

Chairman's statement

I am pleased to present to you your company's second annual report for the 12 months ending 31 March 2009. Following last year's listing on London's Alternative Investment Market (AIM), MDM Engineering Group Limited ("MDM") continues to grow, both in-house and across the range of services we provide and minerals we can process. However, the past 12 months have seen the global economy undergo unprecedented turmoil and although the world in which we operate is almost unrecognisable from that of a year ago, we are quietly confident of our ability to meet our shareholder and client expectations.

A muted commodities market

Our progress over the year has to be viewed against the backdrop of a global economic meltdown, with the availability of credit severely restricted and demand for the commodities our clients produce dampened. It is this very dire commodity scenario which has informed our strategy to reach out to clients and potential clients to seek solutions for both their projects and our business growth. Many of our clients face situations in which the market for the commodity they produce has collapsed, impacting their projects and timelines. MDM responded quickly and decisively to the changing situation. The very nature of the work we do, which involves careful strategic planning with our clients and long lead times, means that being a nimble operator is key. We believe that the flexibility that our Engineering, Procurement, Construction Management (EPCM) business model offers, puts MDM in a strong position to operate in the current challenging environment.

Given the scenario, I am quite satisfied with our financial performance for the year. In November 2008 we alerted the market to our revised earnings estimates as a result of certain projects being pushed into the next reporting year due to clients' financial concerns. Despite the challenging market conditions experienced in the past year, this has encouragingly translated into a healthy growth in revenue from US\$13.6 million in FY08 to US\$35.9 million in FY09. Profit before tax for the period of US\$7.8 million is below initial targets, however it still represents a 144% increase on the previous financial year (2008: US\$3.2million). In an environment when many companies have not paid dividends to their shareholders, this profit has allowed MDM to declare a full year dividend of US11.25 cents per share (2008: US4 cents).

Our share price has declined over the period since listing, however post the financial year end it has recovered well and is now trading steadily around the 95-105 pence mark. When tracked against the FTSE 350 Mining Index, the general downward trend of the AIM mining sector becomes apparent, but what is possibly more interesting is the slight lag of MDM's share price behind the sector in both downward and upward trends. We feel this is a reflection of our role as a service provider to mining companies; we will tend to feel the effects of a slowdown in the market only once projects are put on hold.

Pursuing our goals: safety and stability

The foundation of MDM's strategic vision has been underpinned by our ability to deliver services to our clients, which meet their requirements on time and within budget. Meeting, or even exceeding, their expectations drives our business model, yet there are two key areas of focus that I would like to address.

Our primary goal is safety. Operating in a mining environment is a risky proposition and we strive to ensure that all our employees, whether full time or contractors, work in a safe and responsible

manner. Our safety performance for the year has been outstanding with no fatalities, and we have had five lost-time injuries on site for the period under review. We are very proud of our achievement of one million lost-time injury free hours on both sites, achieved in no small part because of our well-established relationship with First Uranium.

Our second area of strategic focus is on stability and which, in the case of our business purposes, I believe there are two angles. Firstly, there needs to be stability within the company. Despite our expansion to the current head office staff complement of 144 employees, our associated core staff turnover rate remains low. This reflects the excellent morale levels within the company, and also the MDM culture. We strive to expand our business intellectually and work with our clients to meet their requirements. Secondly, MDM needs to be stable within a commodity sector experiencing a rollercoaster ride. We have healthy cash balances, a solid project pipeline and have declared a modest dividend. We believe this to be the best way to maintain our growth and create value for our shareholders.

Thank you

I would like to take this opportunity to thank our out-going non-executive Financial Director, Mark Summers. Mark will remain on the MDM board in a non-executive capacity, and his time and dedication to the company are much appreciated. Dominique de la Roche was appointed as Executive Financial Director in October 2008, a direct reflection of the Group's expansion and increasing financial and regulatory requirements, and I look forward to working with him as we continue MDM's journey.

Prospects

We remain cautiously optimistic, dedicated to preserving value for our shareholders and creating growth for our clients. Our business model of providing services of an engineering and project management nature in a reduced global economy remains relevant, we feel increasingly so, as companies downsize but still seek the same level of technological know-how and intellectual capacity. Prudence is our motto, and when the commodity cycle moves back into the upward part of the growth curve, we will be well-placed to thrive.

Bill Nairn

Non-executive Chairman

6th July 2009

CEO's review

Despite the turmoil experienced in the global markets, this financial year has been a successful one for MDM. The group's continued growth needs to be contrasted against a sector in which revenues, market capitalisation and commodity prices have diminished over the past year. This growth has increased MDM's intellectual capacity, cash position and client base, all of which are significant achievements in the current market environment.

Key highlights for the year include:

- Revenue up 164% to US\$35.9 million in FY09 from US\$13.6 million in FY08
- Net Profit of US\$7.8 million, up 144% from US\$3.2 million in FY08;
- A strong project value on hand of some US\$300 million at year end, with a robust study pipeline in place;
- Increase in earnings per Share to US21.15 cents from US12.94 cents in FY08;
- Dividend paid of US11.25 cents per share versus US4cents per share in FY08;
- The appointment of Dominique de la Roche as Executive Financial Director.

The business model – a proven success

MDM continues to provide African-focused process engineering solutions, project study and execution services to mining companies, centred on a high level of technical and professional expertise generated from an expanded and experienced staff base. The global slowdown has had an impact on the way in which the group operates, mostly to the benefit of employees, clients and shareholders. The difficulties in recruiting suitable personnel during the commodities boom were well documented. The downturn in the market, however, has eased the skills shortage situation and the company has taken advantage of these circumstances and sourced premium staff to grow the in-house knowledge base and intellectual capacity. MDM's preferred operating method remains one of consistency, working with clients through the lifetime of a project, from feasibility studies through to EPCM contracts. The group's track record is strong in this regard, and reinforces our belief that we can add value through a strong partnership with our clients. This is increasingly relevant in today's market as most of our clients are junior or mid-cap mining companies with capacity constraints – whether that be in project capacity, staff complement and expertise or cash. MDM prides itself on offering a product that is affordable, especially in today's market, delivered on-time and within budget.

This success is reflected in the group's financial performance during the year; the steady increases from the prior period, across the income statement and balance sheet in terms of revenue, profit, earnings per share and cash and cash equivalents, reflect management's prudent approach and an increased presence in the market.

Economic climate – inherent change for MDM

The resources sector has been particularly badly affected by the global financial crisis. Decreased demand for commodities has resulted in mining projects being placed on hold or abandoned completely. Despite the decreased activity in our industry, MDM has continued to grow, albeit at a slower rate. An interesting side effect of the economic slowdown has been the reduction of input costs for mining projects, a welcome relief for the sector. This has resulted in many projects becoming more affordable as input costs reduce and as the market equilibrium is steadily restored, the natural economic laws of supply and demand will re-establish themselves and bring balance back to the mining sector. No downturn is forever, the commodities markets move in cycles, and MDM is

well-poised for the next upturn in the global economy with a liquid balance sheet and a policy of cash preservation.

Safety – striving for zero harm

Health and safety continues to be a primary area of focus for MDM and it is the responsibility of all employees to maintain safety standards and act responsibly on site. The group's safety record during the year has been excellent, with no fatalities. Whilst we have had a total of 5 lost time injuries. I am proud to announce that we have reached a milestone of a million injury free hours on both sites. These achievements are well-within the globally accepted five-star rating system, testament to the close work MDM does with its clients to ensure that all legislative requirements are met in terms of safety. Regular health and safety audits are conducted on site.

Uranium – creating a market niche

The much anticipated commissioning of the Ezulwini Uranium Plant is a significant event in South Africa's mining industry. It is one of only a few greenfield uranium plants to be commissioned internationally in the last decade. The successful production of yellow cake from the Ezulwini Plant is testament to the high level of technological expertise within MDM and a reflection of the innovation the group can provide its clients. The uranium market is slowly recovering after a sharp fall in prices during the latter half of 2008, and all the major gold companies in southern Africa are re-establishing their presence in this market. MDM is strongly placed to benefit from this commodity's upturn.

The year ahead

The new world of reduced demand and restricted cash flows has forced all mining companies to evaluate their structures and possibilities. The Group is currently running adequate execution projects and studies for the next financial year. Any additional execution projects obtained through the conversion of past studies, or other opportunities, will result in upside to the earnings for the year. MDM has shown its ability to adapt in trying times, and the year ahead will further entrench the Group as a niche provider of process and project management solutions across established markets and into new commodities. These are challenging times, and a conservative approach will continue to pay dividends to all stakeholders.

Lastly, a word of thanks to all of MDM's staff members, who have shown dedication and hard work during difficult times.

Grant Lowman
Chief Executive Officer
6th July 2009

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Financial Statements

MDM ENGINEERING GROUP LTD

CONSOLIDATED Balance sheet

at 31 March 2009

		31 March 2009	31 March 2008
	Notes	US\$	US\$
Assets			
Non-current assets			
		1 384 450	1 179 271
Property, plant and equipment	3	457 442	858 612
Intangible asset	4	40 687	54 382
Deferred tax	5	886 321	266 277
Current assets			
		21 039 146	7 600 375
Trade and other receivables	6	7 071 832	2 453 436
Cash and cash equivalents	7	13 967 314	5 146 939
Total assets		22 423 596	8 779 646
Equity and liabilities			
Capital and reserves			
		15 989 992	4 527 204
Share capital	8	374 591	340 090
Share premium	9	5 516 210	1 335 130
Treasury Shares	10	(177 276)	-
Foreign currency translation reserve	11	(1 417 287)	(335 174)
Accumulated profit		11 693 754	3 187 158
Non-current liabilities			
		31 280	621 158
Interest bearing liability	12	31 280	621 158
Current liabilities			
		6 402 324	3 631 284
Trade and other payables	13	4 014 597	1 560 050
Current portion of interest bearing liability	12	24 488	53 673
Provisions	14	687 945	403 834
Income tax payable		1 675 294	1 613 727
Total equity and liabilities		22 423 596	8 779 646

MDM ENGINEERING GROUP LTD
CONSOLIDATED Income Statement
for the year ended 31 March 2009

		Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Revenue		35 916 889	13 610 004
Cost of sales		(19 252 389)	(6 830 213)
Gross profit		16 664 500	6 779 791
Operating expenses		(6 206 283)	(2 536 361)
Other income		265 572	46 688
Waiver of loan		-	156 421
Profit from operations		10 723 789	4 446 539
Financial income	15	894 834	140 536
Financial expense	16	(38 062)	(57 711)
Profit before taxation	17	11 580 561	4 529 364
Taxation	18	(3 741 039)	(1 342 206)
Profit for the year/period		7 839 522	3 187 158
Basic earnings per share – US cents	19	21.15	12.94
Diluted earnings per share – US cents	19	19.32	12.94

MDM ENGINEERING GROUP LTD

CONSOLIDATED Statement of changes in equity

for the year ended 31 March 2009

	Share capital	Share premium	Foreign currency translation reserve	Accumulated profit	Treasury Shares	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Profit for the period	-	-	-	3 187 158	-	3 187 158
Foreign currency translation differences	-	-	(335 174)	-	-	(335 174)
Total recognised income and expenses	-	-	(335 174)	3 187 158	-	2 851 984
Issue of share capital	340 090	1 335 130	-	-	-	1 675 220
Balance at 31 March 2008	340 090	1 335 130	(335 174)	3 187 158	-	4 527 204
Balance at 1 April 2008	340 090	1 335 130	(335 174)	3 187 158	-	4 527 204
Profit for the year	-	-	-	7 839 522	-	7 839 522
Foreign currency translation differences	-	-	(1 082 113)	-	-	(1 082 113)
Total recognised income and expenses	-	-	(1 082 113)	7 839 522	-	6 757 409
Issue of share capital	34 501	9 734 865	-	-	-	9 769 366
Issue costs	-	(2 650 566)	-	-	-	(2 650 566)
Share option charge	-	-	-	667 074	-	667 074
Treasury shares	-	-	-	-	(177 276)	(177 276)
Dividends paid	-	(2 903 219)	-	-	-	(2 903 219)
Balance as 31 March 2009	374 591	5 516 210	(1 417 287)	11 693 754	(177 276)	15 989 992

MDM ENGINEERING GROUP LTD
CONSOLIDATED cash flow statement
for the year ended 31 March 2009

	Year	16 Months			
	Ended	Ended			
	31 March	31 March			
	2009	2008			
Notes	US\$	US\$			
Cash flows from operating activities	5 786 240	4 101 398			
Cash generated by operations	20 <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">5 786 240</td><td style="width: 50px;">4 101 398</td></tr></table>	5 786 240	4 101 398	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">4 101 398</td></tr></table>	4 101 398
5 786 240	4 101 398				
4 101 398					
Cash flows from investing activities	1 132 080	(203 443)			
Disposal / (acquisition) of property, plant and equipment	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">275 308</td><td style="width: 50px;">(224 704)</td></tr></table>	275 308	(224 704)	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">(224 704)</td></tr></table>	(224 704)
275 308	(224 704)				
(224 704)					
Acquisition of intangible asset	-	(61 564)			
Net interest received	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">856 772</td><td style="width: 50px;">82 825</td></tr></table>	856 772	82 825	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">82 825</td></tr></table>	82 825
856 772	82 825				
82 825					
Cash flows from financing activities	3 419 243	1 248 984			
Net proceeds received on shares issued	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">9 769 366</td><td style="width: 50px;">1 675 220</td></tr></table>	9 769 366	1 675 220	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">1 675 220</td></tr></table>	1 675 220
9 769 366	1 675 220				
1 675 220					
Costs directly related to issue of shares	(2 650 566)	(426 236)			
Purchase of treasury shares	(177 276)	-			
Dividends paid	(2 903 219)	-			
Long term loans repaid	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">(619 062)</td><td style="width: 50px;">-</td></tr></table>	(619 062)	-	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 50px;">-</td></tr></table>	-
(619 062)	-				
-					
Net increase in cash and cash equivalents	<hr style="border-top: 1px solid black;"/> 10 337 563	<hr style="border-top: 1px solid black;"/> 5 146 939			
Foreign exchange differences	(1 517 188)	-			
Cash and cash equivalents at the start of the year/period	5 146 939	-			
Cash and cash equivalents at end of year/period	<hr style="border-top: 1px solid black;"/> 13 967 314	<hr style="border-top: 1px solid black;"/> 5 146 939			

1 Basis of preparation

The financial information set out in this preliminary statement does not constitute the group's financial statements for the year ended 31 March 2009, but is derived from those financial statements. The auditors have reported on these financial statements and have issued an unqualified report.

2 Conformity with International Finance Reporting Standards ("IFRS")

The preparation of the financial statements is in conformity with IFRS and requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements.

3 Property, Plant and Equipment

Building

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Cost	-	595 916
Accumulated depreciation	-	-
Net book value	-	595 916

Computer equipment

Cost	340 099	176 233
Accumulated depreciation	(111 240)	(21 728)
Net book value	228 859	154 505

Furniture and fittings

Cost	103 511	56 065
Accumulated depreciation	(22 637)	(9 418)
Net book value	80 874	46 647

Lease improvements

Cost	62 296	10 100
Accumulated depreciation	(8 258)	(1 852)
Net book value	54 038	8 248

Motor vehicles

Cost	77 267	50 052
Accumulated depreciation	(17 361)	(6 036)
Net book value	59 906	44 016

Office equipment

Cost	36 373	8 558
Accumulated depreciation	(5 949)	(1 279)
Net book value	30 424	7 279

Plant and equipment

Cost	4 680	2 610
Accumulated depreciation	(1 339)	(609)
Net book value	3 341	2 001

Property, plant and equipment

Aggregate cost	624 226	899 534
Aggregate accumulated depreciation	(166 784)	(40 922)
Aggregate net book value	457 442	858 612

3 Property, Plant and Equipment (Continued)

2009	Net book value 1 April 2008	Additions	Disposals	Depreciation	Translation reserve	Net book value 31 March 2009
Building	595 916		(545 734)	-	(50 182)	-
Computer Equipment	154 505	199 329	(2 886)	(89 512)	(32 577)	228 859
Furniture and fittings	46 647	63 154	(4 866)	(13 219)	(10 842)	80 874
Lease improvements	8 248	61 921	(4 409)	(6 406)	(5 316)	54 038
Motor vehicles *	44 016	36 043	-	(11 325)	(8 828)	59 906
Office equipment	7 279	31 367	(338)	(4 670)	(3 214)	30 424
Plant and equipment	2 001	2 524	-	(730)	(454)	3 341
Total	858 612	394 338	(558 233)	(125 862)	(111 413)	457 442

2008	Net book value 1 April 2007	Additions	Disposals	Depreciation	Translation reserve	Net book value 31 March 2008
Building	595 916	-	-	-	-	595 916
Computer Equipment	176 233	-	-	(21 728)	-	154 505
Furniture and fittings	56 065	-	-	(9 418)	-	46 647
Lease improvements	10 100	-	-	(1 852)	-	8 248
Motor vehicles *	50 052	-	-	(6 036)	-	44 016
Office equipment	8 558	-	-	(1 279)	-	7 279
Plant and equipment	2 610	-	-	(609)	-	2 001
Total	899 534	-	-	(40 922)	-	858 612

- All motor vehicles are encumbered (refer to note 12)

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
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4 Intangible Assets

Designs and Processes

Balance at the beginning of the year/period	54 382	-
Acquisitions	-	61 564
Amortisation	(5 638)	(7 182)
Translation difference	(8 057)	-
Balance at the end of the year/period	<u>40 687</u>	<u>54 382</u>

5 Deferred Tax

Deferred tax assets

Temporary timing differences	886 321	266 277
	<u>886 321</u>	<u>266 277</u>

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
5	Deferred Tax (Continued)	
	Reconciliation of deferred tax assets	
Balance at the beginning of the year/period	266 277	-
Deferred tax credited for the year/period	722 767	266 277
Translation difference	(102 723)	-
Balance at the end of the year/period	886 321	266 277

The above deferred tax assets have been recognized as management are of the opinion that the Group will generate adequate future profits against which these deferred tax assets can be reversed.

6	Trade and other receivables	
Trade receivables	6 901 126	1 817 975
Prepayments	118 601	512 478
Other	52 105	122 983
	7 071 832	2 453 436

7	Cash and cash equivalents	
Bank Balances	3 921 851	2 695 866
Short term deposits	10 038 252	2 447 565
Cash on hand	7 211	3 508
	13 967 314	5 146 939

Included in the cash and cash equivalents is a restricted amount of \$4 594 175 which is placed as performance guarantees with South African financial institutions against the Group's current execution projects.

8	Share capital	
	<i>Authorised</i>	
200 000 000 ordinary shares of USD 0.01 cents each	2 000 000	2 000 000
	<i>Issued</i>	
37 459 107 ordinary shares of USD 0.01 each issued and fully paid	374 591	340 090
Reconciliation of the number of shares outstanding:		
Opening balance	34 009 107	-
Shares issued	3 450 000	34 009 107
Closing balance	37 459 107	34 009 107

3 450 000 ordinary shares were issued at 145 pence per share as part of the Company's initial public offering on AIM on 12th May 2008

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
9 Share premium		
Opening balance	1 335 130	-
Proceeds on shares issued	9 734 865	-
Expenses on shares issued	(2 650 566)	1 335 130
Dividends paid	(2 903 219)	-
Closing balance	<u>5 516 210</u>	<u>1 335 130</u>

The share premium represents the amount above the par value less any costs associated with the shares issued and any dividends paid.

Under the BVI Business Companies Act 2004 ("the Act") and the memorandum and articles of association of the Company, the share premium can, subject to the solvency requirements of the Act, be used for distribution purposes. The Company has chosen to apply the share premium to dividend payments made in the year.

10 Treasury shares		
Opening balance	-	-
Acquisitions	177 276	-
Closing balance	<u>177 276</u>	<u>-</u>

At the annual general meeting held on 4th November 2008 the company was authorised to purchase its own shares. In March 2009 the company bought back a total of 200 000 shares at a price of 62 pence per share. These shares are currently held as treasury shares.

11 Foreign currency translation reserve		
Opening balance	335 174	-
Translation loss for the year/period	1 082 113	335 174
Closing balance	<u>1 417 287</u>	<u>335 174</u>

The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign operations that do not have a US\$ functional currency.

12 Interest bearing liability		
Instalment sales:	31 280	27 270
Amount owing	55 768	49 829
Less: amount payable within 1 year included in current liabilities	(24 488)	(22 559)

The instalment sales bear interest at South African prime bank overdraft rate, plus a margin. These rates currently range from 13% to 14.775% depending on the structure of the agreement.

The loans are secured by motor vehicles with a book value of USD59 906. The loans are repayable in monthly instalments of USD2 552, exclusive of interest. Refer to note 3 for details of the assets pledged.

Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
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12 Interest bearing liability (Continued)

Bond for building:

Amount owing

Less: amount payable within 1 year included in current liabilities

-	593 888
-	625 002
-	(31 114)

The facility carried interest at South African prime bank overdraft rate, minus 1%. The rate was 14.5%. Security was provided by MJ Nunn and GSJ Bennett in equal portions of USD307 821 and USD615 642 by Foneworx Holdings Ltd. The facility was repayable over 120 months in monthly instalments of USD5 519, exclusive of interest.

The building was sold on the 30th of June 2008 and the bond assumed by the purchaser.

31 280	621 158
24 488	53 672
31 280	621 158
55 768	674 830

Due in less than 1 year

Due later than one year but not later than 5 years

Total interest bearing liability

13 Trade and other payables

Trade payables

Other payables

Accruals

2 067 106	864 877
958 211	244 481
989 280	450 692
4 014 597	1 560 050

14 Provisions

Bonuses

Opening Balance

Provided for the year/period

Utilised for the year/period

Translation difference

Closing Balance

403 834	-
829 966	403 834
(419 828)	-
(126 027)	-
687 945	403 834

Bonus provisions are made up of leave pay bonuses as well as project completion bonuses. Leave pay bonuses are paid in December every year whereas project completion bonuses at this point will be paid once a project has been completed successfully.

Leave pay bonuses are provided for on a monthly basis whereas project completion bonuses are provided as a percentage of margins earned during the life of a project.

		Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
15	Net financing income		
	Interest income	894 834	140 536
		<u>894 834</u>	<u>140 536</u>
16	Net financing expense		
	Interest expense	38 062	57 711
		<u>38 062</u>	<u>57 711</u>
17	Profit before taxation		
	Profit before taxation is stated after charging :		
	Amortisation	5 638	7 182
	Auditors remuneration - audit services	93 599	70 703
	Auditors remuneration - non audit services	9 516	134 855
	Consulting fees	38 376	23 191
	Depreciation	125 862	40 922
	Operating lease expenses	221 594	154 748
	Total employee costs	3 024 067	1 918 372
	Share based payments	667 074	-
	Exchange rate differences	923 713	-
	And after crediting:		
	Exchange rate differences	-	49 368
18	Taxation		
	South Africa normal - current	4 463 806	1 608 483
	- deferred	(722 767)	(266 277)
		<u>3 741 039</u>	<u>1 342 206</u>
	Statutory Tax rate	28%	29%
	Permanent differences :		
	Non-deductible expenses	4.61%	0.9%
	Non-taxable income	(0.64%)	(0.88%)
	Capital gains tax	0.32%	0.44
	Effective tax rate	<u>32.29%</u>	<u>29.46%</u>

Basic and diluted earnings per share

Basic earnings per share is based on the Group's net profit for the year/period attributable to equity shareholders divided by the weighted average number of ordinary shares in issue during the year/period.

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Net profit attributable to equity holders	7 839 522	3 187 158
Basic earnings	7 839 522	3 187 158
Basic weighted number of ordinary shares	37 062 121	24 624 165
Diluted weighted number of ordinary shares	40 578 985	24 624 165
Basic earnings per share (US cents)	21.15	12.94
Diluted earnings per share (US cents)	19.32	12.94
Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:		
Basic weighted average number of ordinary shares	37 062 121	24 624 165
Dilutive effect of weighted average share options	3 516 864	-
Diluted weighted average number of ordinary shares	40 578 985	24 624 165

Note to the cash flow statement

Cash generated by operations		
Profit before taxation	11 580 561	4 529 364
Depreciation and amortisation	131 500	48 104
Provisions	829 966	-
Share based payments	667 074	-
Net interest received	(856 772)	(82 825)
Taxation paid	(4 402 240)	-
Foreign currency translation adjustment	-	(329 929)
	7 950 089	4 164 714
Working capital changes	(2 163 849)	(63 316)
Trade and other receivables	(4 618 396)	(2 027 200)
Trade and other payables	2 454 547	1 963 884
Cash generated by operations	5 786 240	4 101 398

On the 30th April 2008, the company adopted the Group Global Share Option Plan ("Plan Options"), to allow individuals to be granted the right to acquire ordinary shares in the company. The Board may grant options under the Plan Options to any director, employee of the Group or consultants and contractors providing services to the Group selected by the Board. Plan Options may be granted by the Board at any time when dealing in the ordinary shares is not restricted by law, regulation or applicable guidelines.

Options may be exercised over a period of three years, calculated from the first anniversary of the granting of the options and in three equal tranches, with the Plan Options lapsing on the fifth anniversary of the grant date. A maximum of 15% of the company's issued ordinary shares in any 10 year period when added to any other options granted under all group employee share schemes and similar share option agreements are available under the scheme.

The number and weighted average exercise price of the share options is as follows:

2009 Share Options

	Weighted average exercise price (pence/share)	Number of options
Outstanding at the beginning of the year	-	-
Granted during the year	129	3 661 000
Forfeited during the year	145	(55 000)
Exercised during the year	-	-
Outstanding at the end of the year	127	3 606 000
Exercisable at the end of the year	-	-

Options granted during the year	Number of options	Option Price Pence	Fair Value - Pounds
12 May 2008	2 721 000	145	3 945 450
12 May 2008	750 000	58	435 000
1 October 2008	90 000	146.5	131 850
20 October 2008	100 000	146.5	146 500
Total	3 661 000		4 658 800

The options outstanding at 31 March 2009 have an exercise price in the range of 58 pence to 146.5 pence and a weighted average contractual life of 4.06 years. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is calculated using the Black-Scholes model. Options are stated in Pounds sterling as the company is listed on the AIM market of the London Stock Exchange.

The fair values were calculated using the Black and Scholes option pricing model. The inputs into the model were as follows:

Share Price	58p – 147p
Exercise Price	58p – 147p
Expected volatility	30%
Expected life (years)	4 – 5 years
Risk-free rate (%)	4.5%
Expected dividend yield (%)	7%

The Group recognised total expenses of USD 667 074 (2008: USD nil) related to equity share-based payment transactions during the year.

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of equity balances. The Group's overall strategy remains unchanged from 2008.

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Capital Risk Management		
Interest bearing debt	(55 768)	(674 830)
Cash and cash equivalents	13 967 314	5 146 939
Net funds	13 911 546	4 472 109
Equity	15 989 992	4 527 204

Categories of Financial Instruments

Financial Assets

Cash and cash equivalents	13 967 314	5 146 939
Receivables	7 071 832	2 453 436

Financial Liabilities

At amortised cost	4 070 365	2 234 880
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In the opinion of the directors, the fair value of all financial instruments are not materially different from their book values at year/period end.

Cash and cash equivalents all have a maturity of less than 3 months. Financial liabilities repayable within 1 year amount to \$4 039 085 and the balance of \$31 280 is repayable after the 1 year period.

Financial Risk Management objectives

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of any allowances for doubtful receivables of \$nil (2008: \$ nil), estimated by the Group's management based on the current economic environment and the payment track records. The Group has amounts from major customers that represent more than 80% of the trade receivables balance. The Group does not consider this to be a significant credit risk as the specific counterparties receivable balance is current.

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Trade Receivables past due but not impaired		
Current trade receivables	4 759 344	1 697 872
Amounts in 30 to 60 days	584 503	67 416
Amounts in 60 to 90 days	364 633	52 687
Amounts in 90 days +	1 192 646	-
Total	6 901 126	1 817 975

Market risk

The Group's activities expose it primarily to risk in changes to commodity prices. The risk of these changes is that possible execution by potential clients in the market are slowed down, postponed or stopped until such time that the commodity market recovers. Currently the Group has adequate execution projects, to negate this as an immediate risk. Management through active marketing look to further reduce this risk on the Groups business.

Foreign currency risk

The Group undertakes certain transactions in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters. The impact on profit and loss should there be a 10% movement on currency is \$340 703.

Further to the above the Group operates a foreign operation with a functional currency of ZAR and a 10% movement on the currency will have a \$ 122 538 impact on equity.

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Cash and cash equivalents are held in the following currencies:		
US Dollars	1 222 130	1 706 573
Euros (Euro:US\$ = 1.2677)	3 808 375	-
AUS Dollars (AUS \$: US\$ - 1.4448)	45 576	-
South African Rand (R: US\$ = 9.6266)	8 891 233	3 440 366
	13 967 314	5 146 939
	13 967 314	5 146 939

Interest rate risk

The Group is exposed to interest rate risk as entities within the Group borrow funds at floating interest rates. Management however believe this amount to be immaterial due to the value of the interest bearing debt on the balance sheet.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Directors emoluments**Executive directors**

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
Emoluments	607 696	374 842
Share based payment	469 283	-
Total	1 076 979	374 842
	1 076 979	374 842

Non-executive directors

Fees	81 000	38 500
Share based payment	35 640	-
Total	116 640	38 500
Total	1 193 619	413 342

23 Directors Emoluments (Continued)

Individual director's emoluments

Executive	Basic Salary	Bonuses	Vehicle Allowances	Total	Total
Mr G Lowman	240 000	20 000	-	260 000	239 713
Mr G Bennett	240 000	20 000	-	260 000	135 129
Mr D C de la Roche *	65 159	19 458	3 079	87 696	-
Total	545 159	59 458	3 079	607 696	374 842

Non-executive	Fees for Services	Total	Total
Mr W Nairn #	48 000	48 000	-
Mr M Summers	33 000	33 000	38 500
Total	81 000	81 000	38 500

*Appointed, effective 20 October 2008

#Appointed, effective 1 April 2008

2009 Share Options	Total 1 April 2008	Options granted	Options Exercised	Average option price pence	Total 31 March 2009
Mr G Lowman	-	1 250 000	-	92.80	1 250 000
Mr G Bennett	-	600 000	-	145.00	600 000
Mr DC de la Roche	-	100 000	-	146.50	100 000
Mr M Summers	-	250 000	-	145.00	250 000
Total	-	2 200 000	-		2 200 000

Directors' interest in shares

As at the 31 March 2009, none of the directors held any shares in the capital of MDM Engineering Group Limited, other than Mr Bill Nairn who held 75 000 ordinary shares (2008: nil)

The directors are the only key management of the Group.

24 Related parties

The Group paid consulting fees of US\$24 239 (2008: US\$45 605) to Amari Services (Pty) Limited, a company associated with the major shareholder.

The Group paid rent of US\$76 590 (2008: US\$126 743) to Four Rivers Trading 123 (Pty) Ltd. Mr MJ Nunn, an indirect shareholder and MR GSJ Bennett, a director and indirect shareholder, provided security to the company as detailed in note 12.

The remuneration of directors is determined by the Remuneration Committee having regard to their performance and market trends. The remuneration of the directors is disclosed under note 23.

25 Post Balance sheet events

There are no significant events between 31 March 2009 and the date of this report.

26 Group Entities

Name	Country of incorporation	Ownership	Principle activity
MDM Technical Africa (Pty) Limited	South Africa	100%	Mineral process engineering
MDM Engineering International Limited	British Virgin Islands	100%	Mineral process engineering
MDM Engineering Projects International Limited	British Virgin Islands	100%	Mineral process engineering

During the year the Group sold its 50% holding in Four Rivers trading 123 (PTY) Ltd, a joint venture property company.

27 Operating lease commitments

	Year Ended 31 March 2009 US\$	16 Months Ended 31 March 2008 US\$
The Group has entered into a lease commitment to rent premises. The breakdown of the future commitment is as follows:		
0 – 1 year	216 906	-
1 – 5 years	1 081 212	-
5 years and beyond	448 130	-
Total	1 746 248	-

28 Exchange rates

The exchange rates used in converting the financial information of subsidiaries from the functional currency of ZAR to the presentation currency are as follows

year/period end rate	9.6266	8.1216
year/period average rate	8.8684	7.1455

29 Dividends paid and proposed

During the year the following dividends were paid and proposed:

- A final dividend of US 4 cents per share, amounting to US\$ 1 498 502 paid in respect of the 16 month period ended 31 March 2008.
- An interim dividend of US 3.75 cents per share, amounting to US\$1 404 717 paid in respect of the 6 month interim period to 30 September 2008.
- A final dividend of US 7.5 cents per share, amounting to US\$ 2 809 433 has been declared in respect of the year ending 31 March 2009.