Mineral Deposits Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2009

Expressed in Australian dollars unless otherwise stated

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

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

The following MD&A of the company is in relation to the financial year ended June 30, 2009 and should be read in conjunction with the audited financial statements for the financial year ended June 30, 2009 and the notes thereto. The effective date of this report is September 28, 2009.

1. OVERVIEW SUMMARY

MDL is a mineral development company which successfully completed the development of the Sabodala Gold Mine and commenced gold production in March 2009. MDL continues with feasibility studies in relation to its Zircon project, also in Senegal.

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

2. OVERALL PERFORMANCE

Highlights for the financial year ended June 30, 2009 include:

Sabodala Gold Project ("SGP")

- Commencement of production on March 15, 2009;
- 62,477 ounces of gold produced with recoveries at greater than 93%; and
- major resource upgrade to 3.51 million ounces, up 28% on the previous announcement in 2007.

Grande Côte Zircon Project ("GCZP")

- Commencement of definitive feasibility study due for completion in February 2010.

3. CASH POSITION AND CAPITAL RESOURCES

As at June 30, 2009, the company held cash and cash equivalents of $22.6 million.

During the course of the year ended June 30, 2009, the company fully repaid the US$35 million Revolving Working Capital Facility with RMB Australia Holdings Limited ("RMB") and Macquarie Bank Limited ("MBL").

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. The company does not expect any further drawdowns, and has forecast to repay the facility in full to MBL by June 30, 2010. It is unlikely that the financier will require full repayment on or before June 30, 2010.

4. CAPITAL RAISINGS

During the year, the company raised equity capital to extinguish the $US35 million Revolving Working Capital Facility and for general working capital purposes. Details of the capital raisings are:

- On January 2, 2009, the company issued 9,000,000 additional free 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 December 31, 2008 plus 15% on a pro rata basis) pursuant to the terms of the corporate Revolving Working Capital Facility remaining drawn post December 31, 2008, extended to March 31, 2009.

- On March 31, 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 $0.62 per share) raising a total of Cdn$33.1 million (equivalent to $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 March 27, 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 May 18, 2009, 15,121,716 ordinary shares were issued under the SPP raising $9.4 million.

5. ISSUED CAPITAL

As at June 30, 2009, the company had 563,375,950 ordinary shares and 46,350,000 unlisted options to acquire ordinary shares at various exercise prices and expiry dates on issue.

6. RESULTS OF OPERATIONS

The net loss after tax attributable to members for the year ended June 30, 2009 was $2.5 million compared to a net loss of $9.0 million during the corresponding period in 2008.

During the year, a number of significant items contributed to the result:

- the company commenced gold production in March 2009 and recorded sales of $64.9 million at an average gold price of US$878/oz;

- in November 2008, the company took advantage of the volatility in the gold market to restructure its gold hedge book by substantially reducing it through closing out positions, realising US$60 million ($93.0 million) in proceeds;

- unrealised gold hedge losses of $56.4 million (non-cash effect) which is mark to market on the gold hedge book at June 30, 2009;

- foreign currency loss of $16.2 million, includes a realised foreign currency loss of $14.9 million on repayment of the US$35 million Revolving Working Capital Facility on March 31, 2009; and

- write-down of $16.9 million capitalised exploration and evaluation assets with respect to the GCZP and $7.3 million of capitalised development costs in relation to the SGP.

7. BALANCE SHEET

As at June 30, 2009, the company had total assets of $608.7 million and total liabilities of $161.8 million with net assets of $446.9 million. Net assets as at June 30, 2008 were $365.9 million, the increase in net assets between the two periods being a result of the equity capital raisings and revaluation of foreign currency translation reserves.

The company had non-current assets of $526.0 million, an increase of $132.8 million during the year ended June 30, 2009 over the prior year. Property, plant and equipment increased by $91.0 million from the prior year marking the practical completion of the SGP in February 2009. Mine development also increased by $33.6 million and amortisation of these costs commenced in March 2009 with the start up of gold production.

Although the group had a working capital deficiency of $25.6 million, this is mainly due to the current classification of the project finance facility debt amounting to $45.3 million, certain pre-conditions of the facility not having been satisfied as at June 30, 2009. While a three month waiver was received prior to June 30, 2009, as at balance date MDL did not have the unconditional right to defer settlement of this liability for 12 months to classify it a non-current liability. The group's current cash flow forecast is to repay the facility in full by June 30, 2010. It is unlikely that the financier will require full repayment on or before June 30, 2010. Included in current liabilities are the current financial derivatives relating to the mark to market value of the gold hedge position of $13.1 million (a non cash item).

The group's non-current liabilities increased by $54.3 million made up predominantly of the financial derivative liability amounting to $40.1 million. As at June, 30 2009, the total mark to market gold hedge position was negative $53.2 million.

During the year, the company entered into borrowing agreements by way of a project finance facility and a sale and lease back arrangement on its site mobile fleet equipment. The balances outstanding at year end were US$38 million and US$16.8 million respectively.

Equity attributable to equity holders of the parent as at June 30, 2009 was $444.2 million compared to $365.9 million as at June 30, 2008. Of this, the equity-settled share-based payment reserve increased from $8.8 million in 2008 to $12.4 million as at June 30, 2009. This increase was associated with the amortised value of the options granted to directors and employees during the period. The foreign currency translation reserve increased $28.7 million reflecting significant gains on the translation of inter-company loans amounting to $34.9 million which was partially offset by exchange differences of $6.3 million on translation of foreign operations.

8. CASH FLOW

Net cash provided in operating activities for the year ended June 30, 2009 was $69.5 million compared with net cash used of $6.3 million for the corresponding period in 2008. The significant change in net operating cash flows during the year was a result of:

(a) the group moving into gold production in March 2009 generating cash from gold sales of $65.2 million; and

(b) the close out of the hedge book which generated cash of $93.5 million.

Payments to suppliers during the period were $87.7 million.

Net cash used in investing activities for the year ended June 30, 2009 was $150.7 million compared to $218.3 million for the corresponding 12 month period in 2008. As expected, capital expenditure on the SGP tapered off during the year as it moved from development to the production phase with construction costs falling from $132.0 million in 2008 to $92.2 million in 2009.

Net cash provided by financing activities over the course of 2009 was $59.4 million compared to $223.0 million for the year ended June 30, 2008. Capital raisings during the year ended June 30, 2009 were considerably lower, dropping from $198.7 million in 2008 to $49.0 million in 2009 as funds amounting to $114 6 million were externally sourced under various credit lines. The funds from the capital raisings together with the proceeds from the close out of the hedge book were used to retire the working capital facility in full and reduce the project finance facility to US$38.0 million of an approved US$52.0 million facility. The group intends to retire the project finance facility in full by June 30, 2010.

The net decrease in cash in the year ended June 30, 2009 was $21.8 million. After allowing for the decrease associated with the effect of exchange rates on cash holdings in foreign currencies of $1.0 million, cash and cash equivalents on hand at the end of the period were $22.6 million.

9. GOLD HEDGING

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.

- 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$60.0 million ($93.5 million). The subsequent restructure resulted in 399,000 ounces of gold being committed forward for delivery between May 2009 and February 2013 at a delivery price of US846 per ounce.

At year end, the hedge position comprised 363,832 ounces of flat forward sales at US$846 per ounce. At June 30, 2009, the mark to market gold hedge position (gold price at US$944.60) was negative $53.2 million.

- 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. The contracts settle against Nymex Light Crude closing prices and represent approximately 50% of the Sabodala mine's expected energy consumption during the period. At balance date, 300,000 barrels were hedged valued at $3.1 million.

The company is not subject to margin calls by its financier against fluctuations in the value of its hedge book.

The company does not have any currency hedging in place.

10. CONTINGENT LIABILITIES

(c) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its moribund New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes 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.

(d) There are no outstanding native title claims against the company which could or would have a financial impact.

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

- $500,000 within 30 days of completion of a bankable feasibility study for the project and on securing all the necessary funding either by debt or equity from an internationally recognised banking or financial institution to develop the project;
- $500,000 within 30 days of receipt by (the successor to) MDL Senegal SUARL, a subsidiary of MDL, of the first payment for a commercial arm's-length sale of product from the project;
- US$50,000 per year of production on training of Directorate of Mines and Geology officers and logistical support to the technical services of the Ministry for Mines.

(f) The company has a deed of cross guarantee with its wholly-owned Australian subsidiaries MDL (Mining) Limited and MDL Gold Limited.

(g) The company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to its subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.

(h) 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 GCZP. This agreement expires on December 31, 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 June 30, 2009.

11. CORPORATE RESPONSIBILITY FOR FINANCIAL REPORTS

MDL's Managing Director (as chief executive officer of the company) and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the company's disclosure controls and procedures. Access to material information with respect to the company is facilitated by the small size of the company's senior management team. The Managing Director and CFO, after evaluating the effectiveness of the company's disclosure controls and procedures as of June 30, 2009, have concluded that the company's disclosure controls and procedures were adequate and effective to ensure that material information relating to MDL and its subsidiaries would have been known to them.

12. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The table below shows selected financial data for each of the eight quarters ended June 30, 2009. The financial data is derived from the company's interim unaudited financial statements and its audited financial statements with respect to June 2009 and June 2008, which are prepared in accordance with IFRS.

Financial Data – Last Eight Quarters								
Three months ended	Jun 09	Mar 09	Dec 08	Sep-08	Jun 08	Mar 08	Dec 07	Sep 07
Interest and other income ($)	158,599,237	5,023,115	93,188,546	332,667	2,467,295	371,091	11,133,429	3,152,874
Income//(loss) ($)	(2,530,121)	(45,735,378)	93,888,386	(43,902,199)	(9,028,964)	(7,799,326)	7,033,676	64,243
Income/(loss) per share (cents)	(0.5)	(9.45)	17.84	(9.08)	(2.29)	(2.02)	1.99	0.07
Weighted average number of shares	501,881,635	484,047,805	483,766,775	483,619,234	394,989,617	385,821,271	368,611,409	356,663,367

13. CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This press release contains "forward-looking statements" which are subject to various risks and uncertainties that could cause actual results and future events to differ materially from those expressed or implied by such statements. Investors are cautioned that such statements are not guarantees of future performance and results. Risks and uncertainties about the company's business are more fully discussed in the company's disclosure documents filed from time to time with the Canadian and Australian securities authorities. Readers are cautioned not to rely solely on the summary of such information contained in this release, but should read MDL's financial statements for the financial years ended June 30, 2009 and June 30, 2008, the final prospectus dated December 12, 2007 and related technical reports posted on the company's website (www.mineraldeposits.com.au) and filed on SEDAR (www.sedar.com) and any future amendments to such reports. Readers are also directed to the cautionary notices and disclaimers contained herein. All currency references in this release are to Australian dollars unless otherwise stated.

14. RISKS AND UNCERTAINTIES

The company expects that its financial performance will continue to be affected by exploration and development activities associated with bringing the GCZP into commercial production. Until such time as commercial production is achieved, MDL will continue to incur administration costs and exploration development expenditures that are either deferred or expensed, depending on the nature of the expenditure. Prior to the commencement of commercial production, the company may not have sufficient revenue to cover these costs which will result in continuing operating losses. MDL also expects that it is likely to incur additional costs associated with the evaluation of potential exploration and mining operations in addition to the zircon project that it is currently developing.

The financial performance of the company will be closely linked to the price of gold in the case of the SGP and as regards the GCZP zircon, and other associated heavy minerals. Commodity price fluctuations of these minerals could significantly affect the results of operations, mining having commenced at the SGP, and the ongoing economic viability of the GCZP ore body.

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

As at the date of this report, a condition of the project finance facility and gold hedging programme with MBL was the establishment by MDL of a gold hedging programme. It was restructured in December 2008 limited to forward sales with a total of 363,832 ounces of gold committed for delivery until February 2013, at a delivery price of US$846 per ounce.

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

15. CRITICAL ACCOUNTING JUDGEMENTS

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 and as defined in NI43-101. 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.