MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED 31 MARCH 2011

Mineral Deposits Limited ("MDL" or the Company") is an Australian-based mining company developing the world class Grande Côte Mineral Sands Project ("Grande Côte" or the "Project") in Senegal, West Africa. The Company is listed on the Australian Securities Exchange ("ASX") (symbol: MDL) and the Toronto Stock Exchange ("TSX") (symbol: MDM).

Grande Côte is located on the coast of Senegal starting approximately 50 kilometres north of Dakar and extending northwards for more than 100 kilometres. Over an expected mine life of at least 20 years, Grande Côte is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucoxene). On-site construction of the Project is expected to commence in the third quarter of 2011 and, after a two year build, production is expected to commence late 2013.

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 nine months ended 31 March 2011 and has been prepared as of 13 May 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 nine-months ended 31 March 2011 (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, 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. GRAND CÔTE MINERAL SANDS PROJECT

- Significant further progress was made during the March quarter towards the development of Grande Côte, located in Senegal, West Africa. On-site construction is expected to commence in the third quarter of this year.
- Subject to finalisation of the financing arrangements for the Project (which is expected to be provided by both an equity raising and a debt facility), final board approval has now been given to commit to its development.
- Discussions continued during the quarter with various parties in respect of potential offtake arrangements for the Project, with a particular focus on the ilmenite. Consideration is also being given to a partnership proposal.
- Pre-construction activities undertaken during the quarter included:
  - issuing the Engineering EPCM tender documents to selected parties derived from a prequalification process;
  - issuing the dredge tender documents to prospective bidders;
  - receipt of bids for provision of a dual fuel (heavy fuel oil / natural gas) power station;
  - further optimisation studies in relation to the rail and port logistics which may result in increased upfront infrastructure costs but lower recurring operating costs;
  - commencement of final works on the 60 tonne gearbox for the dredge cutter (which has been stored for the past three years);
  - ongoing design optimisation of the deep water bores and lateral borefield;
  - further development of the IT project control software and systems framework;
  - commencement of the construction camp expansion and upgrade to accommodate 900 workers;
  - the appointment of additional key staff including an Administration and Finance Manager, a Camp Superintendent, a Warehouse Superintendent and an IT Superintendent, as well as mechanical engineers and a further addition to the Social Team; and
  - ongoing work on the Social and Environmental front.

2. CORPORATE

- In relation to providing part of the financing package for the Project, work continued during the quarter with a syndicate of Development Finance Institutions and Export Credit Agencies towards the potential establishment of a project financing facility. A range of other financing options are also under close consideration.
- At 31 March 2011:
  - cash and cash equivalents were $54 million;
  - debt was zero; and
  - 40 million shares were held in Teranga Gold Corporation ("Teranga") (ASX: TGZ, TSX: TGZ) valued at $104 million.

3. ISSUED CAPITAL

- As at 31 March 2011, the Company had 60,768,582 ordinary shares on issue and 2,720,000 unlisted options to acquire ordinary shares (at an average exercise price of A$11.35).
- At the date of this report, the Company has 1,695,000 unlisted options to acquire ordinary shares (at an average price of A$11.60).

4. CONSOLIDATED RESULTS

The following table summarises the Company's consolidated results:

	Three-months ended 31 March		Nine-months ended 31 March	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Net income from mining activities	-	-	-	-
Other income/(expenses)	413	216	732	1,317
Administration expenses	(2,637)	(1,974)	(6,846)	(6,826)
Foreign currency gains/(losses)	(2,209)	(7,694)	(35,429)	(31,602)
Gain on disposal of subsidiary	-	-	24,952	-
Gain on in specie distribution	-	-	290,221	-
Income tax benefit/(expense)	-	(404)	(24)	(5,396)
Profit/(loss) from discontinued operations*	-	13,474	(13,935)	28,683
Profit attributable to minority interests	(1)	(159)	1,382	1,732
Profit/(loss) attributable to owners of the parent	**(4,434)**	**3,459**	**261,053**	**(12,092)**
Basic earnings per share (cents)	(7.3)	6.0	434.2	(21.3)
Diluted earnings per share (cents)	(7.3)	6.0	434.2	(21.3)

* Full disclosure in relation to discontinued operations can be found in Note 3 of the consolidated interim financial statements for the nine months ended 31 March 2011.

Third (March 2011) Quarter

- The Company did not earn any revenue during the three month period to 31 March 2011 as it continues to develop Grande Côte.
- Administration expenses for the three month period to 31 March 2011 were $2.6 million which are consistent with previous quarters of the 2011 financial year.
- There are no finance costs from continuing operations as the Company has no external debt.

Nine months to March 2011

- 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 of Teranga shares received as consideration. The gain on the in specie distribution is an accounting entry required by IFRS 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 for the nine month period to 31 March 2011 are consistent with the corresponding prior period.
- The majority of the income tax expense amount of $5.4 million for the comparative nine month period to 31 March 2010 relates to the reversal of a tax asset recognised in the June 2009 quarter for carried forward tax losses, as a result of a restructure in the Australian tax consolidated group.

5. CASH FLOW

The following table summarises the Company's cash flow activities:

	Three-months ended 31 March		Nine-months ended 31 March	
	2011 US$'000	2010 US$'000	2011 US$'000	2009 US$'000
Cash flow				
Operating activities	(3,362)	14,682	19,761	46,152
Investing activities	(1,142)	(10,242)	7,382	(18,690)
Financing activities	(5)	(11,122)	8,965	(26,961)
Change in cash and cash equivalents during period	(4,509)	(6,682)	36,108	501
Cash and cash equivalents – beginning of period	59,331	25,358	13,833	18,173
Effect of exchange rates on cash holdings	(331)	130	4,550	132
Cash and cash equivalents – end of period	54,491	18,806	54,491	18,806

- Cash flows used in operating activities totalled $3.4 million in the March 2011 quarter, resulting primarily from the payment of existing obligations to suppliers and employees of the Company. For the nine month period to 31 March 2011, operating activities generated cash flows of $19.7 million, primarily as a result of cash flows generated by the Sabodala Gold Operation.
- Cash flows used in investing activities for the three months ended 31 March 2011 was $1.1 million, primarily comprising:
  - $1.8 million ($4.0 million for the nine month period to 31 March 2011) associated with development expenditure for Grande Côte;
  - offset by $0.5 million ($0.7 million for the nine month period to 31 March 2011) associated with interest earned on the cash balances.

6. FINANCIAL POSITION

The following table summarises the Company's financial position:

	As at 31 March 2011 US$'000	As at 30 June 2010 US$'000
Current assets	161,771	85,536
Non-current assets	78,685	408,233
Total assets	240,456	493,769
Current liabilities	2,523	75,020
Non-current liabilities	47	69,042
Total liabilities	2,570	144,062
Total equity	237,886	349,707

- Largely as a result of the demerger of the Sabodala Gold Project in November 2010, total assets decreased from $493.8 million at 30 June 2010 to $240.5 million at 31 March 2011, and net assets decreased from $349.7 million at 30 June 2010 to $237.9 million at 31 March 2011.
- Current assets increased from $85.5 million at 30 June 2010 to $161.8 million, primarily due to:
  - an increase in cash and cash equivalents from $13.8 million to $54.4 million during the nine months, primarily a result of the C$50 million consideration paid by Teranga as part of the demerger; and
  - an increase in available for sale financial assets of $104.3 million as a result of the retention of 40 million shares in Teranga following the demerger.
- Non-current assets decreased to $78.7 million at 31 March 2011 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.
- Following the demerger, the Company had no external borrowings as at 31 March 2011.

7. LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2011, MDL had cash balances of $54.5 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 developing Grande Côte. Capital expenditure commitments contracted but not provided for and payable within one year at 31 March 2011 totalled $849,100 (30 June 2010 - $409,000).

Exploration Commitments

There are no exploration expenditure commitments outstanding for Grande Côte.

Contingent liabilities

- The Company faces potential liabilities in respect of Grande Côte. 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 SARL, 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 Directorate of Mines and Geology 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's subsidiary, Mineral Deposits (Operations) Pty Ltd 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 the sites in NSW, Australia. No adverse situations were reported and work continued as scheduled.
- 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	Mar 11	Dec 10	Sep 10	Jun 10	Mar 10	Dec 09	Sep 09	Jun 09
					Restated	Restated	Restated	Restated
Revenue ($m)	-	-	-	-	-	-	-	-
Net income/(loss) ($m)	(4.4)	311.8	(32.4)	13.8	(6.6)	(30.3)	(1.0)	(13.4)
Profit/(loss) from Discontinued Ops ($m)	-	(45.9)	32.0	(27.9)	13.5	13.3	1.9	13.6
Total net income/(loss) ($m)	(4.4)	265.9	(0.4)	(14.1)	6.7	(17.0)	0.9	0.2
Basic net income/(loss) per share (cents) (i)	(7.3)	437.9	(0.7)	(24.6)	11.7	(30.0)	1.6	0.4
Diluted net income/(loss) per share (cents) (i)	(7.3)	437.9	(0.7)	(24.6)	11.7	(30.0)	1.6	0.4
Weighted average number of shares	60.7	60.7	58.9	57.4	57.4	57.0	56.3	55.5

(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 nine months ended 31 March 2011 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 13 May 2011, the Company had on issue 60,768,582 ordinary shares and 1,695,000 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	10 July 2008	10 July 2011	10.78	1,000,000
MDLAU	19 July 2007	18 July 2012	12.78	45,000
MDLAW	29 November 2007	29 November 2012	12.78	550,000
MDLAY	5 December 2007	5 December 2012	12.78	100,000
				1,695,000

At 31 March 2011, the Company had 2,720,000 unlisted options. Subsequent to period end, the following options were forfeited:

MDLAZ	1 April 2008	1 April 2011	10.78	1,000,000
MDLAS	1 May 2006	1 May 2011	16.78	25,000
				1,025,000

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 March 2011, 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, 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 13 May 2011. 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.