MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 30 JUNE 2010

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

The Sabodala Gold Operation, which poured its first gold in March 2009, is located 650 kilometres east of the capital Dakar within the West African Birimian geological belt in Senegal, and about 90 kilometres from major gold mines and discoveries in Mali. The Grande Côte Mineral Sands Project is located on the coast of Senegal starting approximately 50 kilometres north of Dakar and extending northwards for more than 100 kilometres.

The following Management's Discussion and Analysis ("MD&A") provides an analysis of the financial condition and results of operations of the Company for the year ended 30 June 2010 compared to those of the previous year and has been prepared as of 20 September 2010. This MD&A is intended to complement and supplement, but does not form part of, the consolidated financial statements of MDL and the notes thereto for the year ended 30 June 2010 (the "Consolidated Financial Statements"). It should be read in conjunction with the Consolidated Financial Statements.

The Consolidated Financial Statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS").

Additional information about the Company, including the Consolidated Financial Statements, is available on SEDAR at sedar.com and on the Company's website at www.mineraldeposits.com.au.

"FY2010" refers to the financial year ended 30 June 2010.

All dollar amounts contained in this MD&A are expressed in United States dollars, unless otherwise stated.

1. 2010 HIGHLIGHTS

Financial Performance and Position

- Revenue from gold sales was $158.1 million – from the sale of 172,558 ounces at an average price of $916 per ounce.
- Net cash income from mining activities was $87.4 million.
- Operating profit before finance costs and tax was $41.8 million.
- Operating cash flow was $47.5 million.
- Cash at 30 June 2010 was $13.8 million.
- Project Finance Facility was reduced to $6.0 million at 30 June 2010 from $38.0 million at 30 June 2009.
- Mining Fleet Lease facility was reduced to $10.5 million at 30 June 2010 from $16.8 million at 30 June 2009.
- Delivered 117,332 ounces into gold hedges during the year leaving 246,500 ounces outstanding.

Sabodala Gold Operation

- Gold production was 172,140 ounces, in line with guidance of 170,000 to 180,000 ounces.
- Mill throughput was 2.2 million tonnes – exceeding the processing plant nominal capacity of 2.0 million tonnes per annum ("Mtpa").
- Total cash cost of sales was $412/oz. Gross cash operating costs (excluding inventory movements) were $495/oz excluding royalties and $528/oz including royalties.
- Planning for the plant expansion from 2.0Mtpa to approximately 4.0Mtpa is being finalised. The majority of the additional mining equipment for the expanded operations is anticipated to be functional in October and November 2010.
- The highlight of regional exploration around Sabodala 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. A number of high grade intercepts have been encountered, including 7 metres at 32.0g/t Au from 110 metres depth.
- Drilling activity on the mine lease in the latter part of the year focused on:
  - the Sabodala Main Flat Extension to the north of the Sabodala pit where step-out drilling 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; and
  - Sutuba to the south of the Sabodala pit where infill 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.

Grande Côte Mineral Sands Project

- Work focused on compilation of a Definitive Feasibility Study ("DFS") for the Project, the results of which were announced in June 2010 and formed the basis for proceeding with the Project.
- The DFS commenced in August 2009 and considered all aspects related to development of the Project, including mining, metallurgical, processing and engineering, marketing, economics, and social and environmental aspects.
- Based on an estimated capital cost of $406 million, the projected internal rate of return of the Project is 21% – based on the first 14 years of operation only with no terminal value.

2. CONSOLIDATED RESULTS

The following table summarises the consolidated results for 2010 compared to 2009 (in thousands of US$):

	Year ended 30 June	
	2010 US$'000	2009 US$'000
Gold produced (ounces)	172,140	62,477
Gold sold (ounces)	172,558	52,523
Revenue – gold and silver sales	158,478	47,103
Cash cost of sales	(71,095)	(21,353)
Net cash income from mining activities	**87,383**	**25,750**
Depreciation and amortisation	(32,533)	(9,654)
Rehabilitation	(892)	-
Net income from mining activities	**53,958**	**16,096**
Corporate administration expenses (i)	(12,123)	(9,450)
Operating profit before finance costs and tax	**41,835**	**6,646**
Gold hedge unrealised losses	(57,203)	(40,908)
Oil hedge unrealised (losses) / gains	(170)	2,389
Other income	743	488
Proceeds from close out of hedge book	-	60,350
Exploration and development expenditure written off	(5)	(18,655)
Impairment/loss on disposal of fixed assets	(21)	(1,202)
Finance costs	(4,017)	(1,985)
Net foreign exchange losses	(2,717)	(12,019)
Total other income/(expenses)	**(63,390)**	**(11,542)**
Loss before tax	**(21,555)**	**(4,896)**
Income tax (expense)/benefit	(7,155)	2,588
Loss after tax	**(28,710)**	**(2,308)**
Profit / (loss) attributable to non-controlling interests	2,517	(2,026)
Consolidated loss for the period	**(26,193)**	**(4,334)**
Basic earnings per share (cents)	(4.6)	(0.9)
Diluted earnings per share (cents)	(4.6)	(0.9)

(i) Includes administration costs associated with the mineral sands division

Note: A comparison of the results for 2010 with 2009 is not meaningful as 2010 was the first full year of operation of the Sabodala gold mine, with gold production having commenced in March 2009.

2010 Financial Year

- Revenue from gold sales was $158.1 million, resulting from the sale of 172,558 ounces of gold at an average price of $916 per ounce – 117,332 ounces into the hedge book at $846/oz and 55,226 ounces at spot at an average price of $1,067/oz.
- Cash cost of sales was $71.1 million, equating to $412 per ounce of gold sold (being 172,558 ounces).
- Net cash income from mining activities was $87.4 million ($25.8 million in 2009).
- Operating profit before finance costs and tax was $41.8 million ($6.6 million in 2009).
- The majority of depreciation and amortisation relating to the mining operations is calculated on the basis of the estimated economic life of the mine on a units of production basis.
- Corporate administration expenses of $12.1 million comprise $4.9 million for employee costs, $6.7 million for overheads and $0.5 million for depreciation and amortisation of assets.
- The unrealised loss on the gold hedge book was $57.2 million, the non-cash impact of marking-to-market the hedge book at 30 June 2010 of 246,500 ounces at a spot price of $1,241/oz (against a forward price of $846/oz) which provides a negative amount of $100.0 million, compared to the position at 30 June 2009 of 363,832 ounces at a spot price of $945/oz which provides a negative amount of $42.8 million.
- No part of the gold hedge book was closed out in 2010. $60.4 million of proceeds was generated in 2009 from the closing out of a substantial component of the gold hedge book in November 2008.
- Only a small amount of exploration and development expenditure was written off in 2010. $18.7 million was written off in 2009, relating to previously capitalised exploration and evaluation expenditure associated with the Grande Côte Mineral Sands Project and previously capitalised development expenditure associated with the Sabodala gold operation.

- Finance costs of $4.0 million includes $2.0 million for amortisation of borrowing costs.
- Income tax expense of $7.2 million includes $6.4 million utilised from deferred tax assets recognised in 2009.
- Net loss after tax attributable to shareholders was $25.1 million ($4.3 million in 2009), primarily a result of the unrealised loss on the mark-to-market of the gold hedge book more than offsetting the underlying profit from the mining activities.

June 2010 Quarter

- Revenue from gold sales was $28.1 million, resulting from the sale of 30,543 ounces of gold at an average price of $916 per ounce – 25,000 ounces into the hedge book at $846/oz and 5,543 ounces at spot at an average price of $1,235/oz.
- The majority of depreciation and amortisation relating to the mining operations is calculated on the basis of the estimated economic life of the mine on a units of production basis. Accordingly, the charge of $8.5 million for the quarter is consistent with $32.5 million for the 12 months to June 2010 given the relatively consistent mill throughput.
- Administration expenses of $3.0 million are consistent with the previous three quarters.
- Finance costs of $0.5 million are reducing in line with the reduction in debt outstanding.
- The unrealised loss on the gold hedge book for the June 2010 quarter was $25.4 million, a non-cash effect from marking-to-market the hedge book at 30 June 2010 of 246,500 ounces at a market price of $1,241/oz which provides a negative amount of $100. million, compared to the position at 31 March 2010 of 271,500 ounces at a market price of $1,106/oz which provides a negative amount of $74.6 million

3. OPERATIONAL REVIEW

Sabodala Gold Operation (MDL interest – 90%)

2010 Production Statistics

		Jun 2010 Year End	Jun 2010 Quarter	Mar 2010 Quarter	Dec 2009 Quarter	Sep 2009 Quarter
Ore mined	('000t)	3,212	853	708	820	807
Waste mined	('000t)	11,540	2,671	2,896	3,420	2,485
Total mined	('000t)	14,752	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 [1]	(oz)	172,140	36,874	35,214	45,792	54,260
Gold sold	(oz)	172,558	30,543	34,494	50,078[2]	57,443
Average price received	$/oz	916	916	924	941	890
Gross cash costs (per ounce produced) [3]	$/oz	495	541	575	532	382
Gross cash costs (per tonne processed) [3]	$/t	38	37	34	41	42
Total cash cost (per ounce sold) [4]	$/oz	412	532	444	405	323
Total cash margin [5]	$/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).

Note: A comparison of the results for 2010 with 2009 is not meaningful as 2010 was the first full year of operation of the Sabodala gold mine, with gold production having commenced in March 2009.

2010 Year

- Sabodala's gold production for 2010 was 172,140 ounces, which met expectations of 170,000 to 180,000 ounces.
- Ore processed through the mill of 2.2Mt exceeded the processing plant nominal capacity of 2.0Mtpa.
- The primary constraining factor on mine production throughout the year was the low amount of broken stocks in the pit, a function of the continued low availability of the mine drilling fleet due to mechanical breakdowns and parts supply issues. To improve the availability of the mine drill fleet, a specialist drilling contractor is now providing drilling services and maintenance support for the company-owned drills.
- Total cash cost of sales was $412/oz, which takes into account the effects of inventory adjustments and therefore reflects the significant increase in inventories over the course of the year, particularly the run-of-mine ore stockpile which increased from 1.7 million tonnes (valued at $25.9 million) at 30 June 2009 to 2.5 million tonnes (valued at $44.4 million) at 30 June 2010. Gross cash operating costs (which exclude inventory movements) were $495/oz excluding royalties and $528/oz including royalties.

June 2010 Quarter

- Gold production was 36,874 ounces, which met expectations of 35,000 to 40,000 ounces.
- Total tonnes mined was 3.5 million tonnes, comprising 853,000 tonnes of ore and 2,671,000 tonnes of waste (at a strip ratio of 3.1 waste/ore).
- Mill throughput was 544,211 tonnes, which was lower than previous quarters as a result of a higher proportion of feed being fresh, hard ore and the loss of two days through an unscheduled shutdown. Average grade was 2.31g/t and recovery was 90.3%.
- Total cash cost of sales was $532/oz. Gross cash operating cost was $541/oz (excluding royalties), an improvement on $575/oz in the March 2010 quarter – largely a result of a lower milling cost on a cost per tonne milled basis.

Expansion

Planning is being finalised to expand the Sabodala gold plant from a nominal capacity of 2.0Mtpa to approximately 4.0Mtpa.

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 4.0Mtpa. 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 a third hydraulic shovel, two primary blast hole drill rigs, five haul trucks and two dozers, are ex-works and beginning to arrive at site with the expectation they will become operational in October and November 2010. This equipment, costing approximately $15 million, is being financed by an increase in the fleet lease facility with Societe Generale.

Gold 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 southeastern Senegal around Sabodala of over 1,300km^2 of highly prospective Birimian terrain.

The exploration programs on the regional landholding ramped up during the second half of the financial year. 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.

Gora (formerly Zone D) (Sounkounkoun Permit)

The Gora deposit is located approximately 25 kilometres northeast 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 32.0g/t Au from 110 metres depth (including 1 metre @ 181g/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.

Mine Lease Exploration

During the latter part of the financial year, one diamond drill 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

Infill 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.

Grande Côte Mineral Sands Project

During 2010, the majority of work undertaken in relation to the Grande Côte Mineral Sands Project ("Grande Côte" or the "Project") focused on compilation of a Definitive Feasibility Study ("DFS"), the results of which were announced in June 2010 and formed the basis for proceeding with the Project.

The DFS, compiled in association with AMC Consultants, commenced in August 2009 and considered all aspects related to development of the Project, including mining, metallurgical, processing and engineering, marketing, economics, and social and environmental aspects.

Key highlights of the DFS are:

- A mine dredge path for the first 14 years of the operation has been developed which has yielded a proved and probable Ore Reserve estimate of 751 million tonnes of 1.8% heavy mineral.
- The capital cost (including contingency) is estimated at $406 million.
- Zircon and ilmenite output would represent approximately 7% and 10% respectively of world production which, together with the high quality of the zircon, makes the Project of international significance.
- The internal rate of return based on the first 14 years of operation only (with no terminal value) is 21% and the projected payback period is approximately five years after operations commence – confirming the Project's attractive economics.

Other points of note from the DFS include:

- The orebody characteristics comprise free flowing sands, a consistent grain size, no overburden, minor vegetation, minimal slimes and no hard lenses – thereby limiting operating costs.
- The orebody size and characteristics provide for a large scale dredge operation, mining approximately 55Mtpa, and conventional processing technology.
- With a dredge path for the first 14 years covering an area approximately 40% of the mine lease, an additional 10 or more years of mine life beyond the current Ore Reserves is considered feasible subject to additional drilling.
- Testwork on a series of bulk samples has determined that the Project can yield a high quality zircon product plus a saleable ilmenite product, along with small amounts of rutile and leucoxene. Average annual production rates are projected at approximately:
  - 80,000 tonnes of zircon
  - 575,000 tonnes of ilmenite
  - 6,000 tonnes of rutile
  - 11,000 tonnes of leucoxene
- Grande Côte is planned to enter the market in 2013 and consultancy group TZMI is forecasting that the zircon market dynamics from 2012 will be increasingly dominated by tight supply, with the degree of undersupply dependent on the success of bringing new projects into operation. From 2015 onwards, the expectation is for a widening deficit, mainly as a result of major losses of production by existing suppliers and a lack of new projects entering the market.
- A premium price for the zircon product is anticipated as a result of (1) its high quality, (2) the close proximity of the Port of Dakar to the important European and North American markets, and (3) the utilisation of container shipments to sell small lots into a range of niche markets and which allow for just-in-time inventories for customers.
- Cash operating costs are projected to average approximately $75 million annually.
- A high level project development schedule has construction commencing in the third quarter of 2011, a completion date for initial commissioning during the first quarter of 2013 and for first sales of products to be produced by June 2013.

Having already received the necessary mining approvals and established the fiscal arrangements with the Government of Senegal, funding for the Project will now be sought and planning undertaken to expedite development of the Project.

4. CASH FLOW

The following table summarises the Company's cash flow activities in 2010 compared to 2009 (in thousands of US$):

	Year ended 30 June	
	2010 US$'000	2009 US$'000
Cash flow		
Operating activities	47,472	42,399
Investing activities	(22,031)	(112,726)
Financing activities	(30,639)	49,428
Change in cash and cash equivalents during period	(5,198)	(20,899)
Cash and cash equivalents – beginning of period	18,173	44,226
Effect of exchange rates on cash holdings	857	(5,154)
Cash and cash equivalents – end of period	**13,832**	**18,173**

- Operating cash flow in 2010 was $47.4 million ($42.4 million in 2009), comprising:
  - $158.5 million of proceeds from the sale of gold and silver produced from Sabodala ($47.1 million in 2009);
  - nil proceeds from the close-out of gold derivatives, compared to $60.4 million in 2009;
  - $108.5 million of payments to suppliers and employees (including $100.0 million associated with Sabodala); and
  - $2.0 million of finance costs and $1.0 million of income tax paid.
- Cash flow used in investing activities for 2010 was $22.0 million ($112.7 million in 2009), comprising:
  - $10.6 million for exploration and development expenditure associated with Sabodala (including $5.5 million in relation to a gold development commitment to the Government of Senegal);
  - $5.6 million of expenditure for evaluation of the Grande Côte Mineral Sands Project;
  - $6.0 million for capital expenditure (primarily in relation to Sabodala); and
  - $0.2 million of interest received.
- Cash flow used in financing activities for 2010 was $30.6 million (compared with $49.4 million provided in 2009), primarily comprising:
  - $9.3 million of proceeds from the issue of ordinary shares;
  - $32.0 million repayment of the Project Finance Facility (which had a balance of $6 million at 30 June 2010);
  - $6.3 million repayment of the Mining Fleet Lease facility (which had a balance of $10.5 million at 30 June 2010); and
  - $1.5 million for payment of security deposits.
- Net negative cash flow for the year was $5.2 million as a result of the outflows from the investing and financing activities being greater than the cash generated from operating activities.

5. FINANCIAL POSITION

The following table summarises the Company's financial position as at 30 June 2010 compared to 30 June 2009 (in thousands of US$):

	As at 30 June	
	2010 US$'000	2009 US$'000
Current assets	85,536	70,779
Non-current assets	408,233	427,002
Total assets	493,769	497,781
Current liabilities	75,020	86,484
Non-current liabilities	69,042	43,659
Total liabilities	144,062	130,143
Total equity	**349,707**	**367,638**

- Current assets have increased to $85.5 million at 30 June 2010 from $70.8 million at 30 June 2009, largely a reflection of inventories increasing to $67.0 million (at 30 June 2010) from $48.4 million (at 30 June 2009) – with the majority of the inventory increase due to the ore stockpiles increasing to $40.9 million (at 30 June 2010) from $23.5 million (at 30 June 2009) as the run-of-mine ore stockpile increased to 2.5 million tonnes from 1.7 million tonnes.
- Cash remained relatively constant, decreasing to $13.8 million at 30 June 2010 from $18.2 million at 30 June 2009, with surplus cash generated from the Sabodala Gold Operation mostly being used to reduce debt.
- Non-current assets declined to $408.2 million at 30 June 2010 from $427.0 million at 30 June 2009, primarily a function of depreciation and amortisation of the Sabodala Gold Operation assets, combined with the de-recognition of the deferred tax asset as a result of a restructure in the Australian tax consolidated group, more than offsetting the capitalisation of exploration and evaluation expenditure associated with gold exploration around Sabodala and Grande Côte.
- Current liabilities declined to $75.0 million at 30 June 2010 from $86.5 million at 30 June 2009, primarily a result of the reduction in current debt and trade and other payables being greater than the increase in the current portion of the liability recognised on marking-to-market the gold hedge position.
- Non-current liabilities increased to $69.0 million at 30 June 2010 from $43.7 million at 30 June 2009, primarily a result of the reduction in non-current debt being less than the increase in the non-current portion of the liability recognised on marking-to-market the gold hedge position.
- As at 30 June 2010, the outstanding gold hedge position was 246,500 ounces of flat forward sales at $846 per ounce which, on mark-to-market (based on a gold price of $1,241.45 per ounce), equated to a negative position of $100.0 million (unrealised), compared to a negative position of $42.8 million at 30 June 2009 (based on 363,832 ounces and a gold price of $944.60 per ounce).
- Debt outstanding under the Project Finance Facility as at 30 June 2010 was $6.0 million, having been reduced from $38 million at 30 June 2009 through $32 million of principal repayments. It is intended that the balance of the facility will be repaid by 30 September 2010.
- The balance outstanding under the Mining Fleet Lease facility with Societe Generale as at 30 June 2010 was $10.5 million, having been reduced from $16.8 million at 30 June 2009 through $6.3 million of principal repayments. In July 2010, an amended facility was concluded with a new limit of $27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion ($15.1 million) and re-gearing of existing equipment ($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 $26.8 million
- Total equity declined to $349.7 million at 30 June 2010 from $367.6 million at 30 June 2009, primarily as a result of accumulated accounting losses.

6. LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2010, the Company had cash balances of $13.8 million.

During the 2010 year, MDL derived $9.4 million of proceeds from the issue of ordinary shares, comprising:

- $1.9 million from the issue of 2,450,575 shares at A$0.95 under a Share Purchase Plan completed in June 2010;
- $5.5 million from the issue of 9,000,000 shares from the exercise of options at A$0.69 by financiers; and
- $2.0 million from the issue of 5,750,000 shares from the exercise of options at varying prices by directors and executives of the Company.

To increase the liquidity position of the Company, gold hedge positions that were due for delivery by August 2010 and November 2010 have been deferred to 2013, allowing gold sales to be undertaken entirely into the spot market until November 2010, which derives greater proceeds than if some of the Company's gold sales were delivered into the hedge positions and therefore further builds up the cash resources of the Company.

MDL does not currently have any sources of financing that have been arranged but not yet used, with the exception of approximately $1.0 million still available for drawdown under the amended Mining Fleet Lease Facility arranged in July 2010.

7. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at 30 June 2010, the Company had the following payments due on contractual obligations:

(Amounts in US$ millions)	Total	< 1 year	1-3 years	4-5 years	>5 years
Project Finance Facility	6.0	6.0	-	-	-
Mining Fleet Lease Facility (1)	10.5	10.5	-	-	-
Operating lease commitments	0.3	0.2	0.1	-	-
Capital expenditure commitments (2)	15.7	15.7	-	-	-
Exploration commitments	12.5	6.0	6.5	-	-
Government of Senegal payments (3)	4.1	2.1	2.0	-	-
Total	**49.1**	**40.5**	**8.6**	**-**	**-**

Notes:
(1) In July 2010 an amended facility was concluded with a new limit of $27.8 million to provide for the acquisition of additional mining equipment associated with the Sabodala expansion ($15.1 million) and re-gearing of existing equipment ($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 $26.8 million.
(2) Includes $14.1 million for additional mining equipment associated with the Sabodala expansion.
(3) Comprises $4.1 million in four equal instalments over the first four years of production to which an annual interest rate of 6.0% applies on a reducing balance basis.

Sabodala Operating Commitments

The Company also faces the following operating commitments in respect of the Sabodala gold operation:

- Pursuant to the Company's Mining Concession, a royalty of 3% is payable to the Government of Senegal based on the value of gold shipments, evaluated at the spot price on the shipment date.
- $425,000 per annum on social development of local authorities in the surrounding Tambacounda region during the term of the Mining Convention.
- $30,000 per year for logistical support of the territorial administration of the region from date of notification of the Mining Concession.
- $200,000 per year of production on training of Directorate of Mines and Geology officers and Mines Ministry.

8. FINANCIAL INSTRUMENTS

A condition of the Project Finance Facility provided by Macquarie Bank Limited 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 was committed forward for delivery between May 2009 and February 2013 at a delivery price of $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 mark to market of this hedge position (at a gold price of $1,241.45 per ounce) was negative $100.0 million.

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 $70 per barrel. At 30 June 2010, 220,000 barrels were hedged with a positive value of $2.3 million.

9. TRANSACTION SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 27 August 2010, the Company announced it had 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 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 Cdn$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 were acquired by MDL for investment purposes. It is the intention of MDL to evaluate its investment in Oromin on a continuing basis and MDL may, from time to time, increase or decrease its holding of Oromin securities, depending on market conditions and other relevant factors.

10. PROPOSED TRANSACTION

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 demerge Sabodala, rather than Grande Côte, from MDL.

It is proposed that the demerger 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 demerger 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 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.
- MDL will own approximately 15% of NewCo post the IPO.

The current proposed timing of the IPO / listing of NewCo is November 2010, 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 demerger will be subject to MDL shareholder approval under the ASX Listing Rules.

Post the demerger 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.

11. CONTINGENT LIABILITIES

(a) The company faces potential liabilities to its private Senegalese partners in respect of the Grande Côte Mineral Sands Project. The company has agreed that the following amounts will be payable if the project proceeds to production:

- A$500,000 within 30 days of completion of a bankable feasibility study for the project and on securing all the necessary funding either by debt or equity from an internationally recognised banking or financial institution to develop the project;
- A$500,000 within 30 days of receipt by (the successor to) MDL Senegal SUARL, a subsidiary of MDL, of the first payment for a commercial arm's-length sale of product from the project;
- US$150,000 per annum on social development of local communities in the Grande Côte and surrounding region during the term of the Mining Concession, and during the entire period of validity of the Mining Convention, US$500,000 for the pre-production and thereafter US$400,000 during the period of production; and
- US$50,000 per year of production on training of Directorate of Mines and Geology officers and logistical support to the technical services of the Ministry for Mines.

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

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

(d) The company faces potential contingent liabilities in relation to its rehabilitation obligations on its New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes revegetation. Some aspects of the rehabilitation obligations extend for a period in excess of 10 years after the cessation of previous mining activities. Ongoing rehabilitation work therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW, Australia. No adverse situations were reported and work was performed to schedule.

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

The directors are not aware of any other contingent liabilities at 30 June 2010.

12. SELECTED ANNUAL INFORMATION

The table below shows selected financial data for each of the three most recently completed financial years:

	Year ended 30 June		
	2010 US$'000	2009 US$'000	2008 US$'000
Gold produced (ounces)	172,140	62,477	nil
Gold sold (ounces)	172,558	52,523	nil
Revenue from gold and silver sales	158,478	47,103	-
Net income/(loss) after tax attributable to members	(26,193)	(4,334)	(98,086)
Basic earnings per share (cents)	(4.6)	(0.9)	(1.9)
Diluted earnings per share (cents)	(4.6)	(0.9)	(1.9)
Total assets	493,769	497,781	426,582
Total financial liabilities	16,433	53,007	31,434
Dividends	nil	nil	nil

13. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The table below shows selected unaudited financial data for each of the eight most recently completed quarters:

Three months ended	Jun 10	Mar 10	Dec 09	Sep 09	Jun 09	Mar 09	Dec 08	Sep 08
		Restated	Restated	Restated	Restated			
Revenue ($m)	28.1	32.1	47.3	51.3	43.5	3.6	60.4	0.3
Net income/(loss) ($m)	(14.1)	3.5	(15.4)	(0.1)	(6.7)	(28.6)	61.7	(37.6)
Decrease in costs of sales	-	3.2	7.0	1.0	6.9	-	-	-
Restated net income / (loss) ($m)	(14.1)	6.7	(8.4)	0.9	0.2	-	-	-
Basic net income/(loss) per share (cents)	(2.5)	1.2	(1.5)	0.2	0.0	(5.2)	12.8	(7.8)
Diluted net income/(loss) per share (cents)	(2.5)	1.2	(1.5)	0.2	0.0	(5.2)	12.7	(7.7)
Weighted average number of shares	574.2	573.6	569.6	563.4	555.4	548.2	483.9	483.6

14. CRITICAL ACCOUNTING JUDGEMENTS

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

Ore reserves

The consolidated entity estimates its ore reserves based upon information compiled by Competent Persons as defined in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources of December 2004 and Qualified Persons as defined in NI43-101. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying value of property, plant and equipment, provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

15. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements for the year ended 30 June 2010 are consistent with those adopted for the financial year ended 30 June 2009, except for the following changes:

- the functional currency of the group's subsidiaries that operate overseas has been reassessed and it has been determined that since 1 July 2009 the functional currency of all overseas entities is United States dollars; and
- the presentation currency for the consolidated financial statements has been changed (commencing from 1 July 2009) from Australian dollars to United States dollars and comparative disclosures have been translated and presented in United States dollars accordingly.

16. INFORMATION ON OUTSTANDING SHARES

As at 20 September 2010, the Company had on issue 606,441,673 ordinary shares and 30,700,000 unlisted options to acquire ordinary shares at various exercise prices and expiry dates.

17. NON-IFRS FINANCIAL MEASURES

MDL provides some non-IFRS measures as supplementary information that management believes may be useful to investors to explain MDL's financial results.

A reconciliation of gross cash costs (per ounce produced) to operating costs and total cash cost of sales (per ounce sold) to cost of sales in the financial statements is in the following table:

		June 2010 Year End
Gold produced	(oz)	172,140
Mine production costs	($'000)	84,934
Realised gain/loss on energy swap	($'000)	(222)
Other adjustments	($'000)	568
Gross operating cash costs	($'000)	85,280
Gross cash costs per ounce produced	$/oz	495
Gold sold	oz	172,558
Cost of sales	($'000)	104,520
Less: depreciation and amortisation	($'000)	(32,533)
Less: rehabilitation	($'000)	(892)
Total cash cost of sales	($'000)	71,095
Total cash cost of sales per ounce sold	$/oz	412

18. TRANSACTIONS WITH RELATED PARTIES

During the 2010 year, MDL entered into the following related party transactions:

Transactions between the group and its related parties

During the financial year ended 30 June 2010, the following transaction occurred between the group and its related parties:

- technical assistance was provided by the company's subsidiary Mineral Deposits Mauritius Limited to its related party Grande Cote Operations SA. The company charged $736,343 (2009 – $737,120) in relation to the provision of these services in accordance with the Technical Fee agreement;
- technical assistance was provided by the company's subsidiary Sabodala Gold (Mauritius) Limited to its related party Sabodala Gold Operations SA. The company charged $6,493,216 (2009 – $9,191,371) in relation to the provision of these services in accordance with the Technical Fee agreement;
- rental hire of heavy mobile equipment was provided by the company's subsidiary MDML (Capital) Limited to a related party, Sabodala Gold Operations SA. The company charged $331,211 (2009 – $553,646 was charged to Grande Cote Operations SA) in relation to the provision of these services;
- sub rent and rental hire of heavy mobile equipment was provided by the company's subsidiary SGML (Capital) Limited to its related party Sabodala Gold Operations SA. The company charged $9,774,936 (2009 – $8,139,095) in relation to the provision of these services;
- interest was charged by the company's subsidiary Mineral Deposits Mauritius Limited to its wholly owned subsidiary Grande Cote Operations SA. The company charged $6,366,545 (2009 - $9,081,907) in accordance with the Shareholder Agreement; and
- interest was charged by the company's subsidiary to its wholly owned subsidiaries Sabodala Gold Operations SA and Sabodala Mining Company SARL. The company charged $13,879,380 (2009 - $21,430,153) in accordance with the Shareholder agreement and $437,054 respectively

Transactions and balances between the group and its related parties were eliminated in the preparation of the consolidated financial statements of the group.

Transactions with director related entities

During the financial year ended 30 June 2010, the following transaction occurred between the group and its director related entities:

- 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; and
- 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 continues as director. The company charged $34,642 (2009 – $109,750) (excluding GST) in relation to the provision of these services to 30 June 2010.

19. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

MDL's Managing Director (as Chief Executive Officer ("CEO") of the company) and Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures. Access to material information with respect to the Company is facilitated by the small size of the Company's senior management team. The CEO and CFO, after evaluating the effectiveness of the company's disclosure controls and procedures as of 30 June 2010, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to MDL and its subsidiaries would have been known to them and evaluated for possible disclosure to the market.

Internal controls over financial reporting

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

20. RISKS AND UNCERTAINTIES

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

Risks and uncertainties about the Company's business are more fully disclosed in the Company's Annual Information Form which has been filed on SEDAR at sedar.com. Readers are also directed to the cautionary notices and disclaimers contained herein.

21. ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as of 20 September 2010. Additional information about the Company, including its Consolidated Financial Statements, is available on SEDAR at sedar.com and on the company's website at www.mineraldeposits.com.au.

22. COMPETENT/QUALIFIED PERSONS STATEMENT

The information in this MD&A that relates to Exploration Results is based on information compiled by MDL's Chief Geologist, Mr Chris Young BSc who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists.
Mr Young has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken. He 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. Mr. Young verified the data disclosed in this MD&A, including the sampling, analytical and test data underlying the information contained herein. Mr Young has consented to the inclusion of this information in the form and context in which it appears in this MD&A.

23. FORWARD LOOKING STATEMENTS

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