

**Mineral Deposits Limited**  
**Annual Information Form**  
For the year ended 30 June 2010

As at 28 September 2010

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## 1. Preliminary Notes

This Annual Information Form (“AIF”) is dated 28 September 2010. Except as otherwise indicated, the information contained in this AIF is stated as at 30 June 2010.

The words “MDL” and “Company” are used interchangeably throughout this document and in each case refer, as the context may require, to all or any of Mineral Deposits Limited and its subsidiaries.

### Documents Incorporated by Reference

Certain of the information contained in this AIF may be found in other documents filed by the Company which are available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company’s profile, Mineral Deposits Limited. Please also see the section in this AIF entitled “Additional Information”.

### Currency

References in this AIF to:

- “C\$” are to Canadian dollars;
- “A\$” are to Australian dollars; and
- “US\$” are to United States dollars.
- The noon rate of exchange on 27 September 2010 as reported by the Bank of Canada for the conversion of A\$ into C\$ was A\$1.00 = C\$0.9874 (C\$1.00 = A\$1.0128).
- The noon rate of exchange on 27 September 2010 as reported by the Bank of Canada for the conversion of US\$ into C\$ was US\$1.00 = C\$1.0260 (C\$1.00 = US\$0.9747).

### Units of Measure

The metric system is used throughout this AIF with the exception of gold quantities which are reported in troy ounces (oz), unless otherwise stated. In addition, references to:

- Au are to the chemical symbol for gold;
- °C are to degrees Celsius;
- g/t are to grams per tonne;
- M are to millions;
- Mt are to million tonnes;
- Mtpa are to million tonnes per annum;
- MW are to megawatts;
- ppb are to parts per billion; and
- RL are to ‘Relative Level to sea level’.

### Significant Accounting Policies

This AIF and other public disclosure by MDL, including management’s discussion and analysis (“MD&A”) and MDL’s annual audited consolidated financial statements for the year ended 30 June 2010 (the “Consolidated Financial Statements”) were prepared in accordance with the International Financial Reporting Standards (“IFRS”) and rely on the exemption for foreign issuers in Part 5 of National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*. The Consolidated Financial Statements were not prepared in accordance with Canadian generally-accepted accounting principles, and were not audited in accordance with Canadian generally-accepted auditing standards.

## 2. Forward-Looking Statements

This AIF contains forward-looking statements which reflect management’s expectations regarding Mineral Deposits Limited’s future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Wherever possible, words such as “plans”, “expects”, “does not expect”, “budget”, “scheduled”, “estimates”, “forecasts”, “anticipate” or “does not anticipate”, “believe”, “intend” and similar expressions or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this AIF reflect management’s current beliefs based upon information currently available to management and based upon what management believes to be reasonable assumptions, Mineral Deposits Limited cannot be certain that actual results will be consistent with these forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results expressed or implied in the forward-looking statements, including those listed in the “Risk Factors” section of this AIF. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking

statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause Mineral Deposits Limited's actual results, performance, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. Although Mineral Deposits Limited has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, prospective investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this AIF and, except as required under applicable laws, Mineral Deposits Limited assumes no obligation to update or revise them to reflect new events or circumstances.

Forward-looking statements and other information contained herein concerning mineral exploration and management's general expectations concerning the mineral exploration industry are based on estimates prepared by management using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which management believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While management is not aware of any misstatements regarding any industry data presented herein, mineral exploration involves risks and uncertainties and industry data is subject to change based on various factors.

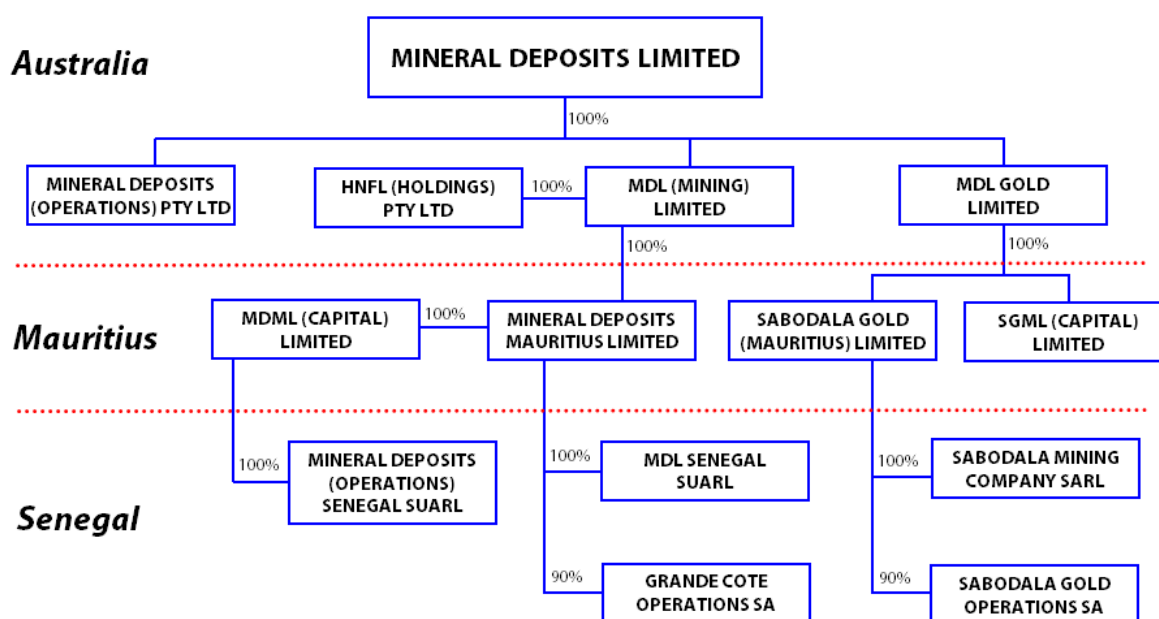
In addition, please note that statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably mined in the future.

### 3. Corporate Structure

#### Name, address and incorporation

Mineral Deposits Limited ACN 064 377 420 was incorporated under the name "Dreadnought Mining NL" under the Australian Corporations Act 2001 (Commonwealth) on 20 April 1994. The Company amended its constituting documents to change its name to "Nimbus Resources NL" on 11 February 1997, and again to "Mineral Deposits Limited" on 11 January 1999. MDL has been listed on the Australian Securities Exchange (symbol MDL) since 1997 and on the Toronto Stock Exchange (symbol MDM) since 2007. Its head and registered office is located at Level 7, Exchange Tower, 530 Little Collins Street, Melbourne, Victoria, Australia, 3000.

Set forth below is a chart reflecting the organizational structure of the Company and each of its subsidiaries, as well as the percentage of ownership and jurisdiction of incorporation or continuance of each such subsidiary. Following the proposed demerger of the Sabodala Gold Project, as described in the "General Development of the Business" section of this AIF, Sabodala Gold (Mauritius) Limited, SGML (Capital) Limited, Sabodala Mining Company SARL and Sabodala Gold Operations SA will no longer be part of the MDL group of companies.



The Government of Senegal holds the remaining 10% interests of Grande Côte Operations SA and Sabodala Gold Operations SA. For the 90% interests held by Mineral Deposits Mauritius Limited and/or Sabodala Gold (Mauritius) Limited as applicable, 0.5% are held by the directors thereof in accordance with the requirements of applicable Senegalese laws.

## 4. General Development of the Business

### Three Year History

MDL's activities for the last 3 years have been centred in Senegal, West Africa on the Company's two mineral projects:

- the Sabodala Gold Project – a bulk tonnage operating gold mine, which poured its first gold in March 2009, as well as a regional exploration land package. The mine is located 650 kilometres east of the capital Dakar within the West African Birimian geological belt in Senegal; and
- the Grande Côte Mineral Sands Project – a to be developed mineral sands project, with zircon and ilmenite the primary minerals of interest, located on the coast of Senegal starting approximately 50 kilometres north of Dakar and extending northwards for more than 100 kilometres.

#### ***Sabodala Gold Project***

The Presidential Decree of the Government of Senegal granting the Sabodala mining concession was signed on 30 April 2007 and the Ministerial Notification thereof authorising commencement of the investment and mining phases of the project development was issued on 2 May 2007. The Decree awarded MDL a 10 year mining concession and other fiscal incentives.

Construction and development of the Sabodala mine and plant occurred throughout 2007 with full commissioning commencing in 2008 and concluding in early 2009. First gold was poured in March 2009, with 62,477 ounces poured to 30 June 2009 and 172,140 ounces poured during the 2010 financial year.

Exploration activities in respect of the project prior to the commencement of mining activities were largely focussed on proving up the Sabodala and Niakafiri deposits. Since late 2009, exploration activities have ramped up on both the mine lease and a large regional land package of more than 1,300km<sup>2</sup>, where previous exploration had largely been limited to geological mapping and interpretation and geochemical sampling. A series of reconnaissance drilling programs have been undertaken in various permits and a new discovery, Gora, has recently been announced on one of the permits.

On 28 September 2010, MDL filed a Technical Report for the project prepared by AMC Mining Consultants (Canada) Limited in accordance with the requirements of NI 43-101, which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

The Presidential Decree and Notification Letter enabling the Company to develop the Grande Côte Mineral Sands Project were signed on 27 November 2007 whereby MDL was awarded a 25 year mining concession.

Major work on the project was slowed during 2008 and 2009 whilst the Sabodala Gold Project was constructed.

In August 2009, a Definitive Feasibility Study ("DFS") for the project was commenced, which considered all aspects related to development of the Project, including mining, metallurgical, processing and engineering, marketing, economics, and social and environmental aspects. The DFS, compiled in association with AMC Consultants, was completed in June 2010 and formed the basis for proceeding with the project. Based on an estimated capital cost for the project of US\$406 million, the projected internal rate of return is 21% (based on the first 14 years of operation only with no terminal value). The results of the DFS are set out in a release dated 16 June 2010 which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On 3 August 2010, MDL filed a Technical Report for the project prepared by AMC Mining Consultants (Canada) Limited and AMC Consultants Pty Ltd in accordance with the requirements of NI 43-101, which is available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### Significant Acquisitions and Dispositions

#### ***Equity Position in Oromin Explorations Ltd***

On 27 August 2010, the Company announced it agreed to acquire 18,699,500 common shares (the "Oromin Shares") in Oromin Explorations Ltd. ("Oromin"), representing approximately 15.0% of the issued and outstanding common shares of Oromin. MDL has issued 24,870,335 ordinary shares as consideration for the Oromin Shares acquired, as well as an additional 994,813 ordinary shares to GMP Securities Europe LLP as financial adviser to the share purchase, all at an issue price of A\$0.93 per share (equivalent to approximately C\$0.87 per share). The Oromin Shares were acquired pursuant to the terms of Share Sale Agreements with certain vendors.

Oromin is a TSX listed company (TSX: OLE) with its principal property being an interest in a joint venture covering a landholding in Senegal, West Africa which is contiguous with MDL's Sabodala Mining Concession (containing the Sabodala mine and processing plant), and regional exploration tenements.

The Oromin Shares have been acquired by MDL for investment purposes. It is the intention of MDL to evaluate its investment in Oromin on a continuing basis and may, from time to time, increase or decrease its holding of Oromin securities, depending on market conditions and other relevant factors.

## ***De-Merger Proposal***

On 23 August 2010, the Company announced an update in relation to the separation of its two core assets, the Sabodala gold operation and the Grande Côte Mineral Sands Project, into two separate, publicly traded entities. After consideration of a number of factors, it is now currently proposed to de-merge Sabodala, rather than Grande Côte, from MDL.

It is proposed that the de-merger of Sabodala is expected (subject to any necessary regulatory or third party approvals or requirements) to include the following:

- MDL will incorporate a new Canadian-based company ("NewCo") and transfer the Sabodala holding companies into this new company;
- MDL will, subject to the approval of its shareholders, distribute 80% of the NewCo shares it owns to MDL shareholders with the intention of obtaining de-merger tax relief for Australian domiciled shareholders;
- NewCo will conduct an Initial Public Offering ("IPO") involving the issue of new shares in NewCo and apply to list on a major North American stock exchange, with potentially a secondary listing on the Australian Securities Exchange ("ASX"). It is not intended that the IPO will be offered in Australia;
- Some of the funds raised through the IPO will be distributed to MDL; and
- MDL will own approximately 15% of NewCo post the IPO.

The current proposed timing of the IPO / listing of NewCo is November this year, subject to equity market conditions. The distribution of NewCo shares to MDL shareholders is also proposed to be made at around the time of the IPO / listing of NewCo. The de-merger will be subject to MDL shareholder approval under the ASX Listing Rules.

Post the de-merger and IPO / listing of NewCo, MDL will continue to be led by the existing management team and is planned to have as its key assets:

- cash, both from the transfer of the Sabodala gold assets as well as existing cash resources;
- an approximate 15% shareholding in NewCo; and
- the Grande Côte Mineral Sands Project – with its financing and development being the primary focus of management.

The cash, combined with the value of MDL's residual interest in NewCo, will contribute towards the financing of Grande Côte.

## **Financings**

Over the past three years, to fund the development of the Company's projects, the following major equity financings were undertaken:

- August 2007 – a private placement involving the issue of 75 million ordinary shares at an issue price of A\$1.25 per share for gross proceeds of A\$93.75 million;
- December 2007 – an initial public offering in Canada involving the issue of 45.5 million ordinary shares at an issue price of C\$1.10 per share for gross proceeds of C\$50 million;
- June 2008 – a private placement involving the issue of 63 million shares at an issue price of A\$0.77 per share for gross proceeds of A\$48.5 million; and
- March 2009 – a private placement involving the issue of 63.6 million shares at an issue price of C\$0.52/A\$0.62 per share for gross proceeds of C\$33.1 million/A\$39.4 million.

The following debt financings were also negotiated and drawn down upon:

- In 2008, a US\$35 million revolving working capital facility which was repaid in full in March 2009;
- In 2008, a Project Finance Facility for the Sabodala Gold Project, which was drawn down to US\$38 million at 30 June 2009, US\$6 million at 30 June 2010, and which is intended to be fully repaid by 30 September 2010; and
- In 2008, a Mining Fleet Lease Facility for the mining fleet at Sabodala, which was initially for US\$23.2 million and had a balance of US\$10.5 million at 30 June 2010. In July 2010, an amended facility was concluded with a new limit of US\$27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion (US\$15.1 million) and re-gearing of existing equipment (US\$2.2 million). The facility contains a quarterly repayment schedule concluding with the final payment on 30 June 2013. The facility is currently drawn down to US\$26.8 million.

## **5. Mineral Properties**

### **5.1 Sabodala Gold Project**

#### **History**

The Sabodala deposit was discovered by Bureau de Recherches Géologiques et Minières ("BRGM") in 1961. Subsequently, from 1961 to 1998, BRGM, a Soviet-Senegal joint venture, a Société Minière de Sabodala / Paget Mining Ltd. joint venture, and Eeximcor-Afrique SA conducted exploration programs including geological mapping, geochemical sampling, metallurgical studies and limited exploitation.

In June 2004 MDL, in joint venture with private Senegalese interests, lodged a bid for the Sabodala project. In October 2004, it was advised by the Government of Senegal that the bid was successful and the Mining Convention was executed in March 2005. Exploration drilling began in June 2005 and MDL subsequently exercised its option to acquire its joint venture partners' 30% minority interest in the project for a mixture of cash and shares.

#### **Ownership and Permit Status**

On 2 May 2007 the Government of Senegal granted a 10 year Mining Concession by Presidential Decree for the Sabodala mine, being Ministerial Letter No. 00197MMIE/CT BG/mtd. The Mining Concession is held by Sabodala Gold Operations SA, a Senegalese registered company which is owned indirectly by Mineral Deposits (as to 90%) and directly by the Government of Senegal (as to 10% non-contributory interest).

The Sabodala Mining Concession is renewable for one or several periods of not more than 10 years each until the depletion of the deposit subject to the condition that MDL has satisfied in all material respects its legal and regulatory obligations as set out in the Mining Convention and Supplementary Deed. The current 10 year period expires on 30 April 2017.

MDL was granted an eight year exoneration from taxation including value added tax and company tax; and no import duties shall be charged on MDL-owned or rented equipment or on goods and services destined for the Sabodala mine. This exoneration extends until May 2015, after which time a tax rate of 25% is applicable.

Pursuant to the Mining Concession, Sabodala Gold Operations SA is required to pay a 3% gross production royalty to the Government of Senegal; invest US\$425,000 per annum in social development programs within the region; and contribute US\$30,000 per annum to district administration support.

#### **Location**

The Sabodala mine is located 650 kilometres east of the capital Dakar and 96 km north of the town of Kédougou, within the West African Birimian geological belt in Senegal, and about 90 kilometres from major gold mines and discoveries in Mali. The mine lease is located at 13°11'5"N latitude and 12°6'45"W longitude, and covers an area of approximately 33 km<sup>2</sup>.

#### **Accessibility**

Access to the Sabodala mine from Dakar is by sealed road, Highway N1, to the regional centre of Tambacounda and then via a good all-weather sealed road, Highway N7, 230 km southeast to Kédougou, then 96 km of sealed and laterite-surfaced roads which access the villages of Faloumbo and Sabodala. A 1,250 m sealed, public airstrip, capable of handling light to medium sized aircraft, lies at the north end of the mine lease.

There are three villages on the mine lease. Sabodala village is approximately two kilometres south of the Sabodala pit, Faloumbo village is to the north-northeast of the Sabodala pit and the Dambankoto village is occupied by just a few families formerly from Faloumbo.

#### **Climate**

In Kédougou, the highest monthly average temperatures are between March and May, 31°C to 40°C. The lowest monthly average minimum temperatures are between December and January, 17°C to 26°C. The annual Harmattan is a dry wind which blows from the north, usually from December to February, resulting in dusty and hazy skies. There is a distinct tropical wet season from May to October, with the most rain falling from storms between August and September, and a dry season from December to April. Mean annual rainfall at Sabodala is estimated to be 1,130 mm.

#### **Local Resources and Infrastructure**

MDL provides for the majority of its own infrastructure needs. Power is generated at the site using low speed, heavy fuel oil generators. Water supply to service the processing plant and mine comprises two surface water storage dams from local catchment areas. These dams are designed to store adequate water from seasonal rainfall events to provide for mine production needs on a year-round basis. There are sufficient waste disposal areas and tailings storage areas. MDL constructed a plant and supporting facilities at the site including offices, shops and warehouses. Existing port facilities at Dakar are utilized for unloading of all equipment, spares and consumables for the mine. A significant proportion of the personnel involved in the mining operations have been sourced from the local villages, surrounding regions and Dakar.

## Physiography

Topography in the area is generally undulating with a gentle gradient to the north and west towards the major river courses in the area. The elevation varies from approximately 150m to 350m above sea level. In the east of the area and abutting onto the eastern side of the concession is a north-south aligned ridge rising at least 100m above the surroundings. Vegetation ranges from savannah to thick bushes and large trees on hillsides. Watercourses are marked by palms. After each wet season villagers burn off a majority of the tall grass.

## Regional Geology

The Sabodala deposit is located within the Senegalese portion of the Kédougou-Kenieba Inlier, a major Proterozoic-Birimian Inlier along the northeastern margin of the Archaean Leo Man shield. Within the Inlier metamorphic grade attains greenschist facies, with formation of metamorphic biotite and locally amphibolite grade near major intrusions. The Inlier is bounded on its western side by the Hercynian Mauritanides mobile belt considered to be Pan-African in age, and on all other sides by flat-lying Neoproterozoic-Cambrian sediments of the Taoudenni Basin. Lateritic weathering combined with duricrust formation is considered to be still active and laterite has developed since the Cretaceous. The terrain is covered, to a large degree, by laterite.

The Kenieba Inlier in Senegal is interpreted as an accretion of northeasterly trending Birimian age volcanic terrains. The Inlier is divided into three main stratigraphic units. The western one, the Mako Supergroup (Saboussire Formation in Mali), hosts the Sabodala deposit within a north trending zone of intense shearing and silicification associated with gold and minor sulphide mineralization. The Senegal-Tombo Shear Zone (STSZ) separates the Mako Supergroup from the rest of the Inlier and is considered to be west dipping and flattening in dip at depth, forming the sole of an imbricate thrust system. One of the splay faults of the thrust system is the mineralized Sabodala Shear Zone.

The Dalema Supergroup (Kofi Formation in Mali) and the Diale Supergroup (Keniebandi Formation in Mali) make up the remainder of the Inlier and are further subdivided in the southeast part of the Inlier by the regionally important Senegalo-Malian Shear Zone. These formations are host to a number of significant gold mines in nearby Mali, including Yatela, Sadiola and Loulo.

## Local Geology

Sabodala occurs in the prolific West African (Birimian) paleoproterozoic metallogenic district which extends from Senegal and Mali through northeastern Guinea, Ivory Coast, Ghana and Burkina Faso (Figure xx). The region includes several world class gold deposits such as Luolo and Sadiola in Mali, and Ashanti (Obuassi) in Ghana. The metallogenic district is associated with paleoproterozoic aged epigenetic gold deposits which occur in 2.25–1.90 Ga granite-greenstone belts of the Birimian and Tarkwaian cycles, which were deformed and metamorphosed during the paleoproterozoic Eburnean orogeny adjacent to the Archaean Sao Luis Craton to the east (Feybesse et al., 2006). Despite the abundance of known deposits, much of the region is lightly explored.

## Property Geology

The "Mine Series" comprises a section of Sabodala Shear Zone. The sequence at Sabodala strikes 025° azimuth, dips 45°-60° west, and is estimated to be approximately 250m thick. The shear zone contains lozenges of undeformed basalt, metasediment, gabbro and dolerite within mylonite and cataclastic breccias. Gold mineralization, focused in shallow-dipping to flat-lying dilational breccia zones within the shear zone, is late phase and is associated with quartz, sericite, ankerite/siderite veining and orange coloured silica-albite-carbonate-pyrite alteration. Hangingwall rocks comprise basalt and intrusive dolerite (microdiorite) and gabbro.

Sabodala is a shear-hosted gold deposit dominated by structural events which act as a major control on the mineralization. The structures are then overprinted by hydrothermal veining and alteration events which together define the main mineralized domains that form the targets for the current exploration and evaluation.

Within the Sabodala orebody, principal ore hosting and controlling structures extend between two sub-parallel bounding shear zones, forming a network of shear zones that host and are surrounded by gold mineralization, and from which subsidiary mineralized structures splay off. The most significant of these are the Main Flat and Northwest Shear, which host and are surrounded by the most continuous and through-going areas of mineralization in the deposit along central quartz-carbonate-albite-pyrite shear vein systems developed along them, and in broad surrounding zones of alteration and veining which are best developed where the two structures intersect.

The Main Flat is the most laterally extensive of these two principal ore hosting structures, and is traceable over a strike length of more than 600 meters from north-northeast to south-southwest across the deposit. It dips shallowly to the west in southern parts of the deposit, rolling to flat and ultimately shallow to moderate north dips in northern part of the deposit, creating an overall domal geometry. The structure accommodates more than 100 m of reverse - top to the east apparent displacement of marker units in southern parts of the deposit. The displacement on the Main Flat diminishes northward as the vein/shear zone system becomes more complex, and splits into subsidiary shear vein structures at depth, some of which may define new downward en echelon steps of the shear vein system to the north.

## Mineralization

Gold mineralization of all styles is associated with pyrite in association with extension and shear veins as clots, grains and along slip surfaces within veins, as pervasively disseminated envelopes around veins, and is also disseminated in broad zones of carbonate-albite alteration surrounding shear veins. Locally pyrite forms veinlets, which both cut across, and in other areas are cut by, quartz-carbonate albite veins, suggesting multiple pyrite generations, of both pyrite veinlets and pyrite in the quartz-carbonate veinlets. Pyrite is variable in grain size and ranges from cubic to anhedral. Pyrite of all grain sizes from mineralized zones is spatially associated with grains of native gold along crystal margins, in fractures within pyrite, or encapsulated in pyrite grains. Trace, often very fine-grained chalcopyrite and locally galena occur as minute grains in or adjacent to pyrite often spatially associated with gold. Shear veins also may contain fine-grained gold encapsulated in or peripheral to pyrite in pyritic bands along slip surfaces. Coarse gold is absent.

## Mineral Resources and Reserves

### Sabodala

The resource estimate at June 2010 was based on MDL drill holes through 2008. The drill database for the Sabodala resource estimate included a total of 674 drill holes (both RC and diamond drilling) for 117,504 metres representing 61,845 assays. Historic drill holes were excluded where quality control and quality assurance information was lacking.

### *Sabodala Project Resources (inclusive of reserves) – June 2010*

	Resource Classification	Tonnes ('000)	Grade (Au g/t)	Ounces ('000)
<b>Sabodala</b>	Measured	28,517	1.41	1,294
	Indicated	13,375	1.34	575
	Inferred	7,310	1.22	287
<b>Niakafiri</b>	Measured	278	1.74	16
	Indicated	10,463	1.10	370
	Inferred	7,248	0.88	205
<b>Niakafiri West</b>	Measured	0	0	0
	Indicated	0	0	0
	Inferred	7,144	0.82	188
<b>Soukhoto</b>	Measured	0	0	0
	Indicated	0	0	0
	Inferred	566	1.32	24
<b>Gora</b>	Measured	0	0	0
	Indicated	0	0	0
	Inferred	387	5.60	70
<b>Total</b>	Measured	28,795	1.41	1,310
	Indicated	23,838	1.23	945
	<b>M+I</b>	<b>52,633</b>	<b>1.33</b>	<b>2,254</b>
	Inferred	22,655	1.06	774

*Measured Resources include stockpiles which total 2.613 M tonnes @ 1.26 g/tAu for 106,000 ounces.*

### *Niakafiri*

The estimate for the Niakafiri deposit was carried out in house by Bruce van Brunt of MDL in June 2007. The modelling methodology involves ordinary kriging interpolation of composited drill hole data within mineralized domain solids.

At Niakafiri, 160 holes were drilled totalling 21,272 metres and 21,452 samples.

### *Niakafiri West and Soukhoto*

Resource estimates have been carried out for the Niakafiri West prospect and the Soukhoto prospect, both situated near Sabodala village on the Sabodala mining lease. Both were estimated by Bill Yeo, Chief Mine Geologist on site in June 2010, and both resources are classified as Inferred Resources.

The drill database at Niakafiri West includes 62 RC and diamond holes totalling 7,505m drilled. The Soukhoto drill hole database includes an additional 40 RC and diamond holes totalling 4,137m drilled.

The Niakafiri West and Soukhoto modelling methodology involves inverse distance interpolation of composited drill hole data within mineralized domain solids.

### *Gora*

The estimate for the Gora deposit was carried out in house by the MDL Exploration Manager, Martin Pawlitschek, in June 2010. The resource is classified as Inferred. The Gora drill hole database consists of 51 RC drill holes totalling 6,246m drilled.

The Gora modelling methodology involves polygonal interpolation of composited drill hole data within mineralized domain solids.

All resource and reserve figures have been reviewed and audited by AMC Mining Consultants (Canada) Ltd in Vancouver, B.C., Canada.

**Sabodala and Niakafiri Reserves – June 2010**

	<b>Reserve Classification</b>	<b>Tonnes ('000)</b>	<b>Grade (Au g/t)</b>	<b>Ounces ('000)</b>
<b>Sabodala</b>	Proven	18,657	1.60	959
	Probable	4,014	1.75	225
<b>Niakafiri</b>	Proven	231	1.76	13
	Probable	6,980	1.17	262
<b>Total</b>	Proven	18,888	1.60	972
	Probable	10,994	1.38	488
	<b>Proven + Probable</b>	<b>29,882</b>	<b>1.52</b>	<b>1,460</b>

- Notes:
1. CIM definitions were used for Mineral Reserves
  2. Mineral Reserves are reported at the marginal cut-off grade for each pit.
  3. Mineral Reserves are estimated using an average long term price of US\$900 per ounce.

The mineral resource and reserve estimations reported above are documented in conformity with Canadian National Instrument 43-101 and have been classified in accordance with CIM Definitions (2005) and reconciled to JORC (2004) reporting standards. The Sabodala Gold Project Technical Report NI 43-101 was filed on 28 September 2010 and is available for review under the Company’s profile on [www.sedar.com](http://www.sedar.com).

**Development and Operations**

Mining of the Sabodala gold mine commenced in June 2008, commissioning of the plant occurred in early 2009, and the mine’s first gold was poured in March 2009.

The mine was officially opened on 3 June 2009 by the President of Senegal, His Excellency Abdoulaye Wade.

The deposit is being mined over three phases by conventional open pit methods, using selective mining techniques to separate ore and waste. The core mining fleet is owned and operated by MDL and comprises:

- 1x Reedrill SKF12 primary blasthole drill rig and 3x Sandvik DP1500 hydraulic crawling drilling rigs;
- 2x Komatsu face shovels (1x PC 3000 and 1x PC 2000);
- 10x Komatsu HD785-7 haul trucks;
- 1x Komatsu WA900-3 loader;
- 3x Komatsu GD825A-3 graders;
- 3x Komatsu dozers (1x D155A and 2x D275A);
- 2x Komatsu WD600-3 rubber tired dozers; and
- 2x Komatsu HD465-7 water trucks.

The Sabodala Pit has a final depth of 230 metres at the end of the third mining phase, with final dimensions at the pit surface of 780 metres by 940 metres. Final pit dimensions for the Niakafiri Pit at surface are 360 metres by 460 metres, with a final mined depth of 90 metres.

The processing facility has a nominal capacity to process 2.0 million tonnes per annum of ore, and comprises a conventional carbon-in-leach (“CIL”) plant. The flow sheet comprises a jaw crusher, a semi-autogenous (“SAG”) ball mill circuit with a pebble crusher, and leaching tanks using cyanide and activated carbon. The leaching process is done by putting the ore in contact with the cyanide in a solution to liberate gold from the ore before being captured by activated carbon. After elution and electrolysis, the gold is recovered by fusion and poured into ingots.

The mine power is sourced from a 30MW heavy fuel oil power station. Water is drawn from two dams with a combined capacity of approximately 11 million cubic metres, which can also be supplemented from water sourced via a pipeline from the Faleme River.

Gold produced at the mine site is shipped from site, under secure conditions, to a refiner. Pursuant to existing contracts, the refiner delivers the gold directly to an account held with Macquarie Bank Limited. Once received, the gold is sold either into a hedge facility or in the market at spot, or a combination thereof (which is generally the case). The gold hedge position outstanding at 30 June 2010 comprises 246,500 ounces of flat forward sales at US\$846 per ounce.

## Production

Sabodala production statistics for the 2010 year are as follows:

### 2010 Production Statistics

		Jun 2010 Year End	Jun 2010 Quarter	Mar 2010 Quarter	Dec 2009 Quarter	Sep 2009 Quarter
Ore mined	('000t)	3,189	853	708	820	807
Waste mined	('000t)	11,472	2,671	2,896	3,420	2,485
Total mined	('000t)	14,661	3,524	3,604	4,240	3,292
Strip ratio	waste/ore	3.6	3.1	4.1	4.2	3.1
Ore processed	('000t)	2,235	544	592	600	499
Head grade	(g/t)	2.63	2.31	2.05	2.63	3.66
Gold recovery	(%)	91.0	90.3	90.5	90.6	92.2
Gold produced <sup>1</sup>	(oz)	172,140	36,874	35,214	45,792	54,260
Gold sold	(oz)	172,558	30,543	34,494	50,078 <sup>2</sup>	57,443
Average price received	\$/oz	916	916	924	941	890
Gross cash costs (per ounce produced) <sup>3</sup>	\$/oz	495	541	575	532	382
Gross cash costs (per tonne processed) <sup>3</sup>	\$/t	38	37	34	41	42
Total cash cost (per ounce sold) <sup>4</sup>	\$/oz	412	532	444	405	323
Total cash margin <sup>5</sup>	\$/oz	504	384	480	536	567

Notes:

1. Gold produced is gold poured and does not include gold-in-circuit at period end.
2. Includes 5,665 ounces shipped before period end but not converted to cash.
3. Gross cash operating cost excludes royalties and is calculated using ounces produced and dry tonnes processed.
4. Total cash cost represents the gross cash cost plus royalties as well as the effects of inventory adjustments.
5. Total cash margin is calculated using the average price received less the total cash cost (per ounce sold).

## Plant Expansion

Planning is being finalised to expand the Sabodala gold plant from a nominal capacity of 2.0 million tonnes per annum (Mtpa) to between 3.5 to 4.0 Mtpa on 100% fresh ore.

The proposed major equipment additions for the processing plant include a second ball mill and associated pumps and cyclones, three new leach tanks and agitators and an additional tailings thickener. A process study has also recommended the inclusion of a secondary crushing circuit to increase the efficiency of the SAG mill and size the milling and leaching circuits for approximately 4.0 Mtpa. It is currently anticipated that the plant expansion will be completed by the end of 2011.

Additional items of mining equipment for the expanded operations, including:

1. 1x Komatsu PC3000 face shovel;
2. 5x Komatsu HD785-7 haul trucks;
3. 2x Reedrill SKF12 primary blasthole drill rigs; and
4. 2x Komatsu D375A track dozers.

This equipment is ex-works and beginning to arrive at site, with the expectation it will be operational beginning in October and November 2010. This equipment, costing approximately US\$15 million, is being financed by an increase in the fleet lease facility with Societe Generale.

With the expansion of the operations, the mine life of Sabodala based on the current reserve base will be approximately 7 years.

## Exploration

### *Regional Exploration*

MDL, via its subsidiary Sabodala Mining Company SARL, has interests (ranging from 51% joint venture interests to 100% interests) in seven exploration permits that together equate to a regional land package in south eastern Senegal around Sabodala of more than 1,300km<sup>2</sup>.

Exploration Permit	Interest	Area (km <sup>2</sup> )	Anniversary date
Soukounkoun	51%	213	Sep 2012
Heremakono	51%	215	Oct 2011
Sabodala NW	51%	120	May 2012
Bransan	70%	261	Oct 2012
Dembala Berola <sup>1</sup>	100%	244	Jan 2012
Massakounda <sup>1</sup>	100%	186	Jan 2012
Makana	80%	125	Nov 2010
<b>Total</b>		<b>1,364</b>	

1. 2% royalty is payable.

The area consists of a suite of a typical Birimian greenstone-sediment assemblage which is extensively covered with various episodes of laterisation.

Historically, only routine early stage exploration work has been undertaken across the land package. Work done has included geochemical soil sampling, termite mound sampling, rock chip surveys, airborne magnetic and radiometric surveys, geological mapping, trenching, rotary air blast ("RAB") drilling, and some RC and diamond drilling.

From 2007 until late 2009, no significant drilling was undertaken on the permits as the Company focussed on the drill out of the Sabodala ore body and development of the mine and treatment facility. Exploration programs on certain permits generally ramped up during the second half of the 2010 financial year.

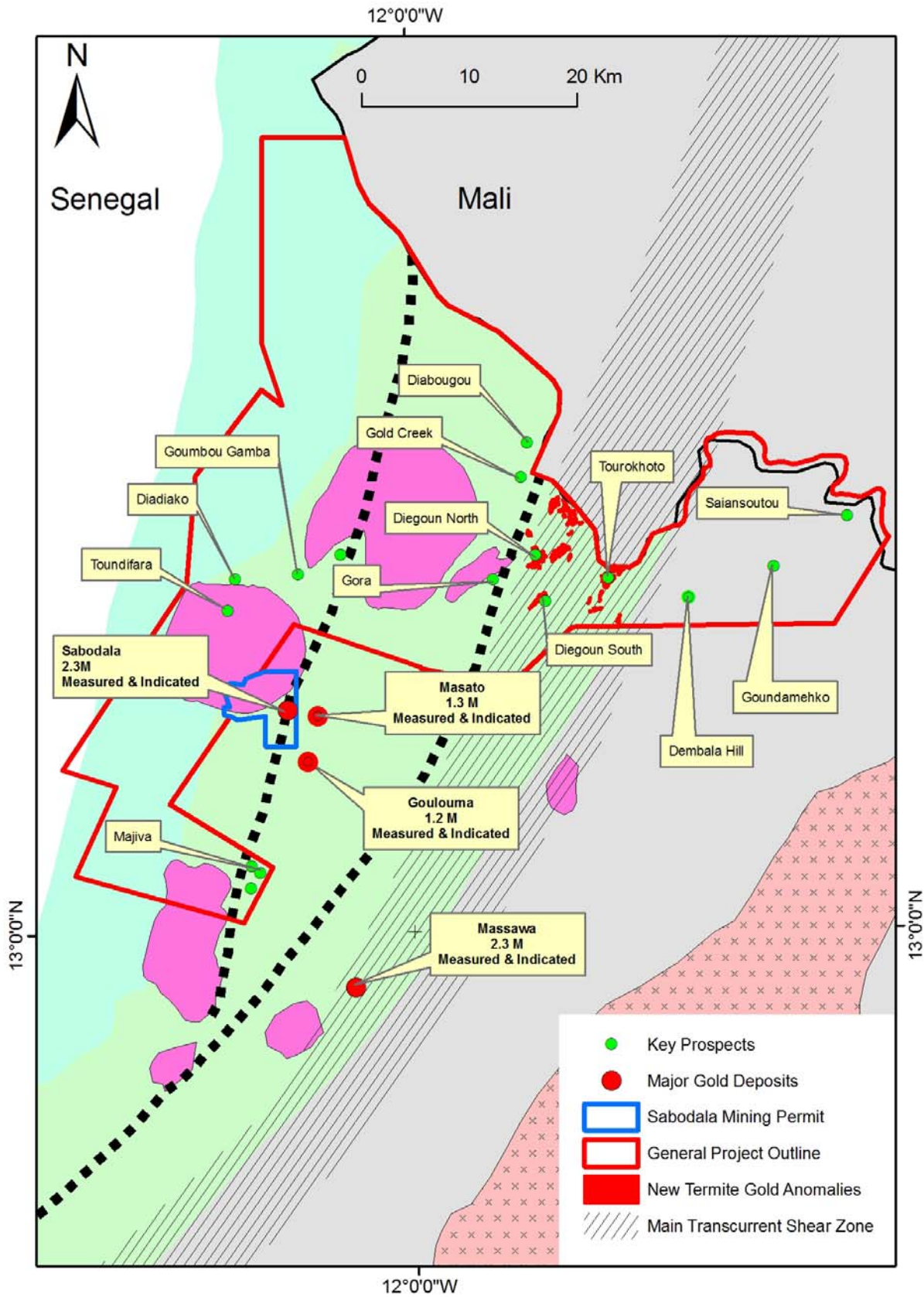
Within the various permits, many geochemical anomalies have been identified within the laterites and work programs are intended to evaluate if these various targets are reflective of actual mineralisation within the bedrock or are just transported gold in the laterites or similar. A detailed aeromagnetic survey has also identified many structurally controlled areas to be followed up with geochemistry and drilling.

Gold anomalies in laterites are not considered material until they have been confirmed by drilling into the underlying bedrock. Accordingly, a significant proportion of the current work focuses on extensive RAB drilling programs and trenching to identify bedrock targets which are then be followed up by RC drilling where appropriate.

Initial assaying of drill samples is undertaken at the on-site SGS facility using atomic absorption spectroscopy and acid leach extraction method. Waste bounded mineralized interval pulps are then sent to Kayes in Mali for fire assay as a cross-check. To date the results are comparable.

A map providing an overview of the regional land holding and the current prospects follows.

**Sabodala Regional Landholding and Prospects**



The exploration highlight to date has been at Gora (formerly Zone D) where an initial drilling program has indicated the potential for a high grade resource comprised of a multiple lode system.

The Gora deposit is located approximately 25 kilometres north east of the Sabodala processing plant (accessible from the Faleme pipeline road) within the Sounkounkoun exploration permit, in which MDL and AXMIN Inc. are joint venture partners whereby MDL is earning a majority interest and manages the exploration.

A highly encouraging Phase 1 51-hole reverse circulation (RC) drill program was completed during the June quarter that yielded a number of high-grade intercepts, including 7 metres at 32.0 g/t Au from 110 metres depth (including 1 metre @ 181 g/t Au from 114 metres). A number of the holes intersected more than one vein, and many of the results indicate a significant widening of the vein system at depth. With the depth of the drill holes in the Phase 1 program averaging only 123 metres down hole (approximately 90 metres vertically), deeper drilling will be required to test the down dip extensions, all of which remain open. Details of the drill results are set out in ASX/TSX releases on 7 May 2010, 27 May 2010 and 23 June 2010 which are available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Other exploration results include the following:

**Diegoun (Sounkounkoun permit):** following detailed termite mound sampling which returned significant gold anomalies (defined by the 120ppb threshold), the highly anomalous zones which form a doughnut shape with a diameter of approximately 5 km are now being tested by a systematic RAB drilling program. The area is within the Main Transcurrent Shear Zone (MTZ) along strike from Randgold's 3.5M ounce Massawa resource.

**KC Prospect (Sounkounkoun permit):** trenching in the north west of the Sounkounkoun Permit continues to define bedrock gold mineralisation at multiple prospects, such as 10m @ 11.3 g/t Au at the KC prospect where follow up RAB drilling is now proposed

**Diadiako (Branson permit):** RAB and RC drilling, undertaken to evaluate Sabodala style mineralisation, has yielded a number of intercepts that provide evidence for multiple lodes at depth and the potential for an open pit development of higher grade shoots.

**Goundamehko (Dembala Berola permit):** Additional trenching has extended the strike of known mineralization. A zone of some 40m x 800m includes previous RC intersections such as 20m @ 1.3 g/t Au, 8m @ 1.5 g/t Au, 34m @ 0.8 g/t Au and 4m @ 28.3 g/t Au on a cross structure. Trenching includes 2m @ 41.0 g/t Au in trench GTR024. This target warrants systematic RC drilling with the goal of defining a mineable bulk tonnage deposit.

*Note: RAB drilling results are not used for resource estimation and are an indication only for the presence or absence of gold.*

#### **Mine Lease Exploration**

During the latter part of the 2010 financial year one diamond drill hole rig and one RC rig were active on the mine lease. The focus was on the Sabodala Main Flat Extension to the north and Sutuba to the south of the Sabodala pit.

**Sabodala Main Flat Extension:** step-out drilling to the north of the Sabodala pit has intersected the continuation of the Sabodala orebody as expected at approximately 350m below surface, and a new deeper flat zone approximately 600m below surface (with interpretation ongoing).

**Sutuba:** in-fill drilling between the Sabodala pit and Sutuba to the south is being undertaken to determine the potential for near term, near surface feed for the mill.

#### **Environmental Liabilities**

An environmental impact study of the project was undertaken by Tropica Environmental Consultants and a Rehabilitation and Mine Closure Plan has been prepared and is being further developed.

Environmental monitoring programmes are undertaken on a regular basis, which include:

- careful monitoring of all water effluents and tailings dam water;
- sampling and bacterial analysis of site and local village potable water;
- 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.

A compliance audit of the environmental management systems is performed annually by an external environmental auditor. One audit has been performed to date and was successful.

Since production commenced, a major oil company has been employed to remove hydrocarbon waste products for correct disposal and/or recycling; and a Bioremediation facility is utilised on site for treating hydrocarbon-contaminated

soils. A scrap metal recycling program commenced in 2009 whereby scrap of a commercial value is transported to Dakar for processing.

### **Community and Social Programmes**

Significant contributions made to local Sabodala communities to date include: educational sponsorships; building of a kindergarten; providing water bores and borehole pumps for water supply; spraying to reduce the impact of malaria; establishment and support of a village health clinic, sponsorship and undertaking of HIV/AIDS awareness sessions; construction of all weather access roads joining a number of villages; and improvement to regional roads by regular maintenance grading and improving water crossings.

### **Health and Safety**

Mining and processing operations accumulated more than 2.75 million hours before regrettably incurring the first lost time injury. To date there have only been two lost time injuries at the Sabodala project since the commencement of operations and both employees have made full recoveries returning to work soon after the incidents. To date the "lost time injury frequency rate" is 0.26, which is an outstanding performance for a new operation in a developing country with no formative mining or related safety culture.

## **5.2 Grande Côte Mineral Sands Project**

### **History**

The dunes of the Grande Côte Mineral Sands Project extend from the Pointe des Almadies, on which Dakar is sited, to St Louis 140 kilometres to the northeast. The presence of heavy minerals ("HM") was first officially noted in Bulletin No. 8 published by the Director of Mines in 1945 (Direction Federale des Mines de L'AOF — "DFMG").

Early exploration work for HM deposits was completed in the 1940's to mid 1980's by the DFMG (Geological Survey) and various other groups identifying the presence of significant mineralisation beneath the water table.

The area was ignored until acquired in early 1989 by DuPont which conducted reverse circulation and hand auger drilling between 1989 and 1993 identifying a JORC inferred resource of 801 million tonnes grading 2.6% heavy mineral (1.5% cut-off). DuPont withdrew from the project and lodged the results of its work with the Department of Mines and Geology in Dakar.

MDL was granted its exploration permit pursuant to its Mining Convention with the Government of Senegal in September 2004.

### **Ownership and Permit Status**

On 27 November 2007, the Presidential Decree granting the Mining Concession for the Grande Côte Mineral Sands Project was issued to MDL. It is held by Grande Côte Operations SA ("GCO"), a Senegalese registered company which is owned indirectly by Mineral Deposits (as to 90%) and directly by the Government of Senegal (as to 10% non-contributory interest).

The key terms of the mining concession are as follows:

- MDL has been granted a 25 year mine lease for the Grande Cote Project, with the potential for renewal for a further period;
- MDL is entitled to a 15 year exoneration from taxation;
- a 5% gross production royalty will be payable by MDL to the Government of Senegal;
- the Government of Senegal shall have the right to acquire 10% of the project's production based on a cost-plus formula;
- the Government of Senegal is entitled to receive dividends once the project's capital costs and associated shareholder loans have been recovered;
- no import duties shall be levied on MDL-owned or rented equipment or project related goods and services;
- MDL will expend US\$150,000 per annum on other agreed social programs during the period in which mining operations are ongoing on the license area;
- MDL will support training/equipment needs of the Department of Mines and Geology of Senegal with payments of US\$50,000 annually during the period in which mining operations are ongoing;
- MDL will cooperate with the Government of Senegal to apply best practices in environmental protection of the Grande Côte region; and
- the Government of Senegal or national private sector persons or registered companies have the right to acquire a further 25% contributory interest by way of the issue of new shares in GCO at a purchase price to be independently evaluated by an internationally recognised public accountancy firm or investment bank. This right is exercisable only once during the 30 day period following GCO receiving an offer of project finance.

## **Definitive Feasibility Study and Technical Report**

In August 2009, a Definitive Feasibility Study (“DFS”) for the project was commenced, which considered all aspects related to development of the Project, including mining, metallurgical, processing and engineering, marketing, economics, and social and environmental aspects. The DFS, compiled in association with AMC Consultants, was completed in June 2010 and formed the basis for proceeding with the project. The results of the DFS are set out in a release dated 16 June 2010 which is available for review under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

On 3 August 2010, MDL filed a Technical Report for the project prepared by AMC Mining Consultants (Canada) Limited and AMC Consultants Pty Ltd in accordance with the requirements of NI 43-101, which is available for review under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Location**

The Grande Côte Mineral Sands Project is located on a coastal dune system starting about 50 kilometres north-east of Dakar and extending northward for more than 100 kilometres. The mineralised dune system averages 4 kilometres in width and contains largely un-vegetated sand masses. The project area is 445.7 km<sup>2</sup>.

### **Accessibility**

Mboro is the main regional centre to the Grande Côte Mineral Sands Project and is located 120 kilometres from Dakar via Thiès and Tivaouane (Highways N1, N2) and 90 kilometres via Rufisque and Bayakh (Highway R70).

### **Climate**

The Senegalese climate is tropical with a hot and humid wet season (May-October) and a dry season (November-April) dominated by hot Harmattan winds.

### **Physiography**

Relief in the coastal areas in Senegal results mainly from the mobile sand dunes, where the average height above the base of the swales is some 5 metres. The height of the mobile dune profile increases gently going inland from the fore dune area, from a height of about 10m RL to an average height of 25m RL at the climax dune or most inland of the mobile dunes (which is generally the highest of the dune suite). Further inland, the dune relief is more subdued (some 3m to 5m). The countryside as a whole rises in RL moving inland and the average RL at 15 kilometres inland is 60 metres.

### **Regional Geology**

The extensive Senegal Mauritanian Basin covers most of Senegal and is composed of Mid Jurassic to Recent, poorly cemented marine sands, marls, limestones and shales overlain by continental lacustrine and marine sediments.

Quaternary basalt and basaltic tuffs outcrop at Dakar and basaltic volcanic plugs occur in the Dakar-Thiès region. Proterozoic greenstones of the Birimian province outcrop in the far east near the border with Mali. Throughout the Basin, the Quaternary was characterised by short transgressive cycles with stream rejuvenation and valleys incised on the continental platform. Palaeocene limestones in the Basin to the south-east of the Dakar Peninsular are an important source of lime for cement.

The Taiba — Tobene phosphate deposits located some 5 kilometres east of Mboro and 25 kilometres south-east of Diogo village are of Middle Eocene age. The phosphate horizon averages 7 metres in thickness and lies beneath approximately 40 metres of unconsolidated Quaternary sands. The stratigraphy beneath the phosphate horizon includes some 60 metres of Lutetian karstic limestone and then up to 200 metres of Eocene marl (marn) which overlies Paleocene limestone of up to 100 metres thickness. A significant fresh water aquifer is contained within Maestrichtien age grits and sands approximately 500 metres thick that underlie the limestone.

### **Project Geology**

The Atlantic Grande Côte area of north-west Senegal comprises an assemblage of marine sands remaining after the sea retreated in Recent times. The prevailing weather is from the north west and this has contributed to the formation of a normal fore dune system and a series of high aeolian — mobile dunes, which trend north-west ranging between 5 metres and 30 metres above sea level and extending inland for up to 4.5 kilometres from the beach.

In general, the pale yellow mobile dunes cover littoral white beach sands of Late Quaternary age. This was a time when lagoons, bars, spits and deltas formed along the coast, together with the development of peat in lagoons and estuaries. The present day interface between these two layers is generally a thin humic horizon. The littoral sands contain some HM and the reworking of this material by longshore currents running north to south, coupled with wave action, is believed to have fractionated the sands to produce thinly bedded HM concentrations reworked as lag deposits in the mobile dunes. In general the littoral white sand horizon is fine grained but at depth (25 metres to 45 metres below surface) does contain some lenses of coarse sands and grits which enhance the surficial aquifer. Overall the underlying littoral sand horizon is 30 metres to 40 metres thick.

An extensive older back dune system of north-east trending aeolian red or orange coloured sands was formed during an Ogolien (20,000 to 11,000 years before present) age regression when the desert of Mauritania spread to this region. The

mobile dunes may also be a reworked part of these back dunes. Drilling data indicates the mobile dunes intermittently overlie the back dune sands in the more inland parts of the deposits.

Based on work by the DFMG — Geological Survey, DuPont and MDL geological drilling, a model of the mineral sand deposits was constructed which suggests three aeolian phases, with the greatest amount of HMs in the oldest which is now the most inland part of the mobile dune system.

### **Mineralisation**

The resource underpinning the Grande Côte Mineral Sands Project comprises a linear series of aeolian sand dunes containing a HM assemblage (~2.0% HM) concentrated by wind action.

The aeolian or mobile dunes overlie a substratum of former beach sands representing a recessive littoral environment. These sands also contain HMs (~0.5% HM) but in some cases, apparently thin strand line concentrations of >10% HM are indicated by deeper drilling. The natural water table occurs close to the interface between the mobile dunes and the white sand substratum.

Significant HM deposits identified to date over a distance exceeding 50 kilometres are Mboro, Fass Boye, Diogo and Lompoul. The deposits are stated as being of Holocene (Recent) Epoch. Both the mobile dunes and the underlying precursor marine sands contain HMs, principally ilmenite with accessory zircon, rutile and leucoxene. Zircon and ilmenite are the main commodities of interest. Within the limits of existing reconnaissance drilling there are other deposits that have been partially explored, both to the south-west and north-east for a total strike length drilled of 80 kilometres. There is potential to identify additional mineralised deposits beyond the limits of present drilling.

Analyses of composite samples indicate that the content of valuable heavy minerals within the HM is in the ranges of 7% to 19% for zircon, 1% to 3% for rutile, 2% to 7% for leucoxene and 56% to 75% for ilmenite.

### **Exploration**

Exploration undertaken by MDL has consisted of vertical holes drilled using both RC and hand auger techniques. Samples were collected at 1 metre intervals down-hole from both the RC and auger drilling. Sample treatment processes are consistent with good industry practice in the mineral sands industry.

RC holes are able to penetrate below the water table whereas hand auger holes stop at the water table.

The Grande Côte Mineral Sands Project scope provides for the production of both zircon and ilmenite as the main products, with minor quantities of rutile and leucoxene. Previously, the focus was on the production of only zircon as the main output. Testwork has demonstrated that with a revised circuit/flowsheet, a good quality ilmenite product can be produced, in addition to a high quality zircon product.

### **Drilling**

MDL's drilling has been carried out in-house. Three RC/aircore drill rigs are based on Bombardier Muskeg caterpillar platforms, while conventional Dormer brand shell augers (recognised as the standard for mineral sands drilling) have been used for infill drilling. To the end of May 2010, MDL had completed 8,285 RC holes for 150,665 metres and 12,462 hand auger holes for 45,203 metres for a combined total of 195,868 metres. Combined with 39,063 metres of drilling by DuPont, this gives a total of 234,931 metres drilled and assayed. Of this, 2,859 holes for 57,368 metres have been drilled between July 2009 and April 2010.

Drilling has been undertaken on lines at 200 metre spacing north-south and with holes at 40 metre intervals east-west across much of deposit. Drill holes are designed to be completed at a depth of 8 metres beneath the water table allowing overlap of information for a proposed 6 metre deep dredge pond. Overall the average hole-depth is 15 metres. Based on knowledge of the mineralised dune field, MDL was able to complete the recent Lompoul resource drilling without infill hand auger holes and with the RC/aircore hole spacing opened up to 80 metre along 200 metre spaced lines.

Development of large capacity, deep hydrological test wells are being undertaken to evaluate make-up water supplies for management of the dredge pond levels. The Maestrichtien age sandstone horizon, known to be an excellent aquifer, is located some 440 – 526 metres below surface in the different points that have been drilled.

### **Water Table**

A comprehensive piezometer installation programme has showed minimal fluctuations in the water table, confirming a stable upper aquifer. As of April 2010 in excess of 320 piezometers were installed across the deposits with a monthly water levelling program in place.

The water table used to report resources is based on a wireframe surface modeled on the average of 326 piezometer readings for the year from 31 March 2009 to 31 March 2010. There are no piezometer readings north of 1,708,600 mN UTM Zone 28 (715,650 mN in the translated coordinate system). For this northern area, the cross section of the water table at approximately 715,000 mN was projected northward and a surface was modeled using the projected data.

### **Sampling and Analysis, Security of Samples**

MDL operates its own heavy minerals laboratory at the town of Tivaouane located some 25 kilometres south-east of Diogo. Samples prepared at the Tivaouane laboratory are delivered on a daily basis. The laboratory has capacity to treat 600 samples per day. The MDL laboratory setup was supervised by consultant chemist Mr B Woodward from Perth,

Western Australia. Mr Woodward, who has over 30 years laboratory experience, prepared a comprehensive laboratory manual giving clear instructions on procedures for the laboratory quality system.

All of MDL's heavy minerals measurements are determined by heavy liquid separation utilising aqueous, non toxic, lithium sodium tri-polytungstate ("LST") whereas DuPont measured heavy minerals content using the "Magstream" separation process, both methods being standard in the mineral sands industry. Both companies implemented industry standard quality assurance/quality control ("QA/QC") procedures.

Laboratory quality control measures include the use of prepared bulk standards for daily laboratory accuracy checks, daily checks of the specific gravity of the LST heavy media fluid, and assaying of a random duplicate from each drill hole by an Australian umpire laboratory. The umpire laboratory uses tetra-bromoethane for its heavy media separation. Electronic balance equipment is maintained by means of standard weights. Data entry is routinely checked by the laboratory supervisor.

QA/QC procedures include the use of internal laboratory standards made from Grande Côte mineralised sands as two bulks; low and medium grade. One standard is chosen at random for a daily check of laboratory accuracy. The laboratory supervisor collates and examines the results for the standards, and prepares a comparative table with a Shewart chart for examination of the consistency of results. To benchmark the results for the standards, ten of each of the two grades of standard were assayed by contract analytical service Diamond Recovery Services Pty Ltd, a specialist heavy minerals assay facility in Perth, Australia.

AMC concluded that the analytical methods, sampling methods, chain of custody procedure, sample preparation procedures and analytical techniques were appropriate and comparable with accepted industry standards.

In November 2009, AMC was provided with all the known results for low grade HM and medium grade HM standards.

AMC generated a scatter plot of the standard results to determine the precision and accuracy of the laboratory. This plot shows how the standards check for all low grade HM and medium grade HM standard data to November 2009.

The standard HM grade for the medium grade batch is 2.055% with 0.087% standard deviation. The standard HM grade for the low grade batch is 1.065% with 0.075% standard deviation.

The number of low grade HM% standard samples total 1,722. Greater than 85% of the standards fell within two standard deviations of the mean (1,551 samples out of 1,722). The number of medium grade HM% standard samples total 1,425. Greater than 90% of the standards fell within two standard deviations of the mean (1,372 samples out of 1,425). These results suggest the laboratory is performing well.

## Topography

A detailed digital terrain model ("DTM") was produced by MAPS Geosystems of Dubai – a division of Fugro ("MAPS"). This DTM was based on detailed aerial photography of the entire exploration permit area, flown by MAPS in early 2008.

Colour aerial photography was undertaken at a scale of 1:12,000 (approx) with GPS location based on surveyed ground control points. MAPS utilised a refined automated procedure for the measurement of automated terrain models using Autometric's SoftPlotter software, by which a very dense grid of points is measured and then, using distance and correlation coefficient weighting, sub-sampled to the required grid spacing. The large redundancy of measurements and conditional filtering allowed a high accuracy to be achieved. Scanning of the aerial photography with a resolution of 15µm (microns) created a grid of points with a grid spacing of 20 metres. The data was also processed to form contour lines at 2 metre intervals.

## Mineral Resource Estimate

The main HM deposits identified to date are Diogo, Mboro, Fass Boye and Lompoul. Other deposits have been partially explored within the Mining Concession and there is potential to identify additional deposits beyond the limits of present drilling. Both the dunes and the underlying marine sands contain HMs, principally ilmenite with accessory zircon, rutile and leucoxene. Zircon and ilmenite are the main commodities of interest.

Based on the drilling undertaken to date, AMC has estimated a Mineral Resource estimate for the Diogo, Mboro, Fass Boye and Lompoul areas of the deposit which is set out below:

### ***Mineral Resource Estimate for the Diogo, Mboro, Fass Boye and Lompoul areas***

<b>Resource Category</b>	<b>Total Tonnes (M)</b>	<b>HM (%)</b>
Measured	980	1.73
Indicated	50	1.72
Measured + Indicated	1,030	1.73

*Based on a surface that is 6 metres below the natural water table with 1.25% HM cut-off grade*

A block model was used to define the resource volume and HM grades were estimated into each parent block using ordinary kriging. The Mineral Resource estimate has been reported assuming the deposit will be mined by dredging where the total thickness of the sand mined is based on the dredge operating at the natural water table and its cutter operating up to 6m below the water table. For reporting, the total sand accumulated to 6m below the natural water table,

above a cut-off of 1.25% HM, has been classified as Measured and Indicated based on the drill hole spacing and available information on the watertable level.

Decreasing the cut-off significantly increases the tonnes of the Mineral Resource estimate as demonstrated below:

**Mineral Resource Estimate by cut-off % HM (Measured and Indicated)**

Cut-Off (% HM)	Tonnes (Billion)	HM (%)
0.50	4.14	1.05
0.75	2.90	1.23
1.0	1.72	1.48

The above Mineral Resource estimates have been prepared by Rod Webster of AMC. The estimates have been prepared in accordance with Canadian NI43-101, the CIM standards and the Australasian Code for Reporting of Mineral Resources and Ore Reserves 2004 Edition (the “JORC Code”). Mr Webster is qualified as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” and a Qualified Person as defined in NI43-101. A copy of the Technical Report NI43-101 is available for review under the Company’s profile on [www.sedar.com](http://www.sedar.com).

**Mining and Ore Reserve Estimates**

Mining will be carried out by dredging a continuous canal (dredge path) through the dunal orebody at a projected rate of approximately 55 Mt of sand per annum. The dredge will float in an artificial pond accompanied by a floating spiral concentrator (“WCP”). To the rear of the WCP a tailings stacker will deposit the tailings to fill the mined canal and achieve a final landform. Vegetation will be cleared in advance of the dredge pond and rehabilitation will be completed on the final landform.

Based on the mineral resource block model, a mine dredge path for the first 14 years of the operation has been developed and the Ore Reserve Estimate is as follows:

**Ore Reserve Estimate for first 14 years of operation (designed mine path)**

Classification	Total Tonnes (M)	HM (%)	HM Tonnes (M)
Proved	746	1.8	13.2
Probable	5	1.7	0.1
Proved and Probable	751	1.8	13.3

This Ore Reserve estimate is the mineral resource contained within the dredge path design and is based on the projects economics and engineering performed as part of the DFS.

The above Ore Reserve estimate has been prepared by Pier Federici of AMC. The estimate has been prepared in accordance with Canadian NI43-101, the CIM standards and the Australasian Code for Reporting of Mineral Resources and Ore Reserves 2004 Edition (the “JORC Code”). Mr Federici is qualified as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” and a Qualified Person as defined in NI43-101. A copy of the Technical Report NI43-101 is available for review under the Company’s profile on [www.sedar.com](http://www.sedar.com).

The deposit continues to the north and south on the Mining Concession beyond these Ore Reserves. While additional mine life will depend on the economics of the Project including the mineral distribution, geometry and access, and additional drilling is required, it could be anticipated that an additional 10 or more years of mine life beyond the current Ore Reserves is feasible.

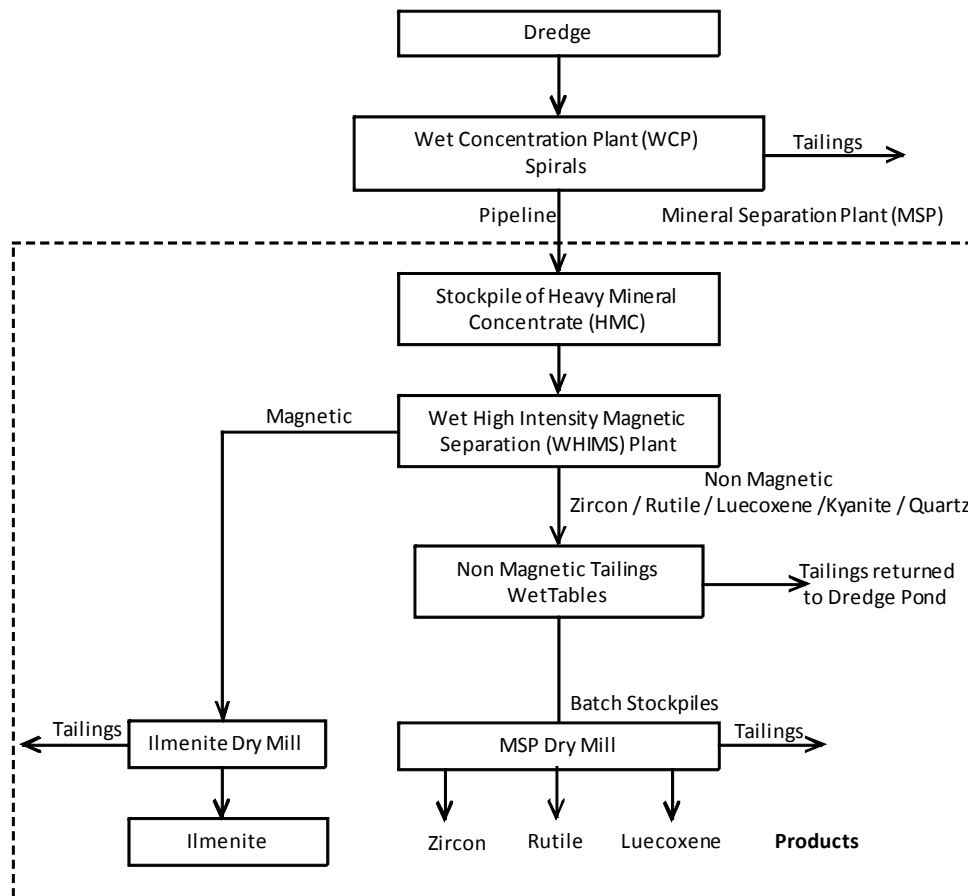
**Processing**

The heavy mineral concentrate (“HMC”) from the WCP will be pumped to the mineral separation plant (MSP) where it will be dewatered and stockpiled for batch processing in the MSP.

An extensive testwork program has been completed with the primary aim being to maximise recovery and product quality. The most recent testwork was completed by Downer EDI in 2010 using a 1,037 kg bulk sample. Testwork results indicate a product mix of three to four zircon products, two ilmenite products and rutile and leucoxene products is feasible. Overall recovery for HM was 82.6%.

Detailed flowsheets, plant layouts and the plant design basis have been developed by Ausenco. The flowsheets for the mine and WCP present mass balances using the nominal feed tonnage (7,000 t/h) from the dredge and a plant feed HM grade of 2.0%. The MSP consists of three separate circuits: Wet Circuit, Zircon Dry Circuit and Ilmenite Dry Circuit. A high level flow sheet is shown below.

## High Level Process Flow Sheet



## Local Resources

It is estimated that the Grande Côte Mineral Sands Project will employ directly up to 800 people during construction with a GCO workforce of approximately 280 people plus 130 outsourced roles during operation. It is anticipated that 30% to 40% of the total workforce will be recruited from local communities, which compares to approximately 45% of MDL's Sabodala's workforce being recruited from regional communities.

## Infrastructure

Significant existing road, rail and port infrastructure exists within the country of Senegal and is easily accessible by the Project. This includes road and rail infrastructure and port and harbour facilities.

The proposed MSP is located near Diogo village, approximately midway along the mining lease to enable access to nearby infrastructure including major highways, roads, railways and the Port of Dakar. The nearby town of Mboro, 25 km south, is adjacent to a phosphate mine. The main highway between Dakar and Saint Louis to the north is located 20 km east of the MSP site.

Ilmenite will be transported in bulk by road to a railhead 25km from the MSP site and then by the existing rail system to the Port of Dakar. Zircon, rutile and leucoxene will be transported in shipping containers via approximately 125 km of existing bitumised road to the Port.

Plant construction materials and equipment for the mine, MSP and the power station, liquid fuel (if required) for the power station, operating supplies and maintenance components will be transported to site by road from Dakar. Dakar is the main West African base for many well equipped, international freight logistics companies. MDL successfully utilized a combination of these transport and logistics companies during the construction of the Sabodala Project. The engineering, procurement and construction management ("EPCM") contractor will conduct a detailed transport and logistics study for project construction items, to ensure the timely, low cost delivery of equipment and materials to site.

Additional infrastructure and services required includes:

- site buildings and storage facilities;
- power station and liquid fuel storage facility;
- information and communications technology; and
- rail wagon and ship loading facilities.

Mill buildings, the power station and fuel storage, administration offices, warehouses and lay-down areas will be located at the MSP site.

The maximum power demand for the Grande Côte Mineral Sands Project is 22 MW with a connected load of 27 MW. Annual power consumption is calculated as 141,000 MWh. MDL's power supply strategy is similar to that used in the Sabodala operation, whereby Grande Côte Mineral Sands Project will own and operate a 28 MW dual fuel (Heavy Fuel Oil ("HFO")/natural gas) fired power station. Given the long life of the operation, MDL considers this a more economic option than other power supply options investigated. The installation of a natural gas compatible power station will also provide opportunity for utilization of a local energy source with the added benefit of potential carbon credits under the clean development mechanism.

The liquid fuel farm will have a HFO storage capacity of 1M litres which is sufficient for two weeks supply if straight HFO is burnt in the power station. If required during the wet season, additional storage capacity of 2M litres is available at the Port of Dakar.

The existing information technology ("IT") infrastructure at the exploration camp and in MDL's Dakar offices will be upgraded during development of the Grande Côte Mineral Sands Project. The key elements will be similar to those of the Sabodala operation and include voice and data communications, wide and local area infrastructure, PCs and specialist software.

Wagons will be purchased and running rights have been negotiated for their operation on the existing rail system. A new mobile loading facility will be required for loading trains at the rail head and unloading, storage and ship loading facilities for bulk ilmenite will be constructed at the Port of Dakar.

Water management is one of the key issues affecting the success of the Grande Côte Mineral Sands Project. It is important for the operation of the mine, the transfer of concentrates to the MSP, the mineral separation processes and the needs of the local community who depend on it for their survival. There are three predominant project specific uses of water:

- flotation of the mining dredge, surge bin and wet concentrator modules and slurring of dunal orebody for processing;
- pumping mineral concentrates as slurries from the mine to the MSP and waste return to the mine; and
- processing of mineral streams in the MSP.

Extensive modeling of existing water resources and the effects of mining on the water table has been completed by PSM Australia Pty Ltd. This modelling incorporating regional data such as rainfall, irrigation practices plus a project based weather station data. Based on this work the project water requirements are able to be met and the effect on regional water resources is understood.

### Capital Cost Estimate

The capital cost estimate for the project, prepared by Ausenco, is US\$406 million. Accuracy of the estimate is  $\pm 15\%$ .

#### *Capital Cost estimate for the Grande Côte Mineral Sands Project*

Item	US\$M
Mining – Dredge and Services	37.9
Wet Concentration Plant	84.7
Mineral Separation Plant	54.1
Mining – Infrastructure	8.4
Mineral Separation Plant – Infrastructure	5.8
Power Station	45.3
Rail/Port Facilities and Rolling Stock	18.6
Temporary Construction Facilities	21.5
Indirects – EPCM, Commissioning and Project Fee	52.1
Owners Costs	47.0
Estimation/Design Allowance	16.8
Contingency	13.8
<b>Total</b>	<b>406.0</b>

The capital cost estimate is based on all new equipment and Sabodala Gold Project experience has been used for estimating owner's costs, subcontract and material rates, productivity factors and EPCM manning requirements. Additional scope changes resulting from the recent testwork have also been incorporated into the plant design and the capital estimate.

Assumptions used to derive the capital cost estimate include:

- Exchange rates used for conversion of costs to \$US are: 1 A\$ = 0.90 US\$, 1 Euro = 1.50 US\$, and 1 CFA = 0.0022 US\$;
- When unit rates from the Grande Côte Mineral Sands Project's August 2006 estimate have been used they have been increased by 25% to allow for escalation – which is consistent with the average for equipment price increases from the tender price validation;
- For construction activities craft base wages are based on current gang rates applying to other project estimates within the region. Where unit rates from the Sabodala Gold Project have been used, they have been increased by 15% to allow for escalation. This is based on the labour index increasing by 25% over the period, while bulk commodity prices have remained flat;
- A 2.5% duty is payable on ex-works value of all goods entering Senegal;
- Costs for construction accommodation are based on 400 persons for year one and 800 persons for year two of construction. Provisions have been included for spare parts and first fill consumables;
- An EPCM fee of 3% of direct costs under management by the EPCM contractor has been included in the estimate. Owner's Costs include the Grande Côte Operations SA's representatives during construction, accommodation, transport, IT and communications, social and environmental programs, studies and costs associated with local and statutory requirements; and
- The capital cost estimate excludes demurrage for capital freight, working capital (which is included in the overall project financial model) withholding taxes and other similar Senegalese taxes, and corporate costs. Sustaining or deferred capital costs are included in the financial model.

The Base Date for the Capital Costs is 30 November 2009. A provision for escalation beyond the estimate base date has not been included in the estimate.

## Production

Testwork on a series of bulk samples has determined that the Grande Côte Mineral Sands Project can yield a product mix of three to four zircon products, two ilmenite products and small amounts of rutile and leucoxene. Estimated average annual production rates are:

- Zircon – 79,500 tonnes (Premium 32,000t, Intermediate 25,000t, Standard 20,000t, Secondary 2,500t);
- Ilmenite – 575,000 tonnes (Sulphate 400,000t, Chloride 175,000t);
- Rutile – 6,000 tonnes; and
- Leucoxene – 11,000 tonnes.

## Operating Costs

Estimated operating costs have been prepared for the mining, wet concentrator, mineral separation processing operations, transportation and the supporting services required for the operations at Grande Côte. A summary of the estimated operating costs is shown below.

### *Estimated Annual Operating Costs*

Description	US\$M
Power and Fuel	23.1
Employee Costs	7.9
Maintenance	13.8
Transportation / Shipping	22.4
Other	8.1
<b>Total</b>	<b>75.3</b>

Fuel is required for power generation, and gasoil for drying and mobile equipment. For power generation the unit rate cost estimation was based on the Sabodala power station fuel/ lubricant consumption rates, downtime and performance.

The human resources strategy and costs for the Grande Côte Mineral Sands Project draw on the considerable expertise built up over the past five years by MDL in Senegal. Expatriate and national salaries are based on the current operation at Sabodala. Average salaries are used for expatriate employees while the national labour rates are regulated by the government and gazetted by Decree 2006-1262 dated 15 November 2006. All employee costs include on-costs.

Maintenance labour is included in the labour rates. Maintenance unit rate costs are based on benchmarks for similar operations and include the dredge and wet plant, MSP and the ilmenite plant.

Transport of Grande Côte Mineral Sands Project zircon, rutile and leucoxene final products will be via sealed road in 20 foot containers to the port of Dakar for dispatch by sea. Ilmenite in bulk will be trucked to a nearby rail head and then

transported via rail to a bulk load out facility at the Dakar Port for shipments to customers. All costs are on a Freight On Board (FOB) basis.

The Base Date for operating costs is April 2010.

## **Environmental and Social**

As required under Senegal's Environmental Code and the Mining Convention, an Environmental and Social Impact Assessment Study (Etude d' Impact Environmental et Social, "EIES") was completed in December 2005. In December 2005, MDL submitted the EIES in support of its application for a Mining Concession. The EIES was approved by the Environmental Department of the Ministry of Environment and Nature Protection of the Government of Senegal on 20 January 2006.

An Environmental and Social Management and Monitoring Plan ("ESMMP") has been developed based on commitments made in the EIES and the requirements of the Government of Senegal. The ESMMP describes the monitoring, mitigation and management measures required during the construction, operation, decommissioning and rehabilitation phases of the Grande Côte Mineral Sands Project. The ESMMP provides a framework for ongoing environmental and social management and sets guidelines for development of management plans and standard operating procedures that will be developed as part of the management system. The ESMMP is a dynamic document subject to updating and adjustment following biennial review and will address key environmental and social issues including water, rehabilitation, and avoidance of settlements and appropriate compensation if temporary or permanent resettlement is required.

## **Implementation Schedule**

A high level project development schedule has been developed by Ausenco and MDL. The Project Execution Schedule assumes that financing for the Grande Côte Mineral Sands Project will be completed by the 1st quarter of 2011 and that the EPCM contractor will be selected early in 2011. The schedule indicates a completion date for initial commissioning during the first quarter of 2013 and for first sales products to be produced by June 2013.

## **6. Competitive Conditions**

The mineral exploration and mining business is highly competitive in all phases of exploration, development and production, including the search for and acquisition of mineral properties as well as financing.

Competitors for acquisitions include large established mining companies with greater financial and technical resources than the Company. As a result, the Company may be unable to acquire additional attractive mining properties on terms it considers satisfactory.

Gold is traded on world markets and subject to considerable fluctuations unrelated to fundamental supply/demand market dynamics. All gold produced is sold into world markets at the prevailing prices or delivered into existing hedge contracts and as such is not subject to competitive forces.

Zircon and ilmenite have no terminal market as such and the price received is a function of prevailing market conditions. The prices are also a function of product quality, proximity benefits to market and the quantities sold under such arrangements. These commodities are used for basic industrial purposes and as such the pricing often bears a strong correlation with global industrial production indices.

## **7. Foreign Operations**

MDL's material interests are currently located in Senegal, West Africa and, as such, the operations are exposed to various levels of regulatory, economic and other risks and uncertainties. See also "Risk Factors".

## **8. Employees**

MDL has approximately 542 employees, including expatriates and nationals, and 422 contractors. Of this combined group, 27 are based in Australia, 2 are based in Canada and 935 are based in Senegal.

## **9. Social and Environmental Policies**

### **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 and its operations benefit the people residing in the Sabodala and Grande Côte regions both directly and indirectly, improving the security, welfare and prosperity of the communities in which MDL's people live and work, and where its businesses operate.

MDL'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 MDL's development.

## Community and Social

Through consultation and collaboration with the Government of Senegal, officials and local village chiefs, MDL continues 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 undertakings. The Company has a series of extensive policies in place with respect to the management of its community and social responsibilities.

## Health and Safety

The safety of all MDL's employees, business partners and the communities in which it operates forms integral part of the way in which the Company undertakes its activities. The successful implementation of safety operating procedures and training programmes at Sabodala post the construction phase of the project provided a sound foundation for building site safety awareness now associated with daily operations.

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

The Company has a series of extensive policies in place with respect to the management of its health and safety responsibilities.

## Environment

MDL strives to achieve or better world best practice in regard to the management of the impact it has on the environment in which it operates. The Company's Code of Ethics and Sustainability Policy Statement underpin the company approach to implementing environmental and social management strategies.

MDL is committed to developing and maintaining an integrated Management System which incorporates its code of ethics and policies as well as conformance with: International Finance Corporation (IFC) Performance Standards; Equator Principles; AS/NZS ISO 14001 (2004) Environmental management systems; AS/NZS 4801 (2001) Occupational health and safety management systems; and AS/NZS 4360 (2004) Risk Management.

### *Senegal*

Numerous laws and regulations of the Government of Senegal are relevant to the environmental and social management of MDL's projects. The relevance of these laws and regulations is reviewed periodically to determine if there has been any change of status.

The Senegal Environment and Mining Codes are also applicable to MDL activities. The aim of the Environment Code (2001) is to manage and protect the environment against all possible forms of degradation arising from economic, social and cultural development. The Environment Code sets out the Government's environmental policies in four key areas:

- Classified installations (mobile or fixed activities, capable of affecting the environment);
- Water pollution;
- Noise pollution; and
- Air pollution and unpleasant odours.

The Mining Code (2003) Senegal, covers both exploration and mining activities in Senegal. The Mining Code considers environmental and social management in the following sections:

- Title IX, Chapter 5 'Environmental Protection' – specifies the requirement for an environmental impact study;
- Title VIII, Article 55, 'Equalisation and Support' – ensures that a portion of income from a mining operation is set aside as a fund for local communities;
- Article 76 of the Mining Code requires the holder of a mining title to compensate owners or occupants of land occupied by the mining title holder; and
- Article 78 requires a mining title holder to rehabilitate mine sites at the expiry of each mining title.

### *Australia*

Rehabilitation work continues to be undertaken on a programmed basis at MDL's former mining sites in New South Wales. No adverse situations have been reported and work continues on schedule as expected.

## 10. Risk Factors

The operations of MDL are speculative due to the high risk nature of its business which includes the acquisition, exploration, development and operation of mining properties. These risk factors could materially affect MDL's future operations and investors should carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

Additional risks and uncertainties not currently known to the Directors may have an adverse effect on the business of MDL and the information below does not purport to be an exhaustive summary of the risks affecting MDL. The following

risk factors, and other risks not specifically referred to below, may in the future materially affect the financial performance of MDL and the value of its shares.

### **Fluctuations in Prices for Gold and Minerals**

The prices for gold, zircon, ilmenite and other metals and minerals fluctuate widely and are affected by numerous factors beyond the control of MDL, including but not limited to the demand for precious metals and minerals, worldwide inflation and deflation, interest and currency exchange rates, price and availability of substitutes, actions taken by governments and global economic and political developments.

Future production from MDL's mining properties is dependent upon the prices for gold, zircon, ilmenite and other metals and minerals being adequate to make these properties economic. Future serious price declines in the market values of gold, zircon and other metals and minerals could cause continued development of, and eventually commercial production from MDL's properties to be rendered uneconomic thereby forcing the Company to discontinue production or development or to lose its interest in, or to sell, some of its properties. There is no assurance that, even as commercial quantities of gold and other mineral sands projects are produced, a profitable market will exist for them.

### **Financing Requirements**

Mining operations and mining exploration and development involve financial risk and capital investment. The continuance of such activities in MDL and the Company's growth depends upon MDL's ability to generate positive cash flows, obtain debt financing, private and public equity funding and other financing means. No assurance can be given that any financing arrangements will be available at all or available on terms acceptable to MDL. The success and the pricing of any financing will be dependent upon many factors, including the prevailing economic and market conditions at that time, the availability of debt funds from lending sources, geo-political considerations associated with Senegal and on other factors relating to the Company's projects.

There can be no assurance that funding will be available to the Company or available on terms that do not adversely affect the projected economic returns.

In addition, MDL's overall credit rating will also affect the availability and cost of any debt financing. Prior to being able to draft funds under such a facility, MDL may be required to complete various conditions precedent and comply with restrictive covenants. Debt financing facilities may become due and payable if various restrictive covenants are not maintained throughout the duration of the loan term. Substantially all of MDL's assets may be pledged as collateral. In the event funds cannot be drawn or a default occurs, alternative financing sources will be required. If such alternatives are not available, the Company may be required to issue additional equity on unfavourable terms or deliver all or a portion of its assets to lenders as satisfaction of any outstanding amounts due.

In the event that MDL is unable to obtain adequate financing on acceptable terms, or at all, to satisfy its operating, development and expansion plans, its business and results of operations may be materially and adversely affected.

If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in MDL.

### **Exploration, Development and Mining Risks**

MDL's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including: environmental hazards, industrial accidents, equipment failure, import/customs delays, shortage or delays in installing and commissioning plant and equipment, metallurgical and other processing problems, seismic activity, unusual or unexpected rock formations, wall failure, cave-ins or slides, burst dam banks, flooding, fires, interruption to or the increase in costs of services (such as power, water, fuel (particularly for Heavy Fuel Oil) or transport) and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production and power facilities or other properties e.g. dams, personal injury or death, environmental damage, pollution, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including government regulations (such as those governing prices, taxes, royalties, land tenure, land use and environmental protection), costs, actual mineralization, size and grade of mineral deposits, consistency and reliability of ore grades and commodity prices affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines.

Mineral properties in remote locations may have limited access during seasonal weather patterns which in turn can severely limit mining operations. Successful mining operations will be dependent on the availability of processing and refining facilities and secure transportation infrastructure, including access to airstrips, railways, ports and shipping facilities at economic tariff rates over which MDL may have limited or no control.

The Company is currently involved in joint ventures in which the ongoing operations and certain fundamental decisions require approval of the joint venture partners. The voting decisions of such partners are outside the control of the Company and may have a materially adverse impact on the Company's business operations or financial position.

### **Insurance and Uninsured Risks**

The business of MDL is subject to a number of risks and hazards generally, including adverse environmental conditions and pollution, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope

failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and dust storms, in particular. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of MDL or others, delays in mining, monetary losses and possible legal liability.

Although MDL maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate or considered too costly, to cover any resulting liability. It is not always possible to obtain insurance against all such risks and MDL may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to MDL or to other companies in the mining industry on acceptable terms. Losses from these events may cause MDL to incur significant costs that could have a material adverse effect upon its financial performance, results of operations and otherwise affect its insurability and reputation in the market.

MDL may from time to time hold its interests as part of a joint venture, the joint venture may make decisions which do not necessarily suit the particular interests of MDL.

To the extent that MDL incurs losses not covered by its insurance policies, the funds available for sustaining the current operational activities and for the development of further operations will be reduced.

### **Environmental Risks and Regulations**

All phases of MDL's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards, land reclamation and land rehabilitation. They also set limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which may require stricter standards and enforcement. There is no assurance that any future changes will not adversely affect MDL's operations.

Government approvals and permits are currently and may in the future be required in connection with the operations of MDL. To the extent such approvals are required and not obtained MDL may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on MDL and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

Environmental hazards may exist on MDL properties which are currently unknown to the Company and which could have been caused by previous owners or operators of the properties. It is possible that the Company would be required to remedy such hazards or that such hazards may affect the Company's operations in the future.

### **Uncertainty of Resource and Reserve Estimates**

The Mineral Resources and Mineral Reserves contained in this AIF are estimates only and no assurance is given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that reserves can be mined or processed profitably.

Valid estimates and calculations of Mineral Resources and Mineral Reserves made at a given time contain significant uncertainties and may significantly change when new information becomes available through the ongoing course of appraisal, development and continuing operations. The increased quantity and variety of data will generally improve the accuracy of the reserves and resources estimates, thereby narrowing the range of uncertainty.

In addition, there can be no assurance that gold or mineral recoveries in small-scale laboratory tests will be duplicated in a larger scale test under on-site conditions or during production. The volume and grade of reserves mined and processed and recovery rates may not be the same as currently anticipated.

Any material change in the quantity of Mineral Resources or Mineral Reserves, grade or stripping ratio may affect the economic viability of projects and therefore may have a serious adverse effect on the results of operations and financial condition of MDL. There can be no assurance that discoveries of new ore reserves will be made.

### **Political and Foreign Operations Risks**

The operations of MDL are currently conducted in west Africa and, as such, are exposed to various levels of political, economic and other natural and man-made risks and uncertainties, over which MDL has no or limited control. These risks and uncertainties include, but are not limited to, economic, social or political instability (including coup d'état); terrorism; hostage taking; military repression; labour unrest; the risks of war or other forms of civil unrest; expropriation and nationalization; illegal mining; renegotiation, nullification or adoption of new laws or regulations concerning existing

concessions, licences, permits and/or contracts; extreme fluctuations in currency exchange rates; high rates of inflation; changes in taxation policies; restrictions on foreign exchange and repatriation; validity of export rights and payment of duties; changing political conditions, currency controls, customs regulations policies; changes or adoption of new laws affecting foreign ownership, government participation or control or working conditions; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitudes in any jurisdiction in which MDL operates may adversely affect its operations or profitability and viability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of MDL.

### **Currency**

The Company has elected to report all its financial information in United States dollars. Its revenue is in United States dollars while most of its expenditures are in the local currencies of Senegal and Australia as well as United States dollars. Also, future capital raised by MDL from public offerings of securities may be in Australian or Canadian dollars. As a result of the use of these different currencies, MDL is subject to foreign currency fluctuations which may materially affect its financial position and operating results. Foreign currencies are affected by a number of factors that are beyond the control of the Company. Currently, the Company has not hedged against fluctuations in exchange rates however it may do so at a later date.

### **Derivative Instrument Risk**

MDL currently has hedging arrangements in place by way of gold forward contracts and oil swaps to manage risks associated with the prices for gold and energy. The use of such instruments involves certain inherent risks including credit risk, market liquidity risk and unrealised mark-to-market risk.

The Company does not currently have any other hedging agreements in place but may enter into additional contracts from time to time. While hedging activities may protect the Company in certain circumstances, they may also cause it to be unable to take advantage of fluctuating market prices and no assurances are given as to the effectiveness of MDL's current or future hedging policies.

### **Stock Exchange Prices and Liquidity of Shares**

The market price of a publicly traded stock is affected by many variables, some of which are not directly related to the success of MDL. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

There can be no assurance that an active market for the Company's securities will be sustained. Holders of the Company's securities may be unable to sell their investments on satisfactory terms. As a result of any risk factor discussed herein, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company. Furthermore, responding to these risk factors could result in substantial costs and divert management's attention and resources. Substantial and potentially permanent declines in the value of the Company's securities may result.

Ongoing global economic conditions have adversely affected equity values and caused substantial price volatility for publicly traded securities, including those of the Company. Other factors unrelated to the performance of the Company that may have an effect on the price and liquidity of the Company's securities include the extent of analytical coverage, lessening in trading volume and general market interest in the Company's securities and any event resulting in a de-listing of securities.

### **Government Regulation**

The mining, processing, development and mineral exploration activities of MDL are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, forestry, land claims of local people, and other matters. Although the exploration and development activities of MDL are currently carried out in accordance with all applicable rules and regulations pursuant to the various conventions and concessions in respect of its current projects to which it is a party, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and

activities of mining and milling or more stringent implementation thereof could have a substantial adverse impact on MDL.

### **Licences and Permits**

MDL's mining exploration activities are dependent upon the grant, or as the case may be, the maintenance of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. The maintaining of tenements, obtaining renewals, or getting tenements granted, often depends on MDL being successful in obtaining required statutory approvals for its proposed activities and that the licences, concessions, leases, permits or consents it holds will be renewed as and when required. There is no assurance that any applications will be approved or that renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith.

### **Title to Properties**

There can be no assurances that the interest in MDL's properties is free from defects or that the material contracts between MDL and (the entities owned or controlled by) the relevant governments will not unilaterally be altered or revoked. There can be no assurances that MDL's rights and title interests will not be challenged or impugned by third parties.

### **Dilution of Shareholders' Interests**

The Company may undertake additional offerings of its shares or of securities convertible into its shares including stock options and similar incentive plans in the future. The increase in the number of MDL shares issued and outstanding and the possibility of the issuance of shares on conversion of convertible securities may have a depressive effect on the price of the shares. In addition, as a result of such additional shares, the voting power of the Company's existing shareholders will be diluted.

### **Employment and Labour Relations**

MDL and its employees may be affected by changes in labour laws and regulations which may be introduced by Governments in whose jurisdictions the Company operates. Changes in legislation may adversely affect the Company's business operations.

MDL may experience difficulties in employing and retaining suitably qualified personnel, particularly given the remote location of its current operations.

Malaria and other infectious diseases represent a serious threat and an ongoing healthcare challenge to maintaining a skilled workforce in West Africa. Pandemics may also impact on the Company's operations and the ability to maintain a skilled workforce in sufficient numbers.

### **Closure Costs**

The key risks for mine closure include: long-term management of permanent engineered structures; achievement of environmental closure standards; orderly retrenchment of employees and contractors; and relinquishment of the site with associate permanent structures and community development infrastructure and programs to new owners. The successful completion of these tasks is dependent on the ability to successfully implement negotiated agreements with the relevant government, community and employees. The consequences of a difficult closure range from increased closure costs and handover delays to ongoing environmental impacts and corporate reputation damage if desired outcomes cannot be achieved, which could materially and adversely affect the Company's business and results of operations.

### **Strategic Acquisitions, Investments or Divestitures**

The Company has previously announced its intention to demerge the Sabodala Gold Project via an initial public offering ("IPO"). No assurance can be given that this or any other strategic decisions can be completed successfully or favourably to the Company, and difficulties may be encountered which disrupt the Company's ongoing business, distract its management and employees and increase its costs, any of which could have a materially adverse effect on the Company.

In the future, the Company may also consider making other strategic decisions as a means of pursuing opportunities, remaining competitive or to maximise growth prospects.

### **Dependence on the Grande Côte Mineral Sands Project**

Following any successful demerger of the Sabodala Gold Project, the Company's activities would be focused primarily on developing the Grande Côte Mineral Sands Project and it would not have any operating revenue or operating cash flows. Currently, the Grande Côte Mineral Sands Project is not expected to produce first sales products until June 2013. Consequently, a delay or difficulty encountered in the development, construction or operations of the Grande Côte Mineral Sands Project could materially and adversely affect the Company's financial condition and financial sustainability. Any adverse changes or developments affecting this project, such as, but not limited to, the Company's inability to obtain financing on commercially suitable terms, to successfully complete the project, work programs, hire

suitable personnel and mining contractors, or secure off-take agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and results of operations.

### **Competition**

MDL competes with other companies, some of which have greater financial and other resources and, as a result, may be in a better position to compete for future business opportunities. Competition primarily relates to the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. There can be no assurance that MDL will be able to compete effectively with these companies which may affect future success.

### **Dependence on Key Personnel**

MDL is reliant on key personnel employed or engaged by it. Loss of such personnel may have a material adverse impact on the performance of the Company. In addition, the recruiting of suitably qualified personnel is critical to its success. As its business grows, MDL will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. While the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

### **The Government of Senegal has the right to up to 40% ownership of certain subsidiaries**

In accordance with the mining laws of Senegal, the Government of Senegal has a 10% free carried interest in each of the companies holding the interests in the Sabodala Gold Project and the Grande Côte Mineral Sands Project. In addition, although unlikely, a national private sector person or registered company has the option to purchase at market value a further 30% contributory interest in Sabodala Gold Operations SA and a further 25% contributory interest in the Grande Côte Mineral Sands Project.

### **Operating Profit/Loss and Dividends**

The Company currently has an operating loss and no assurance is given that additional losses will not be incurred in the future or that the Company will be profitable. The Company has not paid any dividends nor declared any dividend on its shares to date. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's earnings, operating results, financial condition, anticipated future cash needs and any restrictions in financing arrangements.

### **Repatriation of Earnings**

There is no assurance that Senegal or any other foreign country in which MDL may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

### **Effecting of Service of Process**

MDL is an Australian registered company. The majority of its directors reside outside of Canada and the majority of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon the directors, officers and experts named in this AIF. It may also not be possible to enforce against certain of the Company's directors or officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

## **11. Dividends**

The Company has not, since the date of its incorporation, declared or paid any dividends on its shares. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's earnings, operating results, financial condition, anticipated future cash needs and any restrictions in financing arrangements. There are no restrictions which prevent the Company from paying dividends.

## **12. General Description of Capital Structure**

The capital structure of MDL is composed of an unlimited number of ordinary shares, without par value. As of the date of this AIF, 606,441,673 shares are issued and outstanding as fully paid ordinary shares and 30,700,000 options over fully paid ordinary shares are on issue.

### **Rights Attached to Shares**

The rights attaching to MDL's shares are set out in the Company's constitution ("Constitution"); and, in certain circumstances, regulated by the Australian Corporations Act, the Australian Securities Exchange and the Toronto Stock Exchange listing rules and the general law. The following summary of the principal rights of the holders of shares is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of the holders of shares.

**Meetings:** Under the Constitution and in accordance with the Australian Corporations Act, annual meetings of shareholders must be held at least once in each calendar year and within five months after the end of the Company's financial year.

**Voting:** Subject to any rights or restrictions as to voting attaching to any class of shares, at any annual or general meeting of shareholders each shareholder entitled to vote may vote in person or by proxy, attorney or representative; on a show of hands, every shareholder who is present in person or by proxy or other representative shall have one vote; and on a poll, every shareholder who is present in person or by proxy or other representative has one vote for every fully paid share of which he is the holder but in respect of partly paid shares shall have a fraction of a vote for each partly paid share (proportionate to the amount paid).

**Dividends:** The directors may from time to time declare a dividend to be paid to shareholders. No dividend shall be payable except out of profits. Subject to the rights of holders of shares (if any) entitled to special rights as to dividends, all fully paid shares on which a dividend is declared or paid, or entitled to participate in that dividend equally, and each partly paid share is entitled to a fraction of the dividend (proportionate to the amount paid on the share). Any dividends declared but unclaimed for one year after the time for payment has passed may be used by the directors for the benefit of the Company until claimed or until required to be dealt with in accordance with any law relating to unclaimed moneys.

**Issue of Shares:** Subject to the Constitution, the Australian Securities Exchange and Toronto Stock Exchange listing rules and the Australian Corporations Act, the directors may at any time issue such number of shares either as ordinary shares or shares of another named class and on such terms (including price) as the directors in their absolute discretion determine.

**Transfer of Shares:** Shares may be transferred in any manner required or permitted by the Australian Securities Exchange and the Toronto Stock Exchange listing rules or the laws or securities exchange rules of any computerised or electronic system for market settlement, securities transfer and registration in which the Company participates ("electronic transfer facility"). Otherwise, shares may be transferred in any form approved by the directors. The directors may decline to register any transfer of shares where the Australian Securities Exchange or Toronto Stock Exchange listing rules permit the Company to do so and must decline to register any transfer of shares where the Australian Securities Exchange or Toronto Stock Exchange listing rules require the Company to do so.

**Non-marketable parcels:** If one or more shareholders hold less than a Marketable Parcel (as defined in the Australian Securities Exchange listing rules) of shares, there is a procedure, which includes written notice requirements, that the directors may invoke for the sale of those shares. If the procedure is invoked, the Company will sell the shares on behalf of the shareholder, unless the shareholder advises the Company in writing that it wishes to keep the shares.

**Reduction of Share Capital:** Subject to the Australian Corporations Act and the Australian Securities Exchange listing rules, the Company may reduce its share capital in any way, including, without limitation, by the distribution of specific assets, including fully paid shares in, or debentures of, any other corporation.

**Share Buy-Backs:** The Company may buy shares in itself by any of the means authorized by the Australian Corporations Act, subject to the provisions of that law and, where applicable, the Australian Securities Exchange and the Toronto Stock Exchange listing rules.

**Winding Up:** Subject to the rights of holders of shares (if any) entitled to special rights on a winding up, each share is entitled to participate equally in the distribution of assets of the Company (subject to any amounts unpaid on the share). If the Company is wound up, a liquidator may, with the authority of a special resolution of the shareholders, divide among the shareholders in kind all or any of the Company's assets, and for that purpose determine how he or she will carry out the division between the different classes of shareholder, but may not require a shareholder to accept any shares or other securities in respect of which there is any liability. A liquidator may, with the sanction of a special resolution of the shareholders, vest all or any of the Company's assets in a trustee on trusts determined by the liquidator for the benefit of the contributories. Under the Australian Corporations Act, a shareholder may only be liable to contribute to the Company's property, in the instance that the Company is being wound up, to the extent of which the shareholder is liable for any amounts unpaid on the shareholder's shares.

**Variation of Rights:** Under, and subject to, the Australian Corporations Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to the shares may be varied with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorized by a special resolution passed at a separate meeting of the holders of the shares of that class.

**Disclosure by Securityholder:** The Constitution requires that any shareholder who has entered into an arrangement restricting the transfer or other disposal of shares or other securities in the Company and the Company considers that those arrangements are of a nature which it is required to disclose under the Australian Corporations Act or the Australian Securities Exchange listing rules, then the shareholder must provide such information that the Company requires and within the time that the Company requires.

## Options over Ordinary Shares

The outstanding options over fully paid ordinary shares of the Company under option as at the date of this AIF are:

Issue Date	Expiry Date	Exercise Price (A\$)	Number
23 November 2005	23 November 2010	0.85	500,000
1 July 2008	1 July 2011	1.40	10,000,000
10 April 2008	10 April 2011	1.40	10,000,000
1 May 2006	1 May 2011	2.00	250,000
19 July 2007	18 July 2012	1.60	1,700,000
29 November 2007	29 November 2012	1.60	6,500,000
5 December 2007	5 December 2012	1.60	1,000,000
30 June 2009	30 June 2014	0.75	750,000
			30,700,000

The options on issue are unlisted. Certain of the options on issue are subject to vesting restrictions.

Options on issue do not carry any rights to participate in any share issue of the Company or any other body corporate. Options do not carry any voting or dividend rights. If, prior to the exercise of an option, the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) the terms of the options will be changed to the extent necessary to comply with the listing rules of the Australian Securities Exchange as they apply at the relevant time.

### Principal holders of shares

To the knowledge of the directors and executive officers of the Company, as at the date of this AIF, no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities carrying ten per cent or more of the voting rights attached to the issued ordinary shares of the Company.

In addition, under the Australian Corporations Act 2001 (Commonwealth), generally a person who acquires "voting power" of a corporation of five percent or more is a "substantial holder" and as such must serve notice on the corporation and the Australian Securities Exchange, by the end of the second business day following an acquisition disclosing certain details regarding such acquisition (unless a takeover bid for the corporation is made). In general terms, voting power is calculated as the sum total of all votes attaching to shares in which the person and their associates have a relevant interest, divided by the total number of votes attaching to voting shares in the corporation. In general terms, a person will have a relevant interest in shares if that person is the holder of the share or has the ability to exercise, or control the exercise of, the power to vote or dispose of the shares. A substantial holder must also give notice, within the same time period, of ceasing to be a substantial holder, or any change of one percent or more in their voting power.

## 13. Market for Securities

The price ranges and volumes traded on the Toronto Stock Exchange and Australian Securities Exchange of MDL's issued shares for the period to 31 August 2010 are as follows:

### Toronto Stock Exchange – symbol "MDM"

Month	High (C\$)	Low (C\$)	Total volume
July 2009	0.75	0.53	1,518,500
August 2009	0.68	0.57	226,850
September 2009	0.88	0.60	30,739,348
October 2009	1.10	0.80	24,909,825
November 2009	1.10	0.95	19,469,177
December 2009	1.10	0.90	2,601,365
January 2010	1.01	0.82	6,269,958
February 2010	0.93	0.75	933,817
March 2010	0.97	0.85	14,911,728
April 2010	1.00	0.87	2,870,840
May 2010	0.93	0.80	1,858,934
June 2010	0.85	0.68	4,900,731
July 2010	0.88	0.70	1,065,413
August 2010	0.97	0.65	7,181,136

### **Australian Securities Exchange – symbol “MDL”**

<b>Month</b>	<b>High (A\$)</b>	<b>Low (A\$)</b>	<b>Total volume</b>
July 2009	0.71	0.535	23,767,954
August 2009	0.73	0.605	26,114,613
September 2009	0.97	0.645	40,102,168
October 2009	1.055	0.825	35,023,570
November 2009	1.095	0.93	29,311,177
December 2009	1.175	0.95	29,140,092
January 2010	1.04	0.875	29,989,347
February 2010	0.965	0.81	10,808,030
March 2010	1.02	0.90	20,388,054
April 2010	1.06	0.94	34,732,116
May 2010	1.00	0.855	16,464,112
June 2010	0.97	0.76	20,697,247
July 2010	0.915	0.74	7,096,168
August 2010	0.95	0.73	21,635,368

### **Prior Sales**

In May 2010, the Company issued 2,450,575 fully paid ordinary shares at A\$0.95 per share pursuant to a Share Purchase Plan to raise A\$2.33 million.

In August 2010 the Company issued 24,870,335 fully paid ordinary shares at A\$0.93 per share as consideration for the purchase of 18,699,500 common shares of Oromin Explorations Ltd. pursuant to Share Sale Agreements entered into with a number of vendors as well as an additional 994,813 ordinary shares to GMP Securities Europe LLP as financial adviser to the share purchase.

During the year 14,750,000 fully paid ordinary shares were issued upon the exercise of options previously granted as follows:

<b>Number Exercised</b>	<b>Issue Date of Shares</b>	<b>Exercise Price A\$</b>
100,000	16 October 2009	0.45
4,500,000	23 October 2009	0.69
5,000,000	17 November 2009	0.33
150,000	17 November 2009	0.45
500,000	17 November 2009	0.65
4,500,000	30 June 2010	0.69

No options over fully paid ordinary shares in the Company were issued during the 2010 financial year.

## **14. Directors and Executive Officers**

### **Security Holding**

As at the date of this AIF, the directors and executive officers of MDL, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 6,936,539 shares, representing approximately 1.14% of the total number of shares outstanding before giving effect to the exercise of options or warrants to purchase shares held by such directors and executive officers. The statement as to the number of shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of MDL as a group is based upon information furnished by the directors and executive officers.

The following table sets forth, for each Director of the Company, the individual's name, province/state and country of residence, shareholding (direct or indirect), the date on which the individual was appointed as a Director and the expiry date of his current term in office.

## Directors

Name, Province/State, Country of Residence	Current Position	Shareholding	First elected	Current term expires
Nicholas Limb Victoria, Australia	Executive Chairman	3,285,317	16 May 1994	2012
Jeffrey Williams Victoria, Australia	Managing Director	1,878,189	3 January 1997	No expiry for Managing Director
Martin Ackland Queensland, Australia	Executive Director, Chairman Mineral Sands Division	1,056,918	21 July 2003	2011
Clever Fonseca Maryland, USA	Executive Director, CEO Mineral Sands Division	Nil	1 April 2008	2011
David Isles <sup>(1)</sup> <sup>(2)</sup> Western Australia, Australia	Non Executive Director	170,892	23 December 2002	2010
Robert Danchin <sup>(1)</sup> <sup>(2)</sup> Victoria, Australia	Non Executive Director, Deputy Chairman	Nil	9 February 2007	2012
Oliver Lennox-King <sup>(1)</sup> <sup>(2)</sup> Ontario, Canada	Non Executive Director	Nil	29 November 2007	2010
James (Murray) Grant London, United Kingdom	Non Executive Director	Nil	21 May 2009	2012

1. Member of Audit Committee
2. Member of Remuneration Committee

Directors continue to serve as a director in accordance with the following provisions. At the close of each annual general meeting, one-third of the directors or if their number is not a multiple of three, then the number nearest to but not more than one-third of the directors, must retire. The directors to retire at an annual general meeting are those directors who have served longest in office. Directors elected on the same day may agree among themselves or determine by lot which of them must retire.

In addition to the above, a director must retire from office at the conclusion of the third annual general meeting after the director was last elected or if the director has held office for three years without re-election, whichever is longer, even if his or her retirement results in more than one-third of all directors retiring from office.

The principal occupations of each of the Company's directors within the past five years are disclosed in the brief biographies set forth below.

**Nicholas Limb** — 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.

**Jeffrey Williams** — 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.

**Martin Ackland** — Mr Ackland is a qualified metallurgist and has spent over 30 years in the resources industry in a variety of roles that involved the creation of major resource groups from small capital bases. From 1997 to 2003, Mr Ackland was President and Chief Executive Officer of Southern Cross Resources Inc. (now SXR Uranium One Inc.). From 1987 to 1995, he was an executive director of Ticor Limited (formerly Minproc Holdings Limited) where he was responsible for the successful implementation of the Tiwest Project; the world's only integrated mineral sands mine, synthetic rutile and TiO<sub>2</sub> pigment operation. He brings to the Company a very strong background in project development, particularly in mineral sands and gold, at a time when the Company's Grande Côte Mineral Sands 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 Côte Operations SA.

**Cleaver Fonseca** — Mr Fonseca has more than 25 years of successful leadership and extensive experience in areas of business development worldwide, 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 with Millennium Chemicals, one of the largest titanium dioxide producers in the world. From 2001 to 2005 Mr Fonseca was a member of the Millennium do Brasil board. 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.

**Robert Danchin** — 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. Dr Danchin is also Deputy Chairman of MDL with special responsibility for corporate governance and related areas.

**David Isles** — 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. Between 1995 and 2004 he held executive directorships with New Hampton Goldfields, Grenfell Resources and Gravity Capital Limited. He consults widely in his area of expertise in aeromagnetism.

**Oliver Lennox-King** — 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.

**James (Murray) Grant** — 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. Prior to working at 3i, Mr Grant spent four years in the construction industry working on large infrastructure projects in Africa, Australia and Papua New Guinea. 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 DFCU Limited (Uganda), Banque Commerciale du Rwanda (Rwanda), Copperbelt Holdings Limited (BVI) and Candax Energy Inc. (Canada). Mr Grant holds an MBA from London Business School and a BSc (Hons) in Engineering from Edinburgh University.

### Executive Officers

The following table sets forth, for each executive officer of the Company as at 30 June 2010, the individual's name, province/state and country of residence and their respective positions within the Company and their principal occupations during the past 5 years.

Name, Province/State, Country of Residence	Principal Occupation during past 5 years
Warwick Sharp Victoria, Australia	Chief Financial Officer of the Company Corporate Finance advisor to companies on equity raisings and M&A activities
Melvyn Drummond Victoria, Australia	Company Secretary and General Manager Corporate of the Company Company Secretary and Director of Australian listed companies

### Corporate Cease Trade Orders or Bankruptcies

Other than referred to below, no director or executive officer of MDL or a shareholder holding a sufficient number of securities of MDL to affect materially the control of the Company is, as at the date of this AIF, or has been within the ten years before the date of this AIF, a director or executive officer of any company (including MDL) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr Melvyn Drummond is currently and was a Director and Company Secretary of Cockatoo Ridge Wines Limited, when on 20 January 2010 the directors of Cockatoo Ridge Wines Limited voluntarily appointed Administrators to that company. Mr Drummond has provided MDL with the following statement:

*"Cockatoo Ridge Wines Limited ('CKR'), an ASX listed public company and certain of its subsidiaries were placed in Voluntary Administration by its directors on 20 January 2010.*

*This step on the part of the directors was taken against the backdrop of the parlous state of the domestic wine industry given prevailing global economic conditions and the board's estimation that due to adverse trading conditions, the companies placed in administration were considered likely to become insolvent in the first quarter of calendar 2010.*

*At the adjourned Second Meeting of Creditors held on 18 May 2010, the creditors of the companies concerned voted in favour of entry into a Deed of Company Arrangement ('DOCA') based on a proposal made by a third party, which the directors supported. The DOCA was executed on 8 June 2010, and the directors have assumed control of CKR and those of its subsidiaries the subject of administration. The DOCA is progressing and it is envisaged that it will be wholly effectuated in December 2010".*

### **Penalties or Sanctions**

No director or executive officer of MDL or a shareholder holding a sufficient number of securities of MDL to affect materially the control of the Company has (i) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by an Canadian securities regulatory authority or entered into a settlement agreement with an Canadian securities regulatory authority; or (ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

### **Personal Bankruptcies**

No director or executive officer of MDL or a shareholder holding a sufficient number of securities of MDL to affect materially the control of the Company, nor any personal holding company of any such person, has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

### **Conflicts of Interest**

To the best of MDL's knowledge, and other than as disclosed in this AIF, there are no known existing or potential conflicts of interest between MDL and any director or officer of MDL, except that certain of the directors and officers serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of MDL and their duties as a director or officer of such other companies.

## **15. Legal Proceedings**

There are no legal proceedings material to MDL to which MDL is a party or of which any of their respective property is the subject matter as at the date of this AIF and MDL knows of no such proceedings currently contemplated.

## **16. Interest of Management and Others in Material Transactions**

No director, executive officer or principal shareholder or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction in which MDL has participated within the preceding three year period, or in any proposed transaction, which has materially affected or will materially affect MDL or any of its subsidiaries.

The undermentioned transactions, while not material at this juncture, did involve related parties.

- During the year, office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Flow Energy Limited of which Mr Nicholas Limb continues as a non-executive director. The company charged \$74,760 (2009 – \$81,410) (excluding GST) in relation to the provision of these services to 30 June 2010.
- 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 (2009 – \$109,750) (excluding GST) in relation to the provision of these services to 30 June 2010.

## **17. Transfer Agents and Registrars**

The transfer agent and registrar for the Company's shares in Canada is Computershare Investors Services Inc. at its principal offices in Toronto, Ontario. The transfer agent and registrar for the Company's shares in Australia is Computershare Investor Services Pty Ltd at its principal offices in Abbotsford, Victoria.

## **18. Material Contracts**

Other than as set out below, MDL has not entered into any material contracts within the most recently completed financial year or before the last financial year but is still in effect, other than contracts entered into in the ordinary course of business:

- In February 2008, MDL's 90%-owned subsidiary Sabodala Gold Operations SA ("SGO") entered into a debt financing package with Macquarie Bank Limited which included a Project Finance facility. The facility is secured by a fixed and floating charge over substantially all of SGO's assets. Debt outstanding under the Project Finance Facility as at 30 June 2010 was US\$6.0 million, having been reduced from US\$38 million at 30 June 2009. It is intended that the balance of the facility will be repaid by 30 September 2010. A condition of the Project Finance Facility was the establishment of gold forward sales contracts and oil energy swaps to manage exposure to

commodity price risk. Following a restructure late in 2008, a total of 399,000 ounces of gold were committed forward for delivery between May 2009 and February 2013 at a delivery price of US\$846 per ounce. Deliveries into the hedge position to date (including 117,332 ounces during the 2010 year) have reduced the hedge balance to 246,500 ounces at 30 June 2010. The hedge agreement with respect to the oil price comprised an initial position of 80,000 barrels per annum for four years at a flat forward price of US\$70 per barrel. At 30 June 2010, 220,000 barrels were hedged.

- In November 2008, MDL's subsidiary SGML (Capital) Limited entered into a sale and leaseback agreement with Societe Generale Australia branch over its mining fleet for US\$23.2 million, of which US\$10.5 million was outstanding at 30 June 2010. The lease facility was due to expire on 30 June 2011. In July 2010, an amended facility was entered into with Societe Generale London with a new limit of US\$27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion (US\$15.1 million) and the re-gearing of existing equipment (US\$2.2 million). The amended facility contains a quarterly repayment schedule concluding with the final payment on 30 June 2013. Interest is calculated using LIBOR plus a margin. The lease facility is secured by the assets financed and is currently drawn down to US\$26.8 million.

## 19. Interests of Experts and Qualified Persons Statement

Mr Bruce Van Brunt, Mr Bill Yeo and Mr Martin Pawlitschek are "Qualified Persons" (as such term is defined in National Instrument 43-101).

Mr Rod Webster from AMC Consultants Pty Ltd, who is a "Qualified Person" (as such term is defined in National Instrument 43-101), prepared the Definitive Feasibility Study in 2010 for the Grande Côte Mineral Sands Project.

Mr Pier Federici from AMC Consultants Pty Ltd, who is a "Qualified Person" (as such term is defined in National Instrument 43-101), prepared the Ore Reserve estimate for the Definitive Feasibility Study in 2010 for the Grande Côte Mineral Sands Project.

Mr Patrick R Stephenson, Mr John M Shannon, Mr Brian O'Connor, Mr Alan Riles and Mr Anoush Ebrahimi from AMC Mining Consultants (Canada) Ltd, who are all "Qualified Persons" (as such term is defined in National Instrument 43-101), prepared the 2010 Technical Report for the Sabodala Gold Project.

To the knowledge of the Company, the experts named above do not hold any registered or beneficial interest, direct or indirect in any securities or other property of the Company or an associate or affiliate of the Company.

## 20. Additional Information

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information is provided in the Company's financial statements and management's discussion and analysis for the year ended 30 June 2010 available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com)

## 21. Audit Committee Information

The full text of the Audit Committee's charter can be found at Appendix A of this AIF.

### Composition of the Audit Committee

The Audit Committee is comprised of Dr David Isles, Dr Robert Danchin and Mr Oliver Lennox-King. Dr David Isles is the Chairman of the Audit Committee. Each of the members of the Audit Committee is an independent, non-executive director and is financially literate.

### Relevant Education and Experience

**Dr David Isles**, BSc (Hons), PhD, SEG, ASEG, AIG. Dr Isles holds a BSc (Hons) and PhD in economic geology from Adelaide University, Australia and is an active member of the Society of Exploration Geophysicists, the Australian Society of Exploration Geophysicists and the Australian Institute of Geoscientists. He has been a mineral explorer and developer in a range of roles since 1980. Since 1996 he has held directorships of publicly listed companies and has been responsible for budgets, financial reporting, risk management and operational matters for much of that time. Dr Isles has a close working knowledge of both operations and financial systems and has been Chairman of the Audit Committee since February 2004.

**Dr Robert Danchin**, BSc, BSc (Hons), MSc, PhD, FAusIMM. In addition to his geosciences qualifications, Dr Danchin also holds a diploma in Business Administration from the University of South Africa. As CEO of the Exploration and Acquisitions Division at Anglo American PLC he fulfilled a dual technical and financial role reporting to the Board. He has an understanding of accounting and reporting principles, particularly in the mining industry, and has been a member of the Audit Committee since February 2007.

**Mr Oliver Lennox-King**, BComm. Mr Lennox-King initially trained as a Chartered Accountant and has over 30 years of experience in finance and capital markets. He has been a director of various public companies for the last 18 years. He has an understanding of governance and the disclosures required of public companies, and of the important link an audit

committee has between management and the company's auditors. He has been a member of the Audit Committee since November 2007.

### External Auditor Service Fees

The following table sets out the aggregate fees billed by the external auditor to the Company for the fiscal years 2009 and 2010:

Category of Fees	Year Ended 30 June 2010	Year Ended 30 June 2009
Audit Fees <sup>(1)</sup>	US\$392,000	US\$160,000
Audit-Related Fees <sup>(2)</sup>	Nil	Nil
Tax Fees <sup>(3)</sup>	US\$227,000	US\$198,000
All Other Fees <sup>(4)</sup>	Nil	Nil

1. "Audit Fees" comprise the aggregate fees for audit services.
2. "Audit-Related Fees" comprise the aggregate fees billed for assurance and related services that reasonably relate to the performance of the audit or review and are not reported under "Audit Fees".
3. "Tax Fees" comprise the aggregate fees billed for professional services rendered for preparation of the Company's tax returns and taxation advice.
4. "All Other Fees" comprise aggregate fees billed for services not included in the categories of Audit Fees, Audit-Related Fees and Tax Fees.

## **APPENDIX A**

### **AUDIT COMMITTEE CHARTER**

Adopted by the Board of Directors on 30 June 2004; updated and approved 26 September 2008.

#### **Objectives**

- To ensure the integrity of external financial reporting.
- To ensure that directors are provided with financial and non-financial information that is of high quality and relevant to the judgments to be made by them.
- To ensure that controls are established and maintained in order to safeguard the Company's financial and physical resources.
- To ensure that systems or procedures are in place so that the Company complies with relevant statutory, regulatory and reporting requirements.
- To assess financial risks arising from the Company's operations, and consider the adequacy of measures taken to moderate those risks.

#### **Membership**

- Members shall be non-executive directors appointed by the Board for a limited period and shall not automatically be re-appointed. The minimum and maximum numbers of members of the Committee will be determined by the Board and, until otherwise determined, will be three and six respectively.
- The Committee shall consist of independent directors and all members of the Committee should be financially literate (that is, be able to read and understand financial statements). The Board may engage outside experts to strengthen the Committee (either as members or advisers).
- Executive directors shall not be members of the Committee.
- The chairperson of the Committee shall be an independent director who is not chairperson of the Board.

#### **Authority**

- The Committee shall make determinations about matters for which it is responsible, save where this Charter limits the Committee's authority to that of making recommendations to the Board.
- The Committee shall be provided with secretarial and other services as required to enable it to perform its functions.
- The Committee has the authority to require members of management (including executive directors) or others to attend meetings and to provide advice or information.
- The Committee has the authority to access the Company's documents and records.
- Subject to giving the Board prior notice of its intention to seek same, the Committee shall have access to legal or other specialist advice.

#### **Responsibilities**

##### **Generally**

- To assess whether the resources devoted to the accounting function (including training and succession planning) are adequate to ensure that reporting arrangements are of high quality – and to advise the Board of any identified shortcomings.
- To ensure that periodic assessments of the financial risks faced by the Company in the course of its operating activities are undertaken and to review and agree on the arrangements effected to manage or mitigate those risks.
- To consider and review the adequacy of internal controls, having regard to risks.
- To provide a line of communication so that employees wishing to do so may raise issues of concern relating to the management of the Company's physical and financial resources, or to the accuracy or sufficiency of information being provided to the Board.

##### **Responsibilities in relation to independent external audit**

- To conduct audit tenders periodically, and recommend the appointment of an auditor.
- To propose to the Board the external auditor to be nominated and the terms of the contractual engagement with the auditor, including remuneration, over and above statutory requirements.
- To review the audit plan proposed by the auditor, and suggest potential improvements or changes in coverage.
- To ensure that the auditor is independent and to consider and, if appropriate, pre-approve, any arrangements for the provision of non-audit services to ensure that these will not threaten the independence of the auditor.
- To review audit fees each year and the terms of the audit engagement.

- To assess the performance of the external auditor on an annual basis, and to consider whether it is appropriate to propose to the Board that an auditor be removed, or that competitive tenders for audit work be sought.
- To resolve any disagreements between management and the external auditors regarding financial reporting.
- To review and approve the Company's hiring policies regarding current and former partners and employees of current and former external auditors.
- To review and approve all non-audit services to be provided to the Company or its subsidiaries by its external auditor.

#### **Responsibilities in relation to internal reporting**

- To consider the completeness and quality of financial and operational information being provided to the Board, and to suggest ways in which those reports might be improved.
- To periodically seek advice from external auditors regarding the completeness and quality of financial and operational information being provided to the Board.

#### **Responsibilities in relation to external reporting**

- To review the Statement of Accounting Policies and other notes in the draft accounts, and to gain an awareness of the areas in which management discretion in the choice of accounting methods has been exercised, to make determinations in relation to the choice of accounting policies, and also to ensure that Notes to the financial statements describing the choice and application of accounting policies are meaningful.
- To review draft financial statements and management's discussion and analysis of financial condition and operation results and make a recommendation to the Board prior to endorsement by the Board for public disclosure.
- To review the Annual Information Form (including risk factors that could materially affect the business of the Company) and recommend approval to the Board.
- To review half yearly and other interim reports prior to public disclosure for compliance with regulatory requirements.
- To ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and periodically assess the adequacy of these procedures.
- To review any press release relating to financial statements or financial results (including any financial guidance or updates thereto) prior to public disclosure and recommend approval to the Board.
- To review reporting arrangements to ensure that the Company meets its obligations to undertake continuous disclosure to the market and regulatory agencies.

#### **Responsibilities in relation to risk management**

- To review management's approach to the management of risks (including economic dependency, the adequacy of insurance arrangements, business continuity planning, and, if applicable, exposures to movements in exchange rates or interest rates).
- To assess whether audit plans developed by the external auditor are consistent with the financial and operating risks facing the organisation.

#### **Responsibilities in relation to compliance**

- To ensure that the procedures established to monitor compliance with statutory requirements, regulations, and contractual obligations are appropriate.

#### **Procedures**

##### **Attendance**

- All directors who are not members of the Committee shall have the right to attend meetings of the Committee.
- The Managing Director/CEO and the Chief Financial Officer may be invited to attend any or all meetings of the Committee (though not necessarily for all agenda items).
- The external auditor may be invited to attend any or all meetings (though not necessarily for all agenda items).

##### **Meetings**

- The Committee's secretary shall, in consultation with the chairperson of the Committee, propose a schedule of Committee meetings to ensure that all of the Committee's responsibilities are addressed during the financial year.
- The Committee shall meet often enough to undertake its role effectively, but in any event at least twice per annum.
- Meetings may be called by the chairperson of the Committee, or at the request of the chairperson of the Board.

### **Secretarial services and minutes**

- The Company Secretary shall act as secretary to the Committee. The secretary shall (in conjunction with the chairperson) be responsible for:
- drawing up the agenda, supported by documentation, and circulating that material to Committee members at least five business days prior to each meeting; and
- preparing draft minutes of the meetings of the Committee, and circulating minutes to members of the Committee and the Board;
- Reports from the external auditor shall be provided to members prior to the meeting.
- The secretary shall provide draft minutes of each meeting of the Committee to the chairperson and other members of the Committee within 10 business days.
- Minutes shall be accompanied by an 'action plan' detailing matters that require attention as the result of the Committee's deliberations.

### **Reporting relationships with the external auditor**

- The external auditor shall report directly to the Committee and the Committee shall have authority to communicate directly with the external auditor.
- The chairperson of the Committee shall be provided with draft management letters or other reports at the same time as they are provided to management (but shall, other than in exceptional circumstances, not pursue enquiries until management have had an opportunity to respond to the draft report).
- The chairperson of the Committee shall provide opportunities for the external auditor to meet with the Committee without executive directors or other management representatives present.

### **Reporting to the Board**

- The Committee should report regularly to the Board. The report should contain all matters relevant to the Committee's role and responsibilities.
- Copies of minutes of Committee meetings shall be provided to the Board at its next full meeting after each Committee meeting.

### **Confidential communications from employees and others**

- Employees shall be advised that, under certain limited circumstances, they may communicate to the chairperson of the Committee regarding potential fraud or misappropriation, weaknesses in internal controls, or the adequacy or accuracy of information being provided within the Company to the Board. Such employee communications (which shall be in writing) shall be treated as confidential. They should state whether the matters have previously been discussed with an employee's supervisor and, if not, why the employee has chosen to communicate directly with the Committee.
- The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters.

### **Maintenance of registers**

- The secretary of the Committee shall maintain a register of recommendations made by the external auditors. The register shall record a summary of management responses to those recommendations, and whether the recommendations were adopted, implemented or rejected.
- The secretary shall provide to the Committee at each meeting a summary of the register, highlighting management responses to recent recommendations and any recommendations that have yet to be resolved.
- The chairperson of the Committee shall maintain a register of employee confidential communications, and how they were dealt with.

### **Review of Committee performance**

- The Committee shall review its performance annually, with particular attention being paid to the extent to which it has met its responsibilities in terms of this Charter. The Board will conduct an annual review of the operation and performance of the Committee.

### **Review of the Charter**

- The Charter shall be reviewed and, if necessary, updated annually, initially by the Committee itself and then by the Board.