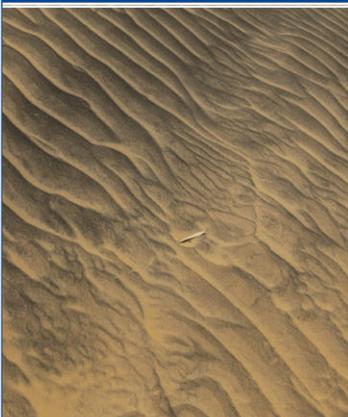




FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010



Mineral Deposits

ABN 19 064 377 420

Half year report

Expressed in **United States dollars** unless otherwise stated

Results for announcement to the market

From continuing and discontinued operations	Percentage change		Amount
		%	
Revenues from ordinary activities	down	21.03	to 78,025
Profit from ordinary activities after tax attributable to equity holders of the parent	up	1,807.39	to 265,492
Profit for the period attributable to equity holders of the parent	up	1,807.39	to 265,492

From continuing operations	Percentage change		Amount
		%	
Revenues from ordinary activities	down	71.07	to 320
Profit from ordinary activities after tax attributable to equity holders of the parent	up	1,008.44	to 279,427
Profit for the period attributable to equity holders of the parent	up	1,008.44	to 279,427

Commentary on the results for the half-year ended 31 December 2010

For commentary on the result for the half year ended 31 December 2010, please refer to the Review of Operations in the Directors' Report.

Net tangible assets per ordinary share

	2010	2009*
Net tangible asset backing per ordinary share (cents)	398.04	568.13

* - 2009 NTA has been recalculated as if the 1:10 share consolidation undertaken on 3 December 2010 had been in place at 31 December 2009.

This report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report should be read in conjunction with the annual report of Mineral Deposits Limited for the year ended 30 June 2010. It is also recommended that this financial report be considered together with any public announcement made by Mineral Deposits Limited and its controlled entities during the six month period ended 31 December 2010, in accordance with the continuous disclosure requirements of the Corporations Act 2001, including its quarterly reports lodged with the Australian Securities Exchange and Toronto Stock Exchange.

*Expressed in **United States dollars** unless otherwise stated*

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements" which are subject to various risks and uncertainties that could cause actual results and future events to differ materially from those expressed or implied by such statements. Investors are cautioned that such statements are not guarantees of future performance and results. Risks and uncertainties about the company's business are more fully discussed in the company's disclosure documents filed from time to time with the Australian securities authorities and certain Canadian securities authorities.

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DIRECTORS' REPORT

The directors of Mineral Deposits Limited ("MDL" or the "company") herewith submit the financial report of the company for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

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

Nicholas Limb
Jeffrey Williams
Martin Ackland
Clever Fonseca
Robert Danchin
David Isles
James (Murray) Grant
Oliver Lennox-King (retired 9 November 2010)

PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year ended 31 December 2010 continued to be focused in Senegal, West Africa through its now demerged Sabodala gold assets, including producing gold mine, and the to be developed Grande Côte mineral sands project. The company completed the separation of these two core assets on 3 December 2010.

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 large scale of the orebody and the high quality of the zircon provides the potential to establish an operation of international significance.

Senegal is one of Africa's most successful democracies, having gained independence in 1960. It enjoys a stable and investor friendly political and social environment. The government of the Republic of Senegal is MDL's valued partner and holds a 10% free carried interest in both projects, which will accrue dividends once MDL has recovered its capital invested.

SIGNIFICANT EVENTS

In August 2010, the company acquired 18,699,500 common shares (the "Oromin Shares") in Oromin Explorations Ltd. ("Oromin"), representing approximately 15.01% of the issued and outstanding common shares of Oromin. MDL issued 24,870,335 ordinary shares as consideration for the Oromin Shares acquired upon settlement, 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). Oromin is a TSX listed company (code OLE) with its principal property being an interest in a joint venture covering a landholding in Senegal, West Africa which is contiguous with the Sabodala Mining Concession (containing the Sabodala mine and processing plant) and regional exploration tenements.

In December 2010, MDL completed the separation of its two core assets, the Sabodala gold assets and the Grande Côte mineral sands project, via the demerger of the Sabodala gold assets into a separate entity, Teranga Gold Corporation ("Teranga"), a new Canadian-incorporated company. Teranga is now listed on both the Toronto Stock Exchange and the Australian Securities Exchange (code TGZ).

The demerger comprised:

- ▶ the shares held in the Sabodala holding companies and Oromin together with an inter-corporate receivable being transferred to Teranga in exchange for 200,000,000 shares in Teranga and C\$50 million in deferred consideration; and
- ▶ an in specie distribution on 3 December 2010 by MDL of 160,000,262 Teranga shares to MDL shareholders on a proportional basis which comprised 2.632917 Teranga shares for every one MDL share held (post the consolidation of MDL shares).

In conjunction with the demerger, Teranga undertook public offerings in Canada and Australia which involved the issue of a total of 45.6 million new common shares, raising gross proceeds of C\$136.5 million. C\$50 million of the equity proceeds raised by Teranga was paid to MDL in satisfaction of the deferred consideration payable.

In conjunction with the demerger, MDL undertook a share consolidation with MDL shareholders receiving one share for every 10 previously held.

OPERATING RESULTS

The net profit after tax (from continuing and discontinued operations) for the six month period ended 31 December 2010 was \$264.1 million (2009 – loss of \$17.4 million) for the consolidated entity, which included a profit on disposal of the gold division of \$315.2 million.

The operating loss after tax from discontinued operations was \$13.9 million (2009 – profit of \$15.2 million).

DIRECTORS' REPORT

FINANCIAL POSITION

As a result of the demerger of the gold division, total assets decreased from \$493.8 million at 30 June 2010 to \$254.9 million at 31 December 2010, and net assets decreased from \$349.7 million at 30 June 2010 to \$252.1 million at 31 December 2010.

Cash and cash equivalents increased to \$59.3 million from \$13.8 million during the six months, primarily a result of the C\$50 million of deferred consideration paid by Teranga as part of the demerger.

Following the demerger, the Company had no external borrowings as at 31 December 2010.

The directors believe the group to be in a robust financial position to commence the planned development of the Grande Côte mineral sands project in Senegal.

CASH FLOW

The net increase in cash in the six months ended 31 December 2010 was \$45.5 million including the effect of exchange rates on cash holdings in foreign currencies of \$4.9 million.

Net operating cash flow was \$23.1 million reflecting the operations of the gold division until it was separated from the company on 3 December 2010.

Net cash provided by investing activities was \$8.6 million, primarily reflecting cash consideration received for the disposal of the Sabodala gold assets (net of cash disposed) of \$36.0 million offset by capital expenditure related to the new mining fleet of \$17.1 million and exploration and development expenditure at both Sabodala and Grande Côte of \$8.7 million. Net cash used in investing activities in the corresponding period ended 31 December 2009 was \$8.4 million of which \$4.7 million comprised exploration and development expenditure and \$2.5 million for property, plant and equipment.

Net cash provided by financing activities was \$8.9 million, primarily reflecting drawdowns under the mining fleet lease facility of \$16.6 million and repayment of borrowings of \$7.8 million.

REVIEW OF OPERATIONS

Gold – Sabodala Gold Mine

For the period to 3 December 2010, gold production was 56,302 ounces at a gross cash cost of \$668/oz including royalties (primarily a reflection of a significantly higher strip ratio in the mine) while 61,661 ounces were sold at an average price received of \$1,257/oz.

Mineral Sands – Grande Côte Mineral Sands Project

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

Following completion of the Definitive Feasibility Study for the project during the first half of 2010, planning for the development of the Grande Côte mineral sands project is very much underway with various pre-production planning activities being undertaken including:

- ▶ key staff appointments;
- ▶ a selection process for the provision of engineering services;
- ▶ construction scheduling, IT and financial management systems planning; and
- ▶ environmental and social management plan development.

In addition, an extensive process with a number of Development Finance Institutions (“DFIs”) and Export Credit Agencies (“ECAs”) has been underway for some time with a view to providing a project finance package as part of the funding for the project.

Sustainable Development

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

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

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

The Community and Social Programmes

Through consultation and collaboration with the Government of Senegal, officials and local village chiefs, MDL has continued to foster its relationships with host communities, ensuring the people in close proximity to its operations can work in partnership on agreed social programmes and are well versed in regard to MDL's undertakings. The company has a series of extensive policies in place with respect to the management of its community and social responsibilities.

DIRECTORS' REPORT

Health and Safety

The safety of all MDL's employees, business partners and the communities in which it operates forms an integral part of the way in which the company undertakes its activities. 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.

The Environment

MDL strives to achieve or better world's 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 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 in 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.

DETAILS OF CONTROLLED ENTITIES DISPOSED OF

On 23 November 2010, MDL Gold Limited (a 100% owned subsidiary of the company) disposed of its 100% interests in Sabodala Gold Mauritius Limited and SGML (Capital) Limited to Teranga (a Canadian-incorporated company) which was also 100% owned by MDL in exchange for 200,000,000 shares in Teranga and C\$50 million in deferred consideration.

On 3 December 2010, MDL distributed 160,000,262 of its shares in Teranga to MDL shareholders on a proportional basis by way of an in specie distribution which comprised 2.632917 Teranga shares for every one MDL share held on a post-consolidated basis. Following the in-specie distribution, the company ceased to control Teranga.

CORPORATE

During the six month period to 31 December 2010, MDL derived \$1.0 million of proceeds from the issue of 1,250,000 shares from the exercise of options at varying prices by directors and executives of the company.



DIRECTORS' REPORT

OUTLOOK

With the demerger of the Sabodala gold assets from MDL, the prime focus now for the company is the development of the Grande Côte mineral sands project.

MDL completed the independent Definitive Feasibility Study in 2010. The project is now fully permitted and all fiscal arrangements with the Government have been completed. The feasibility study estimated the capital cost at \$406 million.

The project is now ready to begin the development phase. It is anticipated that final board approval to commit to the development of the project will be given during the first quarter of 2011 and actual on-ground construction works will commence in the second quarter of 2011. The construction and commissioning period is approximately two years. On completion, the project is expected to produce approximately 7% of the world's zircon production and approximately 5% of the world's ilmenite (a titanium mineral) production.

DIVIDENDS

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

CHANGE IN STATE OF AFFAIRS

Other than noted above, there was no significant change in the state of affairs of the company during the financial year.

SUBSEQUENT EVENTS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence statement is included on page 5 of the financial report.

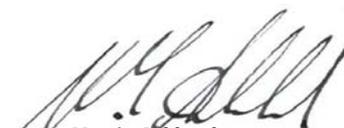
ROUNDING OFF OF ACCOUNTS

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

This directors' report is signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors


Jeffrey Williams
Director


Martin Ackland
Director

Melbourne, 28 February 2011

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

28 February 2011

Dear Board Members,

Mineral Deposits Limited

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

As lead audit partner for the review of the financial statements of Mineral Deposits Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of Mineral Deposits Limited

We have reviewed the accompanying half-year financial report of Mineral Deposits Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2010, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of Mineral Deposits Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Mineral Deposits Limited's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mineral Deposits Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration by the *Corporations Act 2001*, which has been given to the directors of Mineral Deposits Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mineral Deposits Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Mineral Deposits Limited's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants
Melbourne, 28 February 2011



DIRECTORS' DECLARATION

The directors of the company declare that, in the directors' opinion:

1. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
2. the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Jeffrey Williams
Director



Martin Ackland
Director

Melbourne, 28 February 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2010

	Note	Consolidated	
		2010 US\$'000	2009 US\$'000
Other income	4	320	1,106
Administration expenses	4	(4,209)	(4,853)
Disposal of non-current assets		(1)	-
Exploration expenditure written off		-	(4)
Net foreign exchange losses		(33,220)	(23,907)
Profit on disposal of interest in gold division	4	315,173	-
Profit/(loss) before tax		278,063	(27,658)
Income tax expense		(25)	(4,992)
Profit/(loss) from continuing operations		278,038	(32,650)
Profit/(loss) from discontinued operations	3	(13,935)	15,209
Profit/(loss) for the year		264,103	(17,441)
Other comprehensive income/(loss):			
Exchange differences arising on translation of operations		45,110	28,720
Exchange difference on inter-company loans		(33,265)	(26,527)
Gain on available for sale investment		75,958	-
Other comprehensive income/(loss) for the period		87,803	2,193
Total comprehensive profit/(loss) for the period		351,906	(15,248)
Profit/(loss) attributable to:			
- owners of the parent		265,492	(15,550)
- non-controlling interests		(1,389)	(1,891)
Profit/(Loss) for the year		264,103	(17,441)
Total comprehensive income/(loss) attributable to:			
- owners of the parent		353,295	(13,357)
- non-controlling interests		(1,389)	(1,891)
		351,906	(15,248)
		2010 US Cents	2009 US Cents
Earnings per share (EPS) – continuing and discontinued operations			
Basic EPS		443.9	(30.8)
Diluted EPS		443.9	(30.8)
Earnings per share (EPS) – continuing operations			
Basic EPS		467.2	(57.6)
Diluted EPS		467.2	(57.6)

Notes to the financial statements are included on pages 13 to 23.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Note	Consolidated	
		31 Dec 2010 US\$'000	30 June 2010 US\$'000
Current assets			
Cash and cash equivalents	5	59,331	13,832
Trade and other receivables		840	605
Inventories	6	-	66,970
Financial derivative assets	12	-	701
Other financial assets	7	115,858	-
Other		648	3,428
Total current assets		176,677	85,536
Non-current assets			
Other receivables		251	251
Inventories	6	-	4,769
Financial derivative assets	12	-	1,629
Property, plant and equipment	8	15,933	220,958
Exploration and evaluation expenditure		103	12,363
Mine development expenditure	9	51,726	148,588
Capitalised mining convention & concession costs		10,102	19,277
Deferred tax assets		-	61
Intangible assets		96	337
Total non-current assets		78,211	408,233
Total assets		254,888	493,769
Current liabilities			
Trade and other payables	10	756	20,048
Borrowings	11	-	16,433
Financial derivative liabilities	12	-	34,963
Current tax liabilities		54	536
Provisions		1,979	3,040
Total current liabilities		2,789	75,020
Non-current liabilities			
Trade and other payables	10	-	1,476
Financial derivative liabilities	12	-	65,046
Deferred tax liabilities		-	231
Provisions		47	2,289
Total non-current liabilities		47	69,042
Total liabilities		2,836	144,062
Net assets		252,052	349,707
Equity			
Issued capital	13	219,211	384,849
Reserves		144,192	41,216
Accumulated losses		(111,381)	(75,872)
Equity attributable to equity holders of the parent		252,022	350,193
Non-controlling interests		30	(486)
Total equity		252,052	349,707

Notes to the financial statements are included on pages 13 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

	Issued Capital US\$'000	Accumulated Losses US\$'000	Foreign Currency Translation Reserve US\$'000	Investments Revaluation Reserve US\$'000	Equity-Settled Share-Based Payments Reserve US\$'000	Attributable to Equity Holders of the Parent US\$'000	Non Controlling Interest US\$'000	Total US\$'000
Consolidated								
Balance at 1 July 2009	375,868	(56,484)	28,912	-	10,162	358,458	1,252	359,710
Loss attributable to members of the consolidated entity	-	(15,550)	-	-	-	(15,550)	(1,891)	(17,441)
Exchange difference arising on translation of operations	-	-	28,720	-	-	28,720	-	28,720
Exchange difference on inter-company loans	-	-	(26,527)	-	-	(26,527)	-	(26,527)
Total comprehensive income for the year	-	(15,550)	2,193	-	-	(13,357)	(1,891)	(15,248)
Issue of options to directors and employees	-	-	-	-	331	331	-	331
Transfer from equity settled share based payments reserve	722	-	-	-	(722)	-	-	-
Exercise of options during the period	4,809	-	-	-	-	4,809	-	4,809
Share issue costs	(40)	-	-	-	-	(40)	-	(40)
De-recognition of deferred tax assets	(2,609)	-	-	-	-	(2,609)	-	(2,609)
Balance at 31 December 2009	378,750	(72,034)	31,105	-	9,771	347,592	(639)	346,953
Balance at 1 July 2010	384,849	(75,872)	31,749	-	9,467	350,193	(486)	349,707
Gain/(loss) attributable to members of the consolidated entity	-	265,492	-	-	-	265,492	(1,389)	264,103
Exchange difference arising on translation of operations	-	-	45,110	-	-	45,110	-	45,110
Exchange difference on inter-company loans	-	-	(33,265)	-	-	(33,265)	-	(33,265)
Revaluation of available for sale investments (net of deferred tax liability)	-	-	-	75,958	-	75,958	-	75,958
Total comprehensive income for the year	-	265,492	11,845	75,958	-	353,295	(1,389)	351,906
Issue of options to directors and employees	-	-	-	-	162	162	-	162
Transfer from equity settled share based payments reserve	400	-	-	-	(400)	-	-	-
Shares issued to directors and staff on exercise of options	965	-	-	-	-	965	-	965
Shares issued in relation to acquisition of investment in Oromin Explorations Ltd.	21,563	-	-	-	-	21,563	-	21,563
Share issue costs	(11)	-	-	-	-	(11)	-	(11)
In-specie distribution	(188,555)	(301,001)	15,411	-	-	(474,145)	1,905	(472,240)
Balance at 31 December 2010	219,211	(111,381)	59,005	75,958	9,229	252,022	30	252,052

Notes to the financial statements are included on pages 13 to 23.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2010

	Note	Consolidated 2010 US\$'000	2009 US\$'000
Cash flows related to operating activities			
Receipts from customers		70,919	93,465
Payments to suppliers and employees		(47,197)	(59,873)
Interest and other costs of finance paid		(505)	(1,545)
Income tax paid		(95)	(578)
Net cash provided by operating activities		23,122	31,469
Cash flows related to investing activities			
Payments for capitalised exploration and development expenditure		(8,725)	(4,650)
Payment for construction costs		(978)	-
Payments for purchase of property, plant and equipment		(17,134)	(2,476)
Payments for intangible assets		(1)	(72)
Proceeds from sale of fixed assets		83	-
Proceeds from Sabodala demerger, net of cash disposed		35,963	-
Payment for security deposits		-	(1,375)
Interest received		224	126
Interest paid – capitalised borrowing costs		(608)	-
Advances to joint venture in exploration activities		(200)	-
Advances to related parties		(74)	-
Net cash provided by / (used in) investing activities		8,550	(8,447)
Cash flows related to financing activities			
Proceeds from issue of equity securities		914	4,521
Payment for share issue costs		(18)	(40)
Payment for share issue costs – Sabodala Demerger		(798)	-
Payment of monies held in trust		-	(113)
Proceeds from borrowings		16,565	-
Payment of borrowings		(7,751)	(21,217)
Net cash provided by / (used in) financing activities		8,912	(16,849)
Net increase in cash held			
		40,584	6,173
Cash and cash equivalents at beginning of the period		13,832	18,173
Effect of exchange rates on cash holdings in foreign currencies		4,915	1,012
Cash and cash equivalents at end of financial year		59,331	25,358

Notes to the financial statements are included on pages 13 to 23.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

1. GENERAL INFORMATION

Mineral Deposits Limited (the "company") is a public company listed on the Australian Securities Exchange (MDL) and Toronto Stock Exchange (MDM), incorporated in Australia and operating in Senegal, West Africa and comprises the company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standards IAS 34 '*Interim Financial Reporting*'. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent Annual Report.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars unless otherwise noted.

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

The accounting policies and methods of computation adopted in the preparation of the condensed half year financial report are consistent with those adopted and disclosed in the company's Annual Report for the financial year ended 30 June 2010

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Boards (the AASB) that are relevant to its operations and effective for the current reporting period.

Estimates

The preparation of half year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2010.

Financial Risk Management

The group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

3. SEGMENT INFORMATION

AASB8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The company's reportable segments under AASB8 can be separated as follows:

- ▶ **continuing operations** - mineral sands activities incorporate exploration and development activities in Senegal in relation to the Grande Côte mineral sands project; and
- ▶ **discontinued operations** - gold activities incorporate the company's production activities and exploration activities in Senegal in relation to the Sabodala gold mine and regional gold exploration in the Sabodala area.

'Other' is the aggregation of the company's other operating segments that are not separately reportable and is predominately corporate head office.

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to AASB8. The accounting policies of the new reportable segments are the same as the company's accounting policies.

The following is an analysis of the group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment Profit	
	Six months ended 31 December		Six months ended 31 December	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Continuing operations				
Mineral sands division	-	-	-	-
Other	320	1,106	(37,110)	(27,658)
	<u>320</u>	<u>1,106</u>	<u>(37,110)</u>	<u>(27,658)</u>
Profit recognised on disposal of gold division			315,173	-
			<u>278,063</u>	<u>(27,658)</u>
Profit/(loss) before tax			278,063	(27,658)
Income tax expense (continuing operations)			(25)	(4,992)
			<u>278,038</u>	<u>(32,650)</u>
Consolidated segment revenue and profit for the period from continuing operations	<u>320</u>	<u>1,106</u>	<u>278,038</u>	<u>(32,650)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

	Revenue		Segment Profit	
	Six months ended 31 December		Six months ended 31 December	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Discontinued operations				
Gold division				
Gold and silver sales	77,699	98,492	77,699	98,492
Cash cost of sales:				
Mine operating costs			(38,323)	(45,130)
Royalties			(2,091)	(3,145)
Change in inventories			2,740	(2,760)
Total cash costs of sales			(37,674)	(51,035)
Net cash income from mining operations			40,025	47,457
Depreciation			(15,728)	(15,597)
Rehabilitation			(187)	-
Net income from mining operations			24,110	31,860
Corporate administration expenses			(747)	(1,468)
Operating profit before finance costs and tax			23,363	30,392
Gold hedge unrealised losses			(37,838)	(36,909)
Oil hedge unrealised gains			1,553	1,582
Other income/(expense)			6	(569)
Finance costs			(767)	(2,719)
Net foreign exchange gains/(losses)			(210)	23,753
Total other income/(expenses)			(37,256)	(14,862)
Profit/(loss) before tax			(13,893)	15,530
Income tax expense (discontinued operations)			(42)	(321)
Consolidated segment revenue and profit for the period from discontinued operations	77,699	98,492	(13,935)	15,209

Segment assets and liabilities

The following is an analysis of the group's assets by reportable operating segment:

	Period ended	
	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Continuing operations		
Gold division	-	413,112
Mineral sands division	79,036	75,648
Total segment assets	79,036	488,760
Unallocated assets	175,852	5,009
Total assets	254,888	493,769

The group's operating segments at 30 June 2010 above included the assets of the gold division disposed of on 3 December 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

4. RESULTS FOR THE PERIOD

	Six months ended 31 December	
	2010 US\$'000	2009 US\$'000
Continuing operation		
Interest revenue - bank	205	156
Other revenue:		
- rental received	28	250
- other	84	698
Gain from sale of fixed assets	3	2
	320	1,106
Continuing operation		
Depreciation of non-current assets:		
- land, buildings & property improvements	44	46
- plant and equipment	-	87
- office furniture	18	24
- computer equipment and software	61	65
- motor vehicles	17	23
	140	245
Amortisation of intangible assets:		
- computer software	35	23
Employee benefits:		
- equity settled share based payments	196	367
- remuneration expense	2,091	2,513
- post employment benefits – defined contributions	201	204
- provision for leave entitlements	48	(9)
	2,536	3,075
Administration and other overheads	1,498	1,510
Total administration expenses	4,209	4,853
Profit on disposal of interest in gold division		
- Profit on sale of investment in Sabodala Gold Mauritius Limited and SGML (Capital) Limited	24,952	-
- Profit on in-specie distribution of 160,000,262 shares in Teranga Gold Corporation to MDL shareholders	290,221	-
	315,173	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

5. CASH

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Cash and cash equivalents (i)	32,146	13,617
Term deposits (ii)	27,185	215
	59,331	13,832

(i) Cash balances restricted for use

There are no restricted for use cash balances at 31 December 2010. The cash balance in the Sabodala Gold Operations SA ("SGO") proceeds account was disposed of at 3 December 2010 as part of the disposal of the Sabodala gold assets to Teranga.

The balance of funds at 30 June 2010 of \$6.7 million held in the SGO Proceeds Account (per the Project Finance Facility provided by Macquarie Bank Limited) was only available for operating, project and financing (including loan repayments) costs of that entity. Funds were not available for other entities within the MDL group unless strict criteria were passed. These criteria included technical and financial completion tests, loan ratio tests and sufficient funds remaining in the Proceeds Account to maintain an agreed reserve amount.

(ii) Cash balances not available for use

The company has \$0.254 million (30 June 2010 - \$0.214 million) in term deposits included in the cash and cash equivalents that are not readily available for use by the group. These term deposits are held as security over the company's corporate credit card and credit charge facility and held in favour of a bank guarantee.

6. INVENTORIES

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Current		
Ore stockpiles	-	40,856
Gold in circuit	-	2,160
Gold bullion	-	6,167
Total gold inventories	-	49,183
Diesel fuels	-	1,233
Materials and supplies	-	14,651
Goods in transit	-	1,903
Total other inventories	-	17,787
	-	66,970
Non-Current		
Ore stockpiles	-	4,769

7. OTHER FINANCIAL ASSETS

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Current		
Available for sale investments carried at fair value		
- shares in listed companies – Teranga Gold Corporation	115,858	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

8. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Carrying amounts of each class:		
Land, buildings and property improvement	637	28,353
Plant and equipment	14,867	178,737
Office equipment	279	581
Motor vehicles	150	1,194
Plant and equipment under lease	-	12,093
	15,933	220,958

9. MINE DEVELOPMENT EXPENDITURE

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Costs carried forward in respect of areas of interest at cost	51,726	159,705
Accumulated amortisation	-	(11,117)
	51,726	148,558

10. TRADE AND OTHER PAYABLES

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Current		
Unsecured liabilities		
- trade payables (i)	453	7,544
- sundry creditors and accrued expenses	303	7,226
- government royalties	-	2,615
- amounts payable to Government of Senegal	-	2,663
	756	20,048
Non-current		
Unsecured liabilities		
- amounts payable to Government of Senegal	-	1,476

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

11. BORROWINGS

	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Current		
<i>Secured – at amortised cost</i>		
Project Finance Facility (i)	-	6,000
Borrowing costs	-	-
Finance lease liabilities (ii)	-	10,542
Borrowing costs	-	(109)
	-	16,433

- (i) The Project Finance Facility was drawn down to nil at period end (30 June 2010 - \$6 million). The final repayment was made on 30 September 2010.

The facility was secured by a fixed and floating charge over substantially all of SGO's assets.

- (ii) On 18 November 2008, MDL's subsidiary SGML (Capital) Limited entered into a sale and leaseback agreement with Societe Generale Australia over its mining fleet for \$23.2 million, of which nil was outstanding at 31 December 2010 (30 June 2010 - \$10.4 million). During the period to 3 December 2010, SGML (Capital) Limited completed \$16.6 million of drawdowns under this facility. The lease facility was disposed of on 3 December 2010 as part of the disposal of the Sabodala Gold Division.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	31 Dec 2010 US\$'000	30 June 2010 US\$'000
Financial derivative assets:		
Energy Swap – Oil	-	2,330
Disclosed as:		
Current	-	701
Non-current	-	1,629
	-	2,330
Financial derivative liabilities:		
Gold flat forward contracts	-	100,009
Disclosed as:		
Current	-	34,963
Non-current	-	65,046
	-	100,009

Gold forward contracts and oil swaps

Following the demerger, there were no outstanding gold forward contracts and oil swaps at period end.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

13. ISSUED CAPITAL

	31 Dec 2010 No.	31 Dec 2010 US\$'000	30 June 2010 No.	30 June 2010 US\$'000
(a) Movement in fully paid ordinary shares	60,768,582	219,211	580,576,525	384,849
At the beginning of the period	580,576,525	384,849	563,375,950	375,868
Shares issued during the period:				
- 16 October 2009	-	-	100,000	41
- 20 October 2009	-	-	4,500,000	2,859
- 18 November 2009	-	-	5,650,000	1,910
- 7 June 2010	-	-	2,450,575	1,918
- 30 June 2010	-	-	4,500,000	2,660
- 30 August 2010	25,865,148	21,563	-	-
- 29 October 2010	500,000	415	-	-
- 24 November 2010	750,000	550	-	-
- 3 December 2010	-	-	-	-
- Reduction from share consolidation (1:10 basis)	(546,923,091)	-	-	-
- Reduction of capital and in-specie distribution	-	(188,555)	-	-
Transferred from share based equity reserve	-	400	-	1,326
Less costs associated with exercise of options & share issue	-	(11)	-	(87)
De-recognition of deferred tax assets	-	-	-	(1,646)
Total for the period	(519,807,943)	(165,638)	17,200,575	8,981
At the end of the period	60,768,582	219,211	580,576,525	384,849

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and a right to dividends.

- ▶ On 30 August 2010, 24,870,335 ordinary shares were issued as consideration for shares acquired in TSX listed company Oromin Exploration Ltd. as well as an additional 994,813 ordinary shares to GMP Securities Europe LLP as financial advisors to the share purchase, all at A\$0.93 per shares.
- ▶ On 29 October 2010, 500,000 ordinary shares were issued to a company director following the exercise of share options at an exercise price of \$A0.85 (MDLAQ). These options were exercisable at any time up to 23 November 2012.
- ▶ On 24 November 2010, 750,000 ordinary shares were issued to senior personnel following the exercise of share options at an exercise price of \$A0.75 (MDLAB). These options were exercisable at any time up to 30 June 2014.
- ▶ On 3 December 2010, the company undertook a share consolidation on a 1:10 basis reducing the number of shares outstanding by 546,923,091 and the issued capital by \$188.6 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

(b) Options

The closing share market price of an ordinary share of the company at 31 December 2010 was ASX: A\$5.55; TSX: C\$5.63 (30 June 2010 – ASX: \$0.94; TSX: C\$0.82 pre in-specie and 1:10 consolidation.)

As at 31 December 2010, the following unissued ordinary shares of the company under option were outstanding:

ASX Code	Issue Date	Expiry Date	Restated post capital reduction and share consolidation (1:10 basis)	
			Exercise Price (A\$)	No.
MDLAA	1 July 2008	1 July 2011	10.78	1,000,000
MDLAZ	10 April 2008	10 April 2011	10.78	1,000,000
MDLAS	1 May 2006	1 May 2011	16.78	25,000
MDLAU	19 July 2007	18 July 2012	12.78	170,000
MDLAW	29 November 2007	29 November 2012	12.78	550,000
MDLAY	5 December 2007	5 December 2012	12.78	100,000
				2,845,000

No share options were issued to directors, senior personnel or employees since period end.

No person entitled to exercise the options had or has any rights by virtue of the options to participate in any share issue of any other body corporate. Options do not carry any voting or dividend rights

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

14. DIVIDENDS

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

15. COMMITMENTS

(a) Capital Expenditure Commitments

The group is still undertaking construction of the Grande Côte mineral sands project. Capital expenditure commitments contracted but not provided for and payable within one year at 31 December 2010 totalled \$242,000 (30 June 2010 – \$409,000).

(b) Exploration Commitments

The company does not anticipate any exploration expenditure commitments at Grande Côte given the work undertaken prior to 30 June 2010 as part of the Definitive Feasibility Study.

16. SUBSEQUENT EVENTS

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

17. CONTINGENT LIABILITIES

(a) The company faces potential liabilities 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;
- ▶ \$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
- ▶ \$50,000 per year of production on training of DMG 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

- (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 continued 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 31 December 2010.

18. KEY MANAGEMENT PERSONNEL

Remuneration arrangement of key management personnel are disclosed in the annual financial report.

19. ACQUISITION OF SUBSIDIARY

During the period, the company established Teranga Gold Corporation, a Canadian incorporated entity, to facilitate the disposal of its interests in Sabodala Gold Mauritius Limited and SGML (Capital) Limited. The company subscribed for 100% of the issued shares of the entity.

Furthermore, Teranga Gold Corporation established Teranga Gold (BVI) Corporation, a British Virgin Islands incorporated entity, to facilitate the acquisition of its interests in Sabodala Gold Mauritius Limited and SGML (Capital) Limited. Teranga Gold Corporation subscribed for 100% of the issued shares of the entity.

20. DISPOSAL OF SUBSIDIARY

On 23 November 2010, the company disposed of its interests in Sabodala Gold Mauritius Limited and SGML (Capital) Limited to Teranga Gold Corporation. The company received 200,000,000 shares in Teranga and C\$50 million as consideration for these interests. As part of the disposal transaction, an in-specie distribution of 160,000,262 shares in Teranga were distributed to current MDL shareholders on 3 December 2010.

The profit/(loss) for the period from the discontinued operation is analysed as follows:

	Period ended 3 Dec 2010 US\$'000	Six months ended 31 Dec 2009 US\$'000
Profit/(loss) of Sabodala Gold Mauritius Limited and SGML (Capital) Limited for the period	(13,935)	15,209
Gain on disposal of Sabodala Gold Mauritius Limited and SGML (Capital) Limited	24,952	-
Gain on in-specie distribution (excluding the discontinued operations result for the period ending 3 December 2010)	290,221	-
	301,238	15,209

The following were the results of the gold business for the period:

	Period ended 3 Dec 2010 US\$'000	Six months ended 31 Dec 2009 US\$'000
Revenue	77,699	98,492
Operating expenses	(91,592)	(82,962)
Profit/(loss) before income tax	(13,893)	15,530
Income tax expense	(42)	(321)
Profit/(loss) after income tax	(13,935)	15,209

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

The net assets of Sabodala Gold Mauritius Limited and SGML (Capital) Limited at the date of disposal were as follows:

	23 Nov 2010 US\$'000
Assets transferred to Teranga Gold Corporation	256,849
Gain on transfer of assets	24,952
Total consideration	281,801
Equity consideration	232,571
Cash consideration	49,230
Total consideration	281,801

The gain on the in-specie distribution to MDL shareholders has been calculated as follows:

	3 Dec 2010 US\$'000
Fair value of shares distributed to MDL shareholders	474,145
In-specie distribution recognised as reduction in capital	(188,555)
Realisation of foreign currency translation relating to subsidiaries included in disposal of Sabodala Gold Division	15,411
Gain on in-specie distribution	301,001
Accumulated losses at 30 June 2010 relating to subsidiaries included in disposal of Sabodala Gold Division	(10,780)
Gain on in-specie distribution recognised in Statement of Comprehensive Income	290,221

No tax charge or credit has arisen as a result of the above transactions.

CORPORATE DIRECTORY

DIRECTORS

Nicholas Limb (executive chairman)
Jeffrey Williams (managing)
Martin Ackland (executive)
Clever Fonseca (executive)
Robert Danchin (non-executive deputy chairman)
David Isles (non-executive)
James (Murray) Grant (non-executive)
Oliver Lennox-King (non-executive – retired 9 November 2010)

COMPANY SECRETARY

Kathryn Davies

REGISTERED OFFICE

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

Telephone: +61 3 9909 7633
Facsimile: +61 3 9621 1460
E-mail: mdlmail@mineraldeposits.com.au
Website: www.mineraldeposits.com.au

TORONTO OFFICE

Suite 301
155 University Avenue
Toronto, Ontario M5H 3B7
Canada

Telephone: +1 416 361 6196
Facsimile: +1 416 361 9131

SENEGAL OFFICE

Rue 26, N'Gor
Dakar
Senegal

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

SHARE REGISTRIES

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

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

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Canada

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

AUDITOR

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne, Victoria 3000
Australia

TAX AGENTS AND ADVISERS

Deloitte Private
550 Bourke Street
Melbourne, Victoria 3000
Australia

SOLICITORS

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

BANKERS

Westpac Banking Corporation
360 Collins Street
Melbourne, Victoria 3000
Australia

HOME EXCHANGES

Australian Securities Exchange
Level 45, South Tower
Rialto
525 Collins Street
Melbourne, Victoria 3000
Australia

Trading Code: MDL

Toronto Stock Exchange
The Exchange Tower, 3rd Floor
130 King Street West
Toronto, Ontario M5X 1J2
Canada

Trading Code: MDM