MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Mineral Deposits Limited ("MDL" or the Company") is an Australian-based mining company with a current focus in Senegal, West Africa through 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 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 six-months ended 31 December 2010 and has been prepared as of 14 February 2011. This MD&A is intended to complement and supplement, but does not form part of, the unaudited consolidated financial statements of MDL and the notes thereto for the six-months ended 31 December 2010 (the "Interim Financial Statements"). It should be read in conjunction with the Interim Financial Statements and with the Company's audited consolidated financial statements for the year ended 30 June 2010 and related notes thereto (the "Annual Financial Statements").

The Annual Financial Statements and the Interim 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 Annual Financial Statements and the Interim Financial Statements, is available on SEDAR at www.sedar.com and on the Company's website at www.mineraldeposits.com.au.

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

1. SECOND (DECEMBER 2010) QUARTER HIGHLIGHTS

Demerger

- During the quarter, the Company completed the separation of its two core assets, namely 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").
- As part of the demerger process, MDL received 200 million shares in Teranga and C$50 million as consideration for the Sabodala gold assets.
- On 3 December 2010, MDL completed an in specie distribution of 160,000,262 shares in Teranga to existing MDL shareholders.

Financial Performance and Position

- Revenue from continuing operations was nil for the six month period to 31 December 2010
- Net cash inflow from operating activities (including discontinued operations) for the period was $23.1million
- Cash at 31 December 2010 was $59.3 million
- As at 31 December 2010, MDL had no external borrowings

Sabodala Gold Operation

- As a result of the demerger outlined above, production results of the Sabodala Gold Project for the December 2010 quarter will be reported separately by Teranga.

Grande Côte Mineral Sands Project

- 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 located in Senegal, West Africa, which is very much underway.
- Recent events included:
  - a group of banks undertaking a site visit during December as part of the process for the possible provision of a project finance facility; and
  - a selection process being undertaken for the provision of engineering services which is expected to be completed within six to eight weeks;

2. CORPORATE

Demerger Proposal

- During the quarter, the Company completed the separation of its two core assets, namely 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.
- The demerger comprised:
  - the shares held in the Sabodala holding companies and Oromin Explorations Ltd. together with an inter-corporate receivable being transferred to Teranga, a new Canadian-incorporated company, in exchange for 200,000,000 shares in Teranga and C$50 million in deferred consideration; and
  - MDL distributing 160,000,262 of the Teranga shares to MDL shareholders on a proportional basis by way of an in specie distribution which comprised an exchange ratio of 0.2632917 of a Teranga share for every one MDL share held (pre the consolidation of MDL shares).
- In conjunction with the demerger, Teranga undertook public offerings which involved the issue of a total of 45.8 million new common shares at an issue price of C$3.00 each, raising gross proceeds of C$137.4 million.
- C$50 million of the equity proceeds raised by Teranga was paid to MDLin satisfaction of the deferred consideration payable as part of the demerger.
- Teranga also became listed on the Toronto Stock Exchange (code TGZ) and the Australian Securities Exchange (code TGZ).
- The final piece of the corporate reorganisation involved the consolidation of the MDL shares on a 1 for 10 basis.
- Following all of the above, MDL shareholders now own:
  - their shares in MDL (which have been consolidated on a 1:10 basis) which owns the Grande Côte Mineral Sands Project, approximately 40 million Teranga shares and has approximately $59 million in cash and cash equivalents; and
  - shares in Teranga which owns the Sabodala Gold Project in Senegal, West Africa.

3. CONSOLIDATED RESULTS

The following table summarises the Company's consolidated results (in thousands of US$):

	Three-months ended 31 December		Six-months ended 31 December	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Net income from mining activities	**-**	**-**	**-**	**-**
Administration expenses	(2,096)	(2,336)	(4,209)	(4,853)
Finance costs	-	-	-	-
Gain on disposal of subsidiary	24,952	-	24,952	-
Gain on in specie distribution	271,865	-	271,865	-
Foreign currency gains/(losses)	(3,609)	(23,260)	(33,220)	(23,907)
Other income	254	303	319	1,102
Income tax benefit/(expense)	(390)	(4,992)	(390)	(4,992)
Profit/(loss) from discontinued operations (see below)	(45,871)	13,284	(13,935)	15,209
Profit attributable to minority interests	2,027	12	1,383	20
Profit/(loss) attributable to owners of the parent	**247,132**	**(16,989)**	**246,765**	**(17,421)**
Basic earnings per share (cents)	407.1	(30.0)	412.6	(30.8)
Diluted earnings per share (cents)	407.1	(30.0)	412.6	(30.8)

Second (December 2010) Quarter

- The results for the Sabodala Gold Project have been summarised in the above table as Profit/(loss) from discontinued operations. These results are discussed in further detail below.
- The Company did not earn any revenue during the six month period to 31 December 2010 as it continues to develop the Grand Côte Mineral Sands Project.
- Despite not earning any revenue, the Company earned a profit during the period as a result of gains made on the disposal of the Sabodala gold project and the in specie distribution. The gain on the in specie distribution is an accounting entry required by International Financial Reporting Standards in order to reflect the fair value of shares distributed to shareholders. It does not reflect a realised gain made by the Company or its shareholders as a result of this transaction.
- Administration expenses of $2.1 million are consistent with previous quarters.
- There are no finance costs from continuing operations as the Company has no external debt.

The following table summarises the Company's results from discontinued operations (in thousands of US$):

	Period from 1 October 2010 to 3 December 2010		Period from 1 July 2010 to 3 December 2010	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Gold produced (ounces)	21,199	45,792	56,302	100,052
Gold sold (ounces)	18,831	50,078	61,661	107,521
Revenue – gold sales	24,465	47,256	77,699	98,492
Cash operating cost of sales	(16,571)	(26,178)	(37,674)	(51,034)
Net cash income from mining activities	**7,894**	**21,078**	**40,025**	**47,458**
Depreciation and amortisation (mining operations)	(7,569)	(8,339)	(15,916)	(15,597)
Net income from mining activities	**325**	**12,739**	**24,109**	**31,861**
Administration expenses	(436)	(615)	(747)	(1,468)
Finance costs	(378)	(1,269)	(767)	(2,719)
Gold hedge unrealised gains/(losses)	(18,756)	(23,901)	(37,839)	(36,909)
Oil hedge unrealised gains/(losses)	732	3,015	1,553	1,582
Foreign currency gains/(losses)	(27,087)	23,491	(209)	23,753
Other income/(expenses)	(247)	(37)	7	(570)
Income tax benefit/(expense)	(24)	(139)	(42)	(321)
Profit/(loss) from discontinued operations	**(45,871)**	**13,284**	**(13,935)**	**15,209**

Second (December 2010) Quarter

- Revenue from gold sales from 1 October 2010 to 3 December 2010 was $24.5 million, resulting from the sale of 18,831 ounces of gold at an average price of $1,299 per ounce. For the period from 1 July 2010 to 3 December 2010, revenue from gold sales was $77.7 million from the sale of 61,661 ounces of gold at an average price of $1,260 per ounce. All but 3,000 ounces of gold were sold into the spot market during the period.
- Mine cash operating cost of sales was $16.6 million, equating to $882 per ounce of gold sold (being 18,831, ounces). This compares to cash operating cost of sales for the September 2010 quarter of $496 per ounce of gold sold (being 42,830 ounces). The primary reason for the increase in cash costs per ounce sold is related to a decrease in the head grade per tonne from 2.6g in the September quarter to 1.95g in the period to 3 December 2010.
- The unrealised loss on the gold hedge book for the period from 1 October 2010 to 3 December 2010 was $18.8 million, a non-cash effect from marking-to-market the hedge book at 3 December 2010 of 243,500 ounces at a market price of $1,391/oz which provides a negative amount of $137.9 million, compared to the position at 30 September 2010 of 246,500 ounces at a market price of $1,308/oz which provides a negative amount of $119.1 million.

4. OPERATIONAL REVIEW

Sabodala Gold Operation (MDL interest – 90%) & Gold Exploration

As stated above, production and exploration results of the Sabodala gold operation are reported separately by Teranga.

Grande Côte Mineral Sands Project (MDL interest – 90%)

Following the demerger of the Sabodala gold assets from the MDL, the prime focus now for the Company is the development of the Grande Côte Mineral Sands Project, located in Senegal, West Africa

With the completion of the independent bankable Definitive Feasibility Study ("DFS") 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 US$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 current quarter and actual on-ground construction works will commence in the next quarter. 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.

During the period, various pre-production planning activities were undertaken which include:

- key staff appointment processes;
- selection process for the provision of engineering services – expected to be completed within 6 to 8 weeks;
- 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 mandating a group of lenders to provide the senior project finance for the design, construction, commissioning and operation of the project. The goal is to finalise during the current quarter an indicative term sheet and commence the due diligence and the loan documentation with a view to being in a position late 2011 to be able to draw upon those facilities which will ultimately form a significant part of the finance package.

5. CASH FLOW

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

	Three-months ended 31 December		Six-months ended 31 December	
	2010 US$'000	2010 US$'000	2010 US$'000	2009 US$'000
Cash flow				
Operating activities	10,824	10,450	23,122	31,469
Investing activities	27,815	(4,652)	8,550	(8,447)
Financing activities	510	(6,621)	8,912	(16,849)
Change in cash and cash equivalents during period	39,149	(823)	40,584	6,173
Cash and cash equivalents – beginning of period	16,752	25,829	13,833	18,173
Effect of exchange rates on cash holdings	3,430	352	4,914	1,012
Cash and cash equivalents – end of period	59,331	25,358	59,331	25,358

- Operating activities generated cash flows of $10.8 million in the December 2010 quarter which includes the cash flows from discontinued operations up to 3 December 2010. For the six month period to 31 December 2010, operating activities provided $23.1 million, primarily as a result of the sale of gold into the spot market.
- Cash flow generated by investing activities for the three months ended 31 December 2010 was $27.8 million, primarily comprising:
  - $36.0 million in relation to the disposal of the Sabodala gold project, including the disposal of cash held by these subsidiaries;
  - $0.5 million ($2.1 million for the six month period to 31 December 2010) associated with expenditure in relation to evaluation of the Grande Côte Mineral Sands Project;
  - $1.6 million ($4.5 million for the six month period to 31 December 2010) associated with expenditure in relation to gold exploration activities in the Sabodala gold mine region; and
  - $5.0 million ($17.1 million for the six month period to 31 December 2010) for capital expenditure, mostly relating to the purchase of additional mining equipment associated with the expansion of the Sabodala gold operation, which was subsequently sold to Teranga.
- Cash flow provided by financing activities for the three months ended 31 December 2010 was $0.5 million, primarily comprising the proceeds from exercise of options during the quarter. For the six month period to 31 December 2010, cash flows provided by financing activities primarily comprised $6.0 million for repayment of the Project Finance Facility, offset by $16.2 million of proceeds from drawdowns under the increased Mining Fleet Lease facility (which was subsequently disposed of to Teranga).

6. FINANCIAL POSITION

The following table summarises the Company's financial position (in thousands of US$):

	As at 31 December 2010 US$'000	As at 30 June 2010 US$'000
Current assets	176,676	85,536
Non-current assets	78,211	408,233
Total assets	254,887	493,769
Current liabilities	3,154	75,020
Non-current liabilities	22,834	69,042
Total liabilities	25,988	144,062
Total equity	228,899	349,707

- Current assets increased since 30 June 2010, increasing from $85.5 million to $176.7 million at 31 December 2010 primarily as a result of the investment in Teranga along with an increase in cash balances resulting from the consideration received from Teranga for the Sabodala gold operation.
- Cash increased from $13.8 million at 30 June 2010 to $59.3million at 31 December 2010.
- Non-current assets decreased to $78.2 million at 31 December 2010 from $408.2 million at 30 June 2010, primarily a function of the disposal of the mining fleet, infrastructure, plant and equipment and capitalised exploration and development expenditure relating to the Sabodala gold operation.
- Current liabilities declined to $3.1 million at 31 December 2010 from $75.0 million at 30 June 2010, and non-current liabilities decreased to $22.8 million at 31 December 2010 from $69.0 million at 30 June 2010. These decreases were primarily a function of the disposal of the accounts payable, external borrowing, gold hedge liabilities and rehabilitation provisions relating to the Sabodala gold operation.
- There was no external debt outstanding at 31 December 2010.
- Total equity decreased to $228.9 million at 31 December 2010 from $349.7 million at 30 June 2010, primarily as a result of the in specie distribution to existing MDL shareholders of 160,000,262 shares in Teranga which were received as consideration for the disposal of the Sabodala gold operation.

7. LIQUIDITY AND CAPITAL RESOURCES

As at 31December 2010, MDL had cash balances of $59.3 million.

The Company believes that its cash holdings are sufficient to meet its 2011 obligations.

8. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital Expenditure Commitments

The Company 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).

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.

Contingent liabilities

- The Company faces potential liabilities in respect of the Grande Côte Mineral Sands Project. MDL 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.
- The Company has a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited.
- 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.
- 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.
- There are no outstanding native title claims against the Company which could or would have a financial impact.

9. 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	Dec 10	Sep 10	Jun 10	Mar 10	Dec 09	Sep 09	Jun 09	Mar 09
				Restated	Restated	Restated	Restated	
Revenue ($m)	-	-	-	-	-	-	-	-
Net income/(loss) ($m)	293.0	(32.4)	13.8	(6.6)	(30.3)	(1.0)	(13.4)	0.9
Profit/(loss) from Discontinued Ops ($m)	(45.9)	32.0	(27.9)	13.5	13.3	1.9	13.6	(29.5)
Total net income / (loss) ($m)	247.1	(0.4)	(14.1)	6.7	(17.0)	0.9	0.2	(28.6)
Basic net income/(loss) per share (cents) (i)	407.7	(0.7)	(24.6)	11.7	(30.0)	1.6	0.4	(52.2)
Diluted net income/(loss) per share (cents) (i)	407.7	(0.7)	(24.6)	11.7	(30.0)	1.6	0.4	(52.2)
Weighted average number of shares	60.7	58.9	57.4	57.4	57.0	56.3	55.5	54.5

(i) Weighted average number of shares has been adjusted for each previous period disclosed above as if the share consolidation had taken place in each period. This has resulted in changes to both basic and diluted earnings per share values for each quarter disclosed.

10. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated interim financial statements for the six months ended 31 December 2010 are consistent with those adopted and disclosed in the Company's Annual Report for the financial year ended 30 June 2010.

11. INFORMATION ON OUTSTANDING SHARES

As at 14 February 2010, the Company had on issue 60,768,582 ordinary shares and 2,745,000 unlisted options to acquire ordinary shares at various exercise prices and expiry dates as follows:

			Restated post capital reduction and share consolidation (1:10 basis)	
ASX Code	Issue Date	Expiry Date	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	70,000
MDLAW	29 November 2007	29 November 2012	12.78	550,000
MDLAY	5 December 2007	5 December 2012	12.78	100,000
				2,745,000

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

12. 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 31 December 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.

13. 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 zircon and ilmenite), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

Risks and uncertainties about the Company's business are more fully discussed in the Company's disclosure documents filed from time to time with the Canadian and Australian securities authorities. Readers should read MDL's financial statements for the financial years ended 30 June 2010 and 30 June 2009, the Annual Information Form for 2010 and technical reports filed on SEDAR (www.sedar.com) and any future amendments to such reports. Readers are also directed to the cautionary notices and disclaimers contained herein.

14. ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as of 14 February 2010. Additional information about the Company, including its Annual Financial Statements and Interim Financial Statements, is available on SEDAR at www.sedar.com and on the Company's website at www.mineraldeposits.com.au.

15. 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.

16. 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 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.