauritius Titanium India Private Limited has not yet been heard.
- (iii) Pursuant to the Uniform Act (OHADA) governing the company's "SA" Senegalese subsidiaries, the board of directors must have at least three and no more than 12 directors (other than in particular circumstances). Members of the board do not have to be shareholders. However, no more than one-third of the members of the board may be non-shareholders.

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

- (iv) Under the terms of the SGO project finance facility, the company has pledged its shares in favour of MBL as security.

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

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The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee after eliminating all transactions between parties to the deed of cross guarantee, at 30 June 2009 are:

	Consolidated	
	2009	2008
	\$'000	\$'000
INCOME STATEMENT		
Interest revenue	350	2,165
Other revenue	175	198
	<u>525</u>	<u>2,363</u>
Administration expenditure	(8,544)	(7,650)
Finance costs	(8,267)	(2,022)
Equity settled share based payments	(1,909)	(2,405)
Employee benefits expense	(137)	(422)
Depreciation and amortisation expense	(180)	(77)
Loss on disposal of property, plant and equipment	(2)	(1)
Fair value loss of financial assets	(268)	(70)
Foreign currency losses (unrealised)	(16,029)	(777)
	<u>(35,336)</u>	<u>(13,424)</u>
Loss before tax	(34,811)	(11,061)
Income tax benefit	4,866	-
	<u>4,866</u>	<u>-</u>
Loss for the year	<u>(29,945)</u>	<u>(11,061)</u>

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	Consolidated	
	2009	2008
	\$'000	\$'000
BALANCE SHEET		
Current assets		
Cash and cash equivalents	12,761	43,677
Trade and other receivables	51	144
Other financial assets – investments	-	922
Other	253	113
Total current assets	13,065	44,856
Non-current assets		
Receivables	384,664	373,982
Other financial assets – investments	1,396	1,396
Property, plant and equipment	234	160
Capitalised mining convention and concession costs	3,260	3,326
Deferred tax assets	9,383	-
Other intangible assets	35	29
Total non-current assets	398,972	378,893
Total assets	412,037	423,749
Current liabilities		
Trade and other payables	722	5,435
Borrowings	-	32,100
Current tax liability	-	-
Provisions	1,431	1,320
Total current liabilities	2,153	38,855
Non-current liabilities		
Provisions	26	-
Total non-current liabilities	26	-
Total liabilities	2,179	38,855
Net assets	409,858	384,894
Equity		
Issued capital	471,843	420,664
Reserves	12,418	8,688
Accumulated losses	(74,403)	(44,458)
Total equity	409,858	384,894

(b) Subsidiaries acquired or disposed of

There were no subsidiaries acquired or disposed of during the period ended 30 June 2009.

MINERAL DEPOSITS LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
31. CASH FLOW INFORMATION				
(a) Reconciliation of cash and cash equivalents				
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	22,585	45,997	12,761	43,677
Bank overdraft	-	(633)	-	-
	<u>22,585</u>	<u>45,364</u>	<u>12,761</u>	<u>43,677</u>
Cash and cash equivalents	<u>22,585</u>	<u>45,364</u>	<u>12,761</u>	<u>43,677</u>
Reconciliation of loss for the period to net cash flows from operating activities				
Loss for the year	(2,530)	(9,029)	(16,676)	(11,057)
Depreciation	7,104	904	85	56
Amortisation	6,709	21	30	21
Finance costs	9,791	-	8,040	1,780
Impairment of other financial assets	-	-	23	726
Share based remuneration	1,909	2,405	1,909	2,405
Foreign exchange (gain)/loss	16,031	854	16,029	778
Profit on sale of non-current assets	-	(48)	-	(1)
Loss on disposal of non-current assets	93	13	-	-
Loss on sale of other financial investments	268	70	268	70
Loss on derivative instrument	53,079	-	-	-
Interest income received and receivable	(458)	(2,167)	(372)	(2,157)
Capitalised exploration and development costs written off	22,558	-	-	-
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in trade and term debtors	(3,308)	913	(13,117)	(89)
(Increase)/decrease in prepayments	(3,088)	(126)	(147)	(17)
(Increase)/decrease in accrued income	-	(8)	22	(8)
(Increase)/decrease in inventories	(57,411)	(387)	-	-
Increase/(decrease) in trade creditors and accruals	21,348	(413)	(55)	(1,879)
Increase/(decrease) in other liabilities	-	567	-	-
Increase in employee entitlements	914	603	137	422
Increase/(decrease) in rehabilitation provisions	-	(491)	-	-
Increase in income tax	(3,505)	-	(4,795)	-
	<u>69,504</u>	<u>(6,319)</u>	<u>(8,619)</u>	<u>(8,950)</u>
Net cash from operating activities	<u>69,504</u>	<u>(6,319)</u>	<u>(8,619)</u>	<u>(8,950)</u>
(b) Non-cash financing and investing activities				

Details of financing and investing transactions which 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 and MBL as part of the consideration for the rollover of the 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, nine million options were issued equally to RMB and MBL on 2 January 2009.

The options are exercisable into fully paid ordinary shares at an exercise price of \$0.69 per option at any time up to the expiry date for each option, i.e. 1 January 2012.

The value of options incurred in borrowing costs was \$1,752,488 (using a Black Scholes option pricing model) and amortised as the facility was repaid in full on 31 March 2009.

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	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(c) Financing activities				
Unsecured bank overdraft facility				
- amount used	-	633	-	-
- amount unused	-	-	-	-
	<u>-</u>	<u>633</u>	<u>-</u>	<u>-</u>
Secured project finance facility				
- amount used (US\$38 million)	47,503	-	-	-
- amount unused (US\$14 million)	11,267	-	-	-
	<u>58,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
Secured revolving working capital facility (i)				
- amount used	-	36,514	-	36,514
- amount unused	-	-	-	-
	<u>-</u>	<u>36,514</u>	<u>-</u>	<u>36,514</u>
	<u>58,770</u>	<u>37,147</u>	<u>-</u>	<u>36,514</u>

(i) Repaid in full on 31 March 2009

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. The Project Finance Facility for the SGP was drawn down to US\$38 million at period end, with a facility limit of US\$52 million. A US\$3 million repayment was made on 30 June 2009. No further drawdowns are expected. This facility was provided to, and the funds drawn down by SGO.

(d) Cash balances not available for use

The company has \$250,000 (2008 - \$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.

(e) Cash balances restricted for use

The balance of funds held in the SGO's Proceeds Account of \$6,365,825 (per the Project Finance Facility provided by MBL) is only available for operating, project and financing (including loan repayments) costs of that entity. Funds are not available for other entities within the MDL group unless strict criteria are passed. These criteria include technical and financial completion tests, loan ratio tests and sufficient funds remaining in the Proceeds Account to maintain an agreed reserve amount. It is not expected that funds will be available from the Proceeds Account for other entities within the MDL group for the remaining life of the loan.

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**NOTES TO THE FINANCIAL STATEMENTS
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32. FINANCIAL INSTRUMENTS

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

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

(a) Capital risk management

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

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

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
The gearing ratio at year end was as follows:				
Financial Assets				
Long and short term debt (Note 19)	65,890	32,693	-	32,100
Cash and cash equivalents (Note 31)	22,585	45,364	12,761	43,677
Net debt	<u>(43,305)</u>	<u>12,671</u>	<u>12,761</u>	<u>11,577</u>
Total equity	446,944	365,884	426,863	388,630
Net debt to equity ratio	<u>9.7%</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Loans receivable	-	-	386,620	372,614
Other receivables	1,066	1,197	51	144
Derivative financial assets	3,108	-	-	-
Cash and cash equivalents	22,585	45,997	12,761	43,677
Available-for-sale financial assets (i)	<u>-</u>	<u>922</u>	<u>-</u>	<u>922</u>

Financial liabilities:

Other payables and accruals	39,318	42,753	692	5,435
Borrowings	65,890	33,326	-	32,100
Derivative financial liabilities	<u>53,220</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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(c) Commodity Market risk

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Derivative financial instruments				
Financial derivative assets:				
Energy Swap - Oil	3,108	-	-	-
Disclosed as:				
Current	471	-	-	-
Non-current	2,637	-	-	-
	3,108	-	-	-
Financial derivative liabilities:				
Gold flat forward contracts	53,220	-	-	-
Disclosed as:				
Current	13,168	-	-	-
Non-current	40,052	-	-	-
	53,220	-	-	-

Gold forward contracts and oil swaps

Details of the gold hedging contracts and oil swaps at year end were as follows:

	Gold Forward Contracts			Energy Swaps – Oil		
	Ounces	US\$/ounce	Fair Value	BBL	US\$/BBL	Fair Value
Within 1 year	106,332	846	(13,168)	80,000	70	471
Between 1 and 2 years	99,000	846	(13,301)	80,000	70	807
Between 2 and 3 years	93,000	846	(14,833)	80,000	70	1,004
Between 3 and 4 years	65,500	846	(11,918)	60,000	70	826
Total	363,832	846	(53,220)	300,000	70	3,108

At 30 June 2009, the gold spot price was US\$944.60 and the oil price was US\$71.49 (USD/AUD spot rate US\$0.8048).

As the company has elected not to adopt hedge accounting, movements in the fair value of these contracts are accounted for through the income statement. As at 30 June 2009, the company's subsidiary SGO's hedge ineffectiveness recognised directly in the income statement was as follows:

	\$'000
Gold hedge unrealised loss	56,371
Oil hedge unrealised gain	(3,292)

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Sensitivity analysis

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

	Financial Assets		Financial Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated				
Gold forward contracts				
Profit or loss	-	-	43,878	-
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Oil energy swaps				
Profit or loss	2,823	-	-	-
Other equity	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

(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 that are denominated in a currency other than the functional currency of the entity that holds the financial asset or financial liability at the reporting date is as follows:

Consolidated				
AUD	14,229	-	1,262	2,152
USD	13	2,992	147	41,642
EUR	-	-	836	-
CFA Franc (XOF)	424,680	320,825	8,895	-
ZAR	-	-	11	106
Other	-	-	15	225
	<hr/>	<hr/>	<hr/>	<hr/>
Company				
USD	1,553	2,260	-	36,514
CAD	63	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

MINERAL DEPOSITS LIMITEDABN 19 064 377 420
AND SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009****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 or equity where the functional currency strengthens 10% against the relevant currency for financial assets and where the functional currency weakens against the relevant currency for financial liabilities. For a 10% weakening of 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.

	Financial Assets		Financial Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated				
USD Impact				
Profit or loss	1,510	(332)	16,428	4,627
Other equity	-	-	-	-
EUR Impact				
Profit or loss	-	-	(84)	-
Other equity	-	-	-	-
XOF Impact				
Profit or loss	-	-	-	-
Other equity	(42,468)	(35,647)	(889)	239
ZAR Impact				
Profit or loss	-	-	(11)	89
Other equity	-	-	-	-
Other Impact				
Profit or loss	-	-	(11)	(12)
Other equity	-	-	-	-
Company				
USD Impact				
Profit or loss	173	(251)	-	4,057
Other equity	-	-	-	-
CAD Impact				
Profit or loss	7	-	-	-
Other equity	-	-	-	-

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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(e) Interest rate risk management

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

The company's interest rate on its project finance facility and its finance lease is calculated at LIBOR plus a margin.

	Consolidated		Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash at bank	22,585	45,997	12,761	43,677
Financial liabilities				
Borrowings - Project finance facility	47,504	36,514	-	36,514
Finance lease liabilities	20,956	-	-	-
	68,460	36,514	-	36,514

Interest rate sensitivity analysis

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

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

	Financial Assets		Financial Liabilities	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Company and group				
Profit or loss	113	230	(342)	(183)
Other equity	-	-	-	-

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

(f) Credit risk management

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

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds 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 \$'000	Due one to three months \$'000	Due between three months to one year \$'000	Due one to five years \$'000
Consolidated					
2009					
<i>Financial Liabilities</i>					
Non-interest bearing	-	23,649	4,103	4,662	-
Variable interest rate instruments	-	-	13,959	48,473	14,020
Derivatives (i)	-	-	2,343	10,545	31,210
Financial guarantee contracts		-	-	-	-
		23,649	20,405	63,680	45,230
2008					
<i>Financial Liabilities</i>					
Non-interest bearing	-	42,753	-	-	-
Variable interest rate instruments	27.0	633	2,472	39,451	-
Financial guarantee contracts		-	-	-	-
		43,386	2,472	39,451	-
Company					
2009					
<i>Financial Liabilities</i>					
Non-interest bearing	-	692	-	-	-
		692	-	-	-
2008					
<i>Financial Liabilities</i>					
Non-interest bearing	-	5,435	-	-	-
Variable interest rate instruments	27.0	-	2,472	39,451	-
Financial guarantee contracts		-	-	-	-
		5,435	2,472	39,451	-

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

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 \$'000	Due one to three months \$'000	Due between three months to one year \$'000	Due one to five years \$'000
Consolidated					
2009					
<i>Financial Assets</i>					
Non-interest bearing	-	1,065	-	-	-
Derivatives (i)			75	400	2,773
Finance lease receivable		-	-	-	-
		1,065	75	400	2,773
2008					
<i>Financial Assets</i>					
Non-interest bearing	-	1,197	-	-	-
Variable interest rate instruments	8.36	-	21	998	-
Finance lease receivable	5.0	70	-	-	-
		1,267	21	998	-
Company					
2009					
<i>Financial Assets</i>					
Non-interest bearing	-	51	-	-	386,620
Variable interest rate instruments		-	-	-	-
		51	-	-	386,620
2008					
<i>Financial Assets</i>					
Non-interest bearing	-	144	-	-	372,614
Variable interest rate instruments	8.36	-	21	998	-
		144	21	998	372,614

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

(h) Fair value of financial instruments

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

33. SEGMENT REPORTING

The affairs of the company can be separated into mineral sands and gold activities respectively. Mineral sands activities incorporate exploration activities in Senegal in relation to the GCZP. Gold activities incorporate the company's exploration, development and production activities in Senegal at Sabodala and regional exploration work in the Sabodala area.

(a) Primary Reporting – Business Segments

	Mineral sands activities		Gold activities		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Revenue:						
Gold sales	-	-	64,907	-	64,907	-
Other revenue	23	26	93,144	16	93,167	42
Unallocated revenue					525	2,425
Total income from ordinary activities					158,599	2,467
Results:						
Segment result	(17,987)	(346)	38,093	(139)	20,106	(485)
Unallocated expenses net of unallocated revenue					(26,083)	(8,489)
Loss from ordinary activities before income tax expense					(5,977)	(8,974)
Income tax expense					3,447	(55)
Net loss					(2,530)	(9,029)
Assets:						
Segment assets	91,395	92,636	494,651	300,509	586,046	393,145
Unallocated assets					22,685	50,467
Total assets					608,731	443,612
Liabilities:						
Segment liabilities	1,852	1,936	157,581	36,730	159,434	38,666
Unallocated liabilities					2,353	39,062
Total liabilities					161,787	77,728
Other:						
Depreciation and amortisation of segment assets	308	-	6,713	-	7,021	-
Unallocated					84	358
					7,105	358

(b) Secondary Reporting – Geographical Segments

	Segment revenue		Segment results		Carrying amounts of segment assets	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Australia	535	10	(22,693)	(8,539)	26,245	50,767
Mauritius	-	22	11,229	(490)	47,537	52,159
Republic of Senegal:						
- mineral sands	13	10	(17,403)	-	79,598	84,354
- gold	158,051	-	26,337	-	455,351	256,332
	158,599	42	(2,530)	(9,029)	608,731	443,612

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

34. SHARE-BASED PAYMENTS

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

Options issued under the terms of the MDL employee Share Option Plan

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

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

- (1) The options vest immediately and are exercisable at any time before the expiry date.
- (2) The options fully vest on 19 July 2009 and are exercisable at any time before the expiry date.
- (3) Granted to a senior executive to accept ordinary shares at any time (subject to vesting conditions, 50% of the options issued to each director vested on the first commercial product sales in respect of the SGP. The remaining 50% of the options will vest on the first commercial product sales in respect of the GCZP or in the event the company's interest in the GCZP is sold, joint ventured, farmed out or its value similarly realised. All options vest in the event of a takeover event, scheme of arrangement or change in effective control) on or before the expiry date.
- (4) Granted to a senior executive to accept ordinary shares at any time (subject to vesting conditions, 50% of the options issued to each director vested on the first commercial product sales in respect of the SGP. The remaining 50% of the options will vest on the first commercial product sales in respect of the GCZP or in the event the company's interest in the GCZP is sold, joint ventured, farmed out or its value similarly realised. All options vest in the event of a takeover event, scheme of arrangement or change in effective control) on or before the expiry date.

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

When an employee ceases employment, the options lapse from date of termination.

Options issued to directors

ASX Code	Grant Date	Expiry Date	No.	Exercise Price \$	Fair Value at Grant Date \$	Note
MDLAI	28 November 2003	28 November 2008	1,000,000	0.25	*	(5)
MDLAK	1 December 2004	1 December 2009	5,000,000	0.33	*	(5)
MDLAQ	23 November 2005	23 November 2010	500,000	0.85	0.53	(5)
MDLAW	29 November 2007	29 November 2012	6,500,000	1.60	0.50	(6)
			13,000,000			

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

- (5) The options vest immediately and are exercisable at any time before the expiry date.
- (6) Granted to directors to accept ordinary shares at any time (subject to vesting conditions, 50% of the options issued to each director vested on the first commercial product sales in respect of the SGP. The remaining 50% of the options will vest on the first commercial product sales in respect of the GCZP or in the event the company's interest in the GCZP is sold, joint ventured, farmed out or its value similarly realised. All options vest in the event of a takeover event, scheme of arrangement or change in effective control) on or before the expiry date.

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

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

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

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

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

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

(b) The following share options were issued during the year ended 30 June 2009

ASX Code	Grant Date	Expiry Date	Exercise Price \$	No.
MDLAI	1 January 2009	1 January 2012	0.69	9,000,000
MDLAB	30 June 2009	30 June 2014	0.75	750,000
				<u>9,750,000</u>

During the year, share based payments granted to employees were expensed using a Black Scholes 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. The following inputs were applied:

Option Series	MDLAB
Grant date	30 June 2009
Number of options issued	750,000
Weighted average exercise price	\$0.75
Weighted average life of option	5 years
Underlying share price	\$0.62
Expected share price volatility	65.04%
Risk free interest rate	5.23%
Weighted average fair value	\$0.34
Total value of options	<u>\$255,194</u>
Value of options expensed during period	<u>\$85,065</u>

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

On 1 January 2009, the company issued options to RMB Australia Holdings Limited ("RMB") and Macquarie Bank Limited ("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. 4,500,000 share options were issued equally to RMB and MBL as a result of the Revolving Working Capital Facility remaining drawn at 31 December 2008. The options are exercisable into fully paid ordinary shares at an exercise price of \$0.69 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.

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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	MDLAI
Issue date	1 January 2009
Number of options issued	9,000,000
Weighted average exercise price	\$0.69
Weighted average life of option	3 years
Weighted average underlying share price	\$0.53
Weighted average expected share price volatility	62.71%
Weighted average risk free interest rate	3.61%
Weighted average fair value	<u>\$0.19</u>

Value of options included within transactions costs	<u>\$1,752,488</u>
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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 following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted Average Exercise Price \$	Number of options	Weighted Average Exercise Price \$
Balance at the beginning of the financial year	38,435,000	1.28	8,285,000	0.62
Granted during the financial year	9,750,000	0.69	30,150,000	1.47
Exercised during the financial year (i)	(1,035,000)	0.26	-	-
Forfeited during the financial year (ii)	(800,000)	1.73	-	-
Balance at end of the financial year (iii)	<u>46,350,000</u>	<u>0.82</u>	<u>38,435,000</u>	<u>1.28</u>
Exercisable at end of the financial year	<u>40,249,750</u>	<u>1.13</u>	<u>28,285,000</u>	<u>1.17</u>

(i) Exercised during the financial year

	Number exercised	Exercise date	Share price at exercise date \$
MDLAI – issued 23 November 2003	1,000,000	28 December 2008	0.48
MDLAM – issued 31 December 2004	<u>35,000</u>	18 May 2009	0.64
	<u>1,035,000</u>		

(ii) Forfeited during the financial year

	Number forfeited	Forfeit date	Share price at forfeit date \$
MDLAS – issued 1 May 2006	250,000	5 May 2009	0.71
MDLAU – issued 19 July 2009	250,000	23 June 2009	0.60
MDLAU – issued 19 July 2009	100,000	5 May 2009	0.71
MDLAU – issued 19 July 2009	<u>200,000</u>	7 October 2008	0.50
	<u>800,000</u>		

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(iii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.82. (2008 - \$1.28) and a weighted average remaining contractual life of 2.17 years (2008 - 2.97 years).

Included under administration expenses in the income statement is \$1,908,910 (2008 – \$2,405,487) and relates, in full, to equity settled share based payment transactions issued to directors and employees amortised over the vesting period.

	Consolidated		Company	
	2009	2008	2009	2008
35. AUDITORS' REMUNERATION				
Auditor of the parent entity				
Audit or review of financial reports of the entity	213,400	93,551	213,400	93,551
Preparation of the tax return	28,000	75,289	28,000	75,289
Other non-audit services – taxation advice	237,129	27,950	237,129	27,950
Total remuneration – Deloitte Touche Tohmatsu	478,529	196,790	478,529	196,790
Related practice of the parent entity auditor				
Other non-audit services	-	5,128	-	5,128
Other auditors				
Audit or review of financial reports of the entity	222,393	134,522	-	-
Preparation of tax return	3,991	2,270	-	-
Other non-audit services	-	26,994	-	-
Total remuneration – other auditors	226,384	163,786	-	5,128

The auditors did not receive any other benefits.

The auditor of the company is Deloitte Touche Tohmatsu.

36. SUBSEQUENT EVENTS

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

37. 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	
	2009	2008
	\$'000	\$'000
Short term employee benefits	3,822,860	2,998,604
Post employment benefits	169,274	145,194
Equity-settled share based payments	1,576,710	1,985,546
	5,568,844	5,129,344

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38. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in Note 30 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

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

	Balance as at 1 July 2008	Received as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2009
2009					
Directors					
Nicholas Limb	2,083,528	-	-	-	2,083,528
Jeffrey Williams	362,400	-	-	-	362,400
Martin Ackland	25,000	-	1,000,000	16,129	1,041,129
Clever Fonseca	-	-	-	-	-
David Isles	137,000	-	-	28,629	165,629
Oliver Lennox-King	-	-	-	-	-
James (Murray) Grant (i)	-	-	-	-	-
Key Executives					
Melvyn Drummond	113,333	-	-	4,838	118,171
Peter Spivey	-	-	-	-	-
Bruce Van Brunt	-	-	-	-	-
John Dorward	25,000	-	-	(25,000)	-
Warwick Sharp	-	-	-	432,258	432,258
Christopher Young	100,000	-	-	29	100,029
TOTAL	2,846,261	-	1,000,000	456,883	4,303,144
	Balance as at 1 July 2007	Received as Remuneration	Options Exercised	Net Change Other*	Balance as at 30 June 2008
2008					
Directors					
Nicholas Limb	2,083,528	-	-	-	2,083,528
Jeffrey Williams	362,400	-	-	-	362,400
Martin Ackland	25,000	-	-	-	25,000
Clever Fonseca	-	-	-	-	-
David Isles	137,000	-	-	-	137,000
Oliver Lennox-King	-	-	-	-	-
Key Executives					
Melvyn Drummond	113,333	-	-	-	113,333
Peter Spivey	-	-	-	-	-
Bruce Van Brunt	-	-	-	-	-
John Dorward	25,000	-	-	-	25,000
Christopher Young	100,000	-	-	-	100,000
TOTAL	2,846,261	-	-	-	2,846,261

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

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

The aggregate number of shares held by directors of the company or their director related entities at year-end was 3,652,686 (2008 – 2,607,928).

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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
Executives (i)						
Warwick Sharp	750,000	30 June 2009	0.34	0.75	30 June 2009	30 June 2014

There were no share options granted as remuneration to directors during the financial year.

- (i) All share options issued to key management personnel during the year were in accordance with the terms of the MDL option plan. One-third of the options issued vested immediately, one-third of the options issued will vest on 30 June 2010 and the remaining one-third will vest on 30 June 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 date of termination. There are no performance conditions in respect of this grant.

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

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

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

	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
2008								
Directors								
Nicholas Limb	2,500,000	1,500,000	-	-	4,000,000	2,500,000	2,500,000	1,500,000
Jeffrey Williams	2,500,000	1,500,000	-	-	4,000,000	2,500,000	2,500,000	1,500,000
Martin Ackland	1,000,000	1,500,000	-	-	2,500,000	1,000,000	1,000,000	1,500,000
Clever Fonseca	-	1,000,000	-	-	1,000,000	-	-	1,000,000
David Isles	500,000	-	-	-	500,000	500,000	500,000	-
Robert Danchin	-	1,000,000	-	-	1,000,000	-	-	1,000,000
Oliver Lennox-King	-	1,000,000	-	-	1,000,000	-	-	1,000,000
Key Executives								
Melvyn Drummond	500,000	250,000	-	-	750,000	500,000	500,000	250,000
Peter Spivey	500,000	250,000	-	-	750,000	500,000	500,000	250,000
Bruce Van Brunt	-	500,000	-	-	500,000	-	-	500,000
John Dorward	-	250,000	-	-	250,000	-	-	250,000
Christopher Young	-	-	-	-	-	-	-	-
TOTAL	7,500,000	8,750,000	-	-	16,250,000	7,500,000	7,500,000	8,500,000

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

The aggregate number of options of all classes held by directors of the company or their director related entities at year-end was 13,000,000 (2008 – 14,000,000).

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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 (repaid) during the period:

	2009	2008
Advanced during the period		
MDL Gold Limited	17,835,531	172,853,139
MDL (Mining) Limited	11,340,757	21,526,146
HNFL (Holdings) Pty Ltd	2,405	-
MDML (Capital) Limited	-	2,480,063
SGML (Capital) Limited	(1,868,746)	1,868,746
Mineral Deposits (Operations) Pty Ltd	(30,346)	-
	<u>27,279,601</u>	<u>198,728,094</u>
Balances at 30 June 2009		
MDL Gold Limited	291,759,435	273,923,904
MDL (Mining) Limited	105,682,114	94,341,357
HNFL (Holdings) Pty Ltd	2,405	-
MDML (Capital) Limited	2,480,063	2,480,063
SGML (Capital) Limited	-	1,868,746
Mineral Deposits (Operations) Pty Ltd	(30,346)	-
	<u>399,893,671</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 2009, the following transaction occurred between the group and its related parties:

- During the year, technical assistance was provided by the company's subsidiary Mineral Deposits Mauritius Limited to its related party Grande Cote Operations SA. The company charged \$1,004,563 (2008 – \$322,822) in relation to the provision of these services in accordance with the Technical Fee agreement.
- During the year, technical assistance was provided by the company's subsidiary Sabodala Gold (Mauritius) Limited to its related party Sabodala Gold Operations SA. The company charged \$12,430,407 (2008 – \$2,520,007) in relation to the provision of these services in accordance with the Technical Fee agreement.
- During the year, rental hire of heavy mobile equipment was provided by the company's subsidiary MDML (Capital) Limited to its related party, Grande Cote Operations SA. The company charged \$740,139 (2008 – \$1,802,418) in relation to the provision of these services.
- During the year, sub rent and rental hire of heavy mobile equipment was provided by the company's subsidiary SGML (Capital) Limited to its related party Sabodala Gold Operations SA. The company charged \$11,109,922 (2008 – \$447,512) in relation to the provision of these services.
- During the year, interest was charged by the company's subsidiary, Mineral Deposits Mauritius Limited to its wholly owned subsidiary Grande Cote Operations SA. The Company charged AUD12,127,772 in accordance with the Shareholder Agreement.
- During the year, interest was charged by the Company's subsidiary to its wholly owned subsidiary Sabodala Gold Operations SA. The Company charged AUD 30,071,532 in accordance with the Shareholder agreement.

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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(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 Mr Melvyn Drummond continues as an executive director. The company charged \$3,600 (2008 – \$3,300) (excluding GST) in relation to the provision of these services to 30 June 2009.
- 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 Nicholas Limb continues as a non-executive director. The company charged \$74,760 (2008 – \$81,410) (excluding GST) in relation to the provision of these services to 30 June 2009.
- 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 Dr David Isles and Mr Melvyn Drummond continue as director and company secretary respectively. The company charged \$34,642 (2008 – \$109,750) (excluding GST) in relation to the provision of these services to 30 June 2009.

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 6. None are considered to be impaired.

39. 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, including:
 - (a) they comply with Accounting Standards and the Corporations Act 2001;
 - (b) they give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the company and consolidated entity; and
 - (c) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. the Chief Executive Officer and Chief Financial 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 30 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 section 295(5) of the Corporations Act 2001.



Jeffrey Williams
Director



Martin Ackland
Director

Melbourne, 28 September 2009

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 2009, 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 26 to 81.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion,

- (a) the financial report of Mineral Deposits Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 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*.
- (b) the consolidated financial statements and notes report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration report included in the pages 21 to 24 of the directors' report for the year ended 30 June 2009. 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 the Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Mineral Deposits Limited for 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 September 2009

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 2009 in accordance with International Standards on Auditing. There is no material differences in the form or content of our report (except as noted below) as compared to an auditor's report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

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

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

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



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 September 2009

MINERAL DEPOSITS LIMITED

ABN 19 064 377 420
AND SUBSIDIARIES

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 23 September 2009 was 563,375,950 ordinary shares fully paid.

(a) Distribution of Shareholder Numbers

Size of Holding	Number of Shareholders	Number of Shares Held	%
1 - 1,000	373	156,703	0.03
1,001 - 5,000	995	2,966,480	0.53
5,001 - 10,000	626	4,921,948	0.87
10,001 - 100,000	1,354	43,653,401	7.75
100,001 - 9,999,999,999	208	511,677,418	90.82
	3,556	563,375,950	100.00

(b) There were 223 shareholders who held less than a marketable parcel (569 shares) based on the market price of \$0.88.

(c) The names of the substantial shareholders listed in the holding company's register as at 23 September 2009 are:

Name	Number of Shares Held	%
1. HSBC Custody Nominees (Australia) Limited	108,442,586	19.25
2. National Nominees Limited	80,821,901	14.35
3. ANZ Nominees Limited <Cash Income A/C>	73,739,400	13.09
4. Canadian Register Control	71,738,446	12.73
5. J P Morgan Nominees Australia Limited	43,284,976	7.68
	378,027,309	67.10

(d) 20 Largest Shareholders – Ordinary Shares

Name	Number of Shares Held	%
1. HSBC Custody Nominees (Australia) Limited	108,442,586	19.25
2. National Nominees Limited	80,821,901	14.35
3. ANZ Nominees Limited <Cash Income A/C>	73,739,400	13.09
4. Canadian Register Control	71,738,446	12.73
5. J P Morgan Nominees Australia Limited	43,284,976	7.68
6. Actis Capital LLP	18,500,000	3.28
7. Citicorp Nominees Pty Limited <CFS Future Leaders Fund A/C>	14,832,296	2.63
8. Citicorp Nominees Pty Limited	10,759,414	1.91
9. Actis Capital LLP	9,400,000	1.67
10. Macquarie Bank Limited <Metals & Mining Divn A/C>	3,863,748	0.69
11. Bond Street Custodians Limited <Macquarie Smaller Co's A/C>	2,620,213	0.47
12. Cogent Nominees Pty Limited	2,134,794	0.38
13. Zero Nominees Pty Ltd	2,125,653	0.38
14. Citicorp Nominees Pty Limited <Cwlth Small Co Fd 9 A/C>	2,078,059	0.37
15. RBC Dexia Investor Services Australia Nominees Pty Ltd <Piselect A/C>	1,711,165	0.30
16. UBS Wealth Management Australia Nominees Pty Ltd	1,599,845	0.28
17. Mr Paul Dostal	1,500,000	0.27
18. Laguna Bay Capital Pty Ltd	1,500,000	0.27
19. Fountain Oaks Pty Ltd <Limbs Family Super Fund A/C>	1,396,667	0.25
20. William Taylor Nominees Pty Ltd	1,386,000	0.25
	453,435,163	80.49

MINERAL DEPOSITS LIMITED

ABN 19 064 377 420
AND SUBSIDIARIES

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

(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

45,600,000 options are held by 28 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 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 CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS

Nicholas Limb (executive chairman)
Jeffrey Williams (managing)
Martin Ackland (executive)
Clever Fonseca (executive)
David Isles (non-executive)
Robert Danchin (non-executive)
Oliver Lennox-King (non-executive)
James (Murray) Grant (non-executive) (appointed 21 May 2009)

COMPANY SECRETARY

Melvyn Drummond

REGISTERED OFFICE

Level 7 Exchange Tower
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Facsimile: +1 416 361 9131

SENEGAL OFFICE

Rue 26, N'Gor
Dakar
Senegal

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

SHARE REGISTRIES

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

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

Computershare Trust Company of Canada
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Canada

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

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Deloitte Touche Tohmatsu
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Australia

SOLICITORS

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

BANKERS

Westpac Banking Corporation
360 Collins Street
Melbourne, Victoria 3000
Australia

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

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

HOME EXCHANGES

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Melbourne, Victoria 3000
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Trading Code: MDL

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Toronto, Ontario M5X 1J2
Canada

Trading Code: MDM