



Mineral Deposits Limited

ABN 19 064 377 420

MD&A

September 2009 (First) Quarter

ASX: MDL
TSX: MDM

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2009

Expressed in Australian dollars unless otherwise stated

The following Management's Discussion and Analysis ("MD&A") of Mineral Deposits Limited ("MDL" or the "Company") is for the three months ended 30 September 2009 and has been prepared as of 16 November 2009. This MD&A supplements, but does not form part of, the unaudited consolidated financial statements of MDL and the notes thereto for the three months ended 30 September 2009 (the "Interim Financial Statements"). This MD&A should be read in conjunction with the Interim Financial Statements and with the Company's audited consolidated financial statements for the year ended 30 June 2009 and related notes thereto (the "Annual Financial Statements").

The Company's Annual Financial Statements and Interim Financial Statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information about the Company, including its Annual Financial Statements and Interim Financial Statements, and Annual Information Form, is available on SEDAR at www.sedar.com and on the company's website at www.mineraldeposits.com.au.

FORWARD LOOKING STATEMENTS

Certain information included in this MD&A, including any information as to the Company's future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". The words "expect", "will", "intend", "estimate" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of MDL to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: fluctuations in metal prices (principally the price of gold, zircon and ilmenite), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

OVERVIEW

MDL is a mineral development company with a current focus in Senegal, West Africa through a producing gold mine, the Sabodala Gold Operation, and a to be developed mineral sands project, the Grande Côte Mineral Sands Project. The Company is listed on the Australian Securities Exchange ("ASX") (symbol: MDL) and the Toronto Stock Exchange ("TSX") (symbol: MDM).

The Sabodala Gold Operation, which poured its first gold in March 2009, is located 650 kilometres east of the capital Dakar within the West African Birimian geological belt in Senegal, and about 90 kilometres from major gold mines and discoveries in Mali. The Grande Côte Mineral Sands Project is located on the coast of Senegal starting approximately 50 kilometres north of Dakar and extending northwards for more than 80 kilometres.

September 2009 Quarter (1st Quarter) Highlights

Financial Performance and Position

- Revenue from gold sales for the September quarter was \$61.7 million (US\$51.1 million) – resulting from the sale of 57,443 ounces of gold at an average price of US\$890 per ounce
- Mine EBITDA was \$31.7 million and operating profit (before other income and expenses) was \$16.3 million
- Operating cash flow was \$25.6 million (4.6 cents per share ⁽¹⁾)
- Cash at 30 September was \$29.6 million
- Project Finance Facility at 30 September was US\$30 million (30 June 2009 – US\$38 million) – with a repayment schedule now in place to fully pay out the balance by 30 June 2010
- Mining Fleet Lease facility at 30 September was US\$14.8 million (30 June 2009 – US\$16.9 million)
- Delivered 35,332 ounces into gold hedges – leaving 328,500 ounces outstanding at 30 September (at US\$846/oz)

Sabodala Gold Operation

- Gold production was in line with plan at 54,260 ounces for the quarter, following 58,943 ounces in the June quarter
- The annual wet season, which generally runs from July to around mid-October, was heavier than usual this year and negatively impacted productivity of the mining operations and the processing plant
- Gross cash operating costs (excluding royalties) were US\$382/oz, some 9% higher than US\$350/oz in the June quarter, largely a function of constant costs on a lower level of production
- Mill throughput at 499k tonnes (13% lower than June quarter) was curtailed as a result of electrical faults late August/early September (which were rectified mid-September), as well as SAG mill chute blockages (predominantly caused by the feeding of wet oxide ore)
- Both the head grade of 3.66g/t and recoveries at 92.2% were above budget
- Remain on track to produce 160,000 ounces to 31 December 2009
- An exploration program on both the mine lease and regional land package of approximately 1,600km² has now commenced, with results from early trenching including a 78 metre interval at 1.7 g/t gold
- Sabodala Life-of-Mine study is in progress with the objective of both increasing near term production as well as assessing the benefits of a significant plant expansion

Grande Côte Mineral Sands Project

- A Definitive Feasibility Study ("DFS") commenced and activity included a site visit by AMC Consultants. Completion of the DFS is scheduled for the first quarter of 2010
- Resource drilling of the Mboro area is nearing completion and it is anticipated the new resource defined by the drilling will underpin an additional 3-4 years production

(1) Operating cash flow per share is calculated by dividing the consolidated cash flow from operating activities by the weighted average number of ordinary shares on issue during the period

RESULTS OF OPERATIONS

Sabodala Gold Operation (MDL interest – 90%)

		Sept 2009 Quarter	June 2009 Quarter
Ore mined	('000t)	807	854
Total mined	('000t)	3,292	2,846
Ore processed	('000t)	499	575
Head grade	(g/t)	3.66	3.27
Gold recovery	(%)	92.2	93.8
Gold produced *	(oz)	54,260	58,943
Gross cash costs excluding royalties	US\$/oz	382	350
Gross cash costs including royalties	US\$/oz	412	373
Gold sold	(oz)	57,443	48,739
Average price received	US\$/oz	890	880

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

Sabodala's September quarter production was 54,260 ounces (58,943 ounces in the June quarter) at a gross cash operating cost of US\$382/oz excluding royalties (US\$350/oz in June quarter). The slight fall in output compared with the June quarter was in-line with plan.

The annual wet season, which generally runs from July through to around mid-October, was heavier than usual this year. While the holdings within the site dams are now high, the productivity of both the mining operations and the processing plant was negatively impacted by the heavy rains.

The 40 kilometre Faleme River pipeline is now essentially complete and has the ability to pump around two million tonnes of water per year to provide insurance for any unanticipated dry spell as well as provide additional water for future plant expansions.

Within the pit, the impact of the wet operating conditions was minimised through the development of different benches at varying elevations, and the availability of softer ores. Problems with the performance of the blast hole drill rigs continued during the quarter, limiting the availability of broken ore stocks. A second contract drill rig has recently been mobilised to increase drilling capacity and build up broken stocks. Otherwise, the truck fleet and diggers performed well.

Mill throughput for the quarter was 498,867 tonnes (13% lower than 574,737 tonnes in June quarter) at a head grade of 3.66g/t gold, with recovery at 92.2%. Electrical faults late August/early September (which were rectified mid-September), as well as SAG mill chute blockages (predominantly caused by the feeding of wet oxide ore – a function of the heavier than usual wet season), curtailed production during the quarter

Safety management focused on workplace inspections of the Sabodala operations and business partner workplaces with the emphasis on identifying hazards and any opportunities for health and safety improvements. The focus on safety and training has resulted in a Zero Lost Time Injury Frequency Rate, quite an achievement for a newly-developed site and considering that most of the Senegalese employees are fresh to the mining industry and for many it is their first work experience.

Life-of-Mine studies are currently underway with the objective of both increasing near term production as well as assessing the benefits of a significant plant expansion.

EXPLORATION AND DEVELOPMENT

In the September 2009 quarter, the Company incurred \$1.9 million on exploration and development projects, comprising:

- \$0.6 million in relation gold exploration activities around the Sabodala gold mine; and
- \$1.3 million associated with the Grande Côte Mineral Sands Project.

Sabodala Gold Exploration

Exploration on both the Sabodala mine lease and the regional joint venture titles (comprising a land package of approximately 1,600km²) was curtailed during the last two years while the focus was on a drill out of the Sabodala ore body and development of the mine and treatment plant. An exploration program on both the mine lease and regional land package has now commenced.

Within the various regional joint venture titles, a large number of geochemical anomalies have been identified, many within the laterite. New work programs are intended to evaluate which of these various targets are reflective of actual mineralisation within the bedrock. A detailed aeromagnetic survey of the entire area has also identified many outstanding structurally controlled areas to be followed up with geochemistry and drilling. Work will also focus on trenching and extensive RAB drilling programs to identify bedrock targets which will then be followed up by RC drilling programs where appropriate.

In the Sounkounkou permit, a program of 16 trenches for a total of 4,296 metres has been completed. All trenches targeted surface geochemical gold anomalies and extensions of known mineralised zones. All trenches were completed in saprolitic-bedrock and were on average 2-3 metres deep, with some of the early trenches being up to 4 metres deep. A total of 3,921 samples (inclusive of quality control samples) was submitted to SGS Laboratories in Kayes, Mali for fire assay gold determination. Approximately 50% of the results have been received and plotted. Significant results to date include a 78 metre interval at 1.7g/t gold inclusive of a smaller interval of 10 metres at 10.8g/t gold at the Gold Creek Prospect. These values include a 2 metre interval of 49.6g/t gold.

Grande Côte Mineral Sands Project

Activity on the Grande Côte Mineral Sands Project was significantly slowed during 2008 and early 2009 to allow corporate focus on Sabodala. During the June 2009 quarter, planning was completed to recommence development activity and for finalisation of a Definitive Feasibility Study ("DFS"), which is scheduled for completion in the first quarter of calendar 2010 with a budget allocation of US\$3.7 million. The DFS will incorporate:

- Finalisation of infill drilling for reserve calculation and mine planning purposes. A program of 1,164 infill holes for 22,700 metres has commenced
- Modifications to some detailed engineering work to accommodate a new generation of spirals that offer up to 10% higher HM recoveries
- Some metallurgical check work on product from the new spirals to reconfirm the Mineral Separation Plant circuit
- Further hydrology work to ensure a full understanding of dredge pond management
- Finalisation of a well advanced ilmenite study
- Detailed environment and social impact studies
- Various options studies on things like power and other infrastructure items.

The DFS was commenced during the September 2009 quarter and activity included a site visit by AMC Consultants. Resource drilling of the Mboro area is nearing completion and it is anticipated the new resource defined by the drilling will underpin an additional 3-4 years of production.

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.

FINANCIAL RESULTS

Income Statement

	Quarter ended 30 Sep 2009 A\$m	Quarter ended 30 Jun 2009 A\$m
Revenue		
Gold Sales	61.7	59.9
Cash cost of sales		
Mine Operating costs	(25.7)	(31.4)
Royalities	(2.0)	(1.9)
Change in inventories	(2.3)	3.0
Total cash cost of sales	(30.0)	(30.3)
Mine EBITDA	31.7	29.6
Non-cash cost of sales		
Depreciation and amortisation	(11.5)	(11.2)
Gross Profit from mining activities	20.2	18.4
Corporate administration expenses	(3.8)	(7.8)
Operating profit before other income / (expense)	16.3	10.6
Other income / (expenses)		
Exploration expenditure written off	-	(16.9)
Development expenditure written off	-	(7.4)
Gold hedge unrealised gains/(losses)	(13.6)	(4.3)
Oil hedge unrealised gains/ (losses)	(1.8)	5.8
Impairment of other financial assets	-	0.1
Disposal of non-current assets	-	(1.3)
Net foreign exchange gain	2.5	4.1
Other income	0.2	0.1
Finance costs	(1.8)	(1.9)
Total other income /(expense)	(14.5)	(21.7)
Profit / (Loss) before tax	1.9	(11.2)
Income tax benefit / (expense)	(1.7)	4.4
Net Profit / (Loss) after tax	0.2	(6.8)
Profit attributable to minority interests	(0.3)	0.0
Profit / (Loss) attributable to equity holders of the Company	(0.1)	(6.8)

Discussion and Analysis of the Income Statement for the September 2009 quarter

- Revenue from gold sales was \$61.7 million (US\$51.1 million) – resulting from the sale of 57,443 ounces of gold at an average price of US\$890 per ounce. This compares with revenue from gold sales for the June 2009 quarter of \$59.9 million (US\$42.9 million) – resulting from the sale of 48,739 ounces of gold at an average price of US\$880 per ounce
- Mine gross cash costs (excluding royalties) were \$25.5 million (US\$20.7 million) – equating to US\$382 per ounce of gold produced (54,260 ounces). This compares with gross cash costs (excluding royalties) for the June 2009 quarter of \$31.4 million (US\$20.6 million) – equating to US\$350 per ounce of gold produced (58,943 ounces)
- Mine EBITDA was \$31.7 million, compared with \$29.6 million in the June 2009 quarter
- Corporate administration expenses were \$3.8 million (including \$0.2 million of non-cash amortisation of options and \$0.3 of depreciation), down from the average of \$4.4 million on a quarterly basis during the 2009 financial year
- The unrealised hedge loss on the gold hedge book was \$13.6 million – a non-cash effect from marking-to-market the hedge book at the end of the quarter

FINANCIAL RESULTS (Continued)

Cash Flow – Discussion and Analysis

- Operating cash flow for the September 2009 quarter was \$25.6 million (4.6 cents per share)
- Cash flow used in investing activities for the September 2009 quarter was \$5.8 million – comprising \$1.9 million for exploration and development expenditure (refer Exploration and Development section) and \$3.9 million for capital expenditure (primarily relating to payment of carried over expenditure associated with the Sabodala operation, but also the Faleme River pipeline)
- Cash flow used in financing activities for the September 2009 quarter was \$12.0 million – primarily comprising US\$8 million repayment of the Project Finance Facility (which had a balance of US\$30 million at 30 September 2009), and US\$2.1 million repayment of the Mining Fleet Lease facility (which had a balance of US\$14.8 million at 30 September 2009)
- Net cash flow for the quarter was \$7.9 million

Balance Sheet – Discussion and Analysis

- Cash at 30 September 2009 was \$29.6 million, which increased from \$22.6 million at 30 June 2009
- Total assets declined from \$608.7 million at 30 June 2009 to \$579.6 million at 30 September 2009 – primarily a function of depreciation and amortisation together with a reduction on conversion of foreign held assets to Australian dollars given the appreciation of the Australian dollar
- As at 30 September 2009, the outstanding hedge position was 328,500 ounces of flat forward sales at US\$846 per ounce, which on mark-to-market (based on a gold price of US\$996.90 per ounce) equated to a negative position of \$64.0 million (unrealised)
- Debt outstanding under the Project Finance Facility as at 30 September 2009 was US\$30 million (30 June 2009 – US\$38 million). As at 30 September 2009, certain undertakings relating to this facility had not been complied with, however a revised waiver letter with Macquarie Bank has been agreed until 31 December 2009, and a repayment schedule is now in place to fully pay out the balance by 30 June 2010
- Mining Fleet Lease facility at 30 September 2009 was US\$14.8 million (30 June 2009 – US\$16.9 million)
- Net assets declined from \$446.9 million at 30 June 2009 to \$427.4 million at 30 September 2009 – with the reduction in assets (in A\$ terms) being greater than the reduction in liabilities

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The table below shows selected unaudited financial data for each of the eight quarters ended 30 September 2009.

Financial Data – Last Eight Quarters

Three months ended	Sep 09	Jun 09	Mar 09	Dec 08	Sep 08	Jun 08	Mar 08	Dec 07
Revenue (A\$m)	61.9	60.1	5.0	93.2	0.3	0.2	0.4	11.1
Income/(loss) (A\$m)	(0.1)	(6.8)	(45.7)	93.9	(43.9)	2.2	(7.8)	7.0
Income/(loss) per share (cents)	(0.0)	0.2	(9.5)	17.8	(9.1)	0.5	(2.0)	2.0
Weighted average number of shares	563.4	555.4	484.0	483.8	483.6	422.3	385.8	368.6

OUTLOOK

Key points of note are:

- For the Sabodala Gold Operation, the plan for the December quarter involves lower to medium grade material being processed in October, with grades improving in November and December as higher grade ore within the open pit is mined. The operation remains on track to produce approximately 160,000 ounces by the end of this calendar year – requiring approximately 43,000 ounces in the December quarter, which is in line with plan
- Life-of-Mine studies for the Sabodala Gold Operation will continue during the current quarter with the objective of both increasing near term production as well as assessing the benefits of a significant plant expansion
- Exploration for gold on both the Sabodala Gold Operation mine lease and regional land package will ramp up during the current quarter
- Work will continue in relation to the Definitive Feasibility Study for the Grande Côte Mineral Sands Project, which is scheduled for completion in the first quarter of calendar 2010.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

MDL's Managing Director (as Chief Executive Officer ("CEO") 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 CEO and CFO, after evaluating the effectiveness of the company's disclosure controls and procedures as of 30 September 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 and evaluated for possible disclosure to the market.

Internal controls over financial reporting

Management of the Company, with the participation of the CEO and the CFO, are responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes. There have been no significant changes in the Company's internal control over financial reporting or in other factors that could significantly affect internal controls.

RISKS AND UNCERTAINTIES

The Company is subject to various financial and operational risks and uncertainties that could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of gold, zircon and ilmenite), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

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 should read MDL's financial statements for the financial years ended 30 June 2009 and 30 June 2008, the final prospectus dated 12 December 2007 and related technical reports posted on the company's website (www.mineraldeposits.com.au) and filed on SEDAR (www.sedar.com) and any future amendments to such reports. Readers are also directed to the cautionary notices and disclaimers contained herein.

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.