4Q 2016 OPERATIONS REVIEW

MDL's primary asset is a 50% interest in the TiZir joint venture ('TiZir'), which owns the Grande Côte mineral sands operation ('GCO') in Senegal, West Africa and the TiZir Titanium & Iron ilmenite upgrading facility ('TTI') in Tyssedal, Norway. ERAMET of France is MDL's 50% joint venture partner in TiZir.

KEY POINTS

- GCO achieved multiple quarterly production records including:
  - Heavy mineral concentrate production
  - Total ore tonnes mined
  - Zircon, rutile and leucoxene production
- Mine optimisation study completed
- Mine optimisation initiatives well advanced, illustrated by record dredge and wet concentrator plant utilisation
- Second successive quarter of positive free cash flow and first annual positive free cash flow recorded at GCO
- TTI furnace restart ahead of schedule on 7 January 2017
- NOK305 million (approx. US$35 million) TTI insurance claim settled and outstanding monies received

GCO

Heavy mineral concentrate production of 194.1kt was considerably higher than previous 2016 quarters and set a new record for the operation.

Mine optimisation initiatives at GCO delivered record utilisation across the mine. Further improvements in operational performance are expected as initiatives centred on utilisation, throughput and recovery are delivered.

A mine optimisation study was completed, analysing the mine plan to: optimise cash flow, maximise recovery of Resources and enhance future profitability.

The mineral separation plant continued to deliver record monthly results as a consequence of the mine production increase and positive impacts of key optimisation projects successfully completed in 2016, reflected in the achievement of quarterly production records for zircon, rutile and leucoxene. In particular, the commissioning of an up current classifier and belt filter into the production process during 2Q and 3Q 2016 resulted in an increase in zircon yields of around 10% in 4Q 2016.

GCO has now operated for over 3.2 million man hours without a lost time incident ('LTI'), with the last LTI occurring on 17 December 2015.

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GCO production volumes

100% basis		4Q 2015	1Q 2016	2Q 2016	3Q 2016	**4Q 2016**	CY 2015	**CY 2016**
Mining								
Ore mined	(kt)	11,033	9,583	10,291	8,071	**11,258**	34,759	**39,203**
Heavy mineral concentrate produced	(kt)	188.7	140.7	138.9	140.0	**194.1**	632.9	**613.7**
Finished goods production								
Ilmenite	(t)	126,433	107,181	92,783	96,503	**119,882**	427,690	**416,249**
Zircon	(t)	13,614	10,713	13,608	11,844	**16,462**	45,248	**52,627**
Rutile & leucoxene	(t)	1,353	1,906	2,524	2,192	**3,042**	5,311	**9,664**

GCO sales volumes

100% basis		4Q 2015	1Q 2016	2Q 2016	3Q 2016	**4Q 2016**	CY 2015	**CY 2016**
Sales volume								
Ilmenite	(t)	138,958	65,001	118,649	84,857	**142,408**	420,417	**410,915**
Zircon	(t)	11,742	9,661	12,758	14,721	**15,961**	41,855	**53,101**
Rutile & leucoxene	(t)	1,379	1,740	2,300	2,620	**2,159**	4,611	**8,819**

GCO achieved its third successive quarter of record total zircon sales volumes in 4Q 2016 as sales volumes increased in line with increased production volumes.

Ilmenite sales for 4Q 2016 exceeded production as a result of shipment timing during the quarter, however, overall annual production volumes were consistent with annual sales volumes for the second consecutive year. As a result of the furnace reline being undertaken at TTI, the majority of shipments during the quarter were to external customers. While TTI is in ramp up phase, excess inventory sales are planned to external customers in accordance with expected production levels.

GCO achieved its second consecutive quarter of positive cash flows in 4Q 2016 as a result of increasing sales volumes, the ongoing impact of cost reduction initiatives and working capital management. Further, GCO was cash flow positive for 2016, representing the first year of annual positive cash flows for the operation since commencement of production in 2014.

Grande Côte mineral sands operation, Senegal, West Africa

TTI

After taking delivery of the furnace lining in mid-December 2016, the relining of the furnace and preparations for return to operations have progressed ahead of plan. The furnace was restarted on 7 January 2017 and ramp up to commercial volumes is well underway.

Shipments of chloride slag are expected to resume in early April.

TTI has agreed with its insurer a full and final settlement of NOK305 million (US$35 million based on a USD/NOK exchange rate of 8.65) pertaining to the incident that occurred at TTI on 15 August 2016, resulting in damage to, and the extended shutdown of, the furnace. As previously disclosed, the insurance company has been advancing funding to TTI to assist with financing requirements for the repair of the furnace. Outstanding funds were received prior to the end of 2016 in final settlement of this claim.

TTI physical volumes

100% basis		4Q 2015	1Q 2016	2Q 2016	3Q 2016	**4Q 2016**	CY 2015	**CY 2016**
Titanium Slag								
Produced	(kt)	-	34.8	44.2	24.6	-	106.8	**103.6**
Sold	(kt)	26.0	31.2	50.2	36.5	**3.9**	131.7	**121.8**
High Purity Pig Iron								
Produced	(kt)	-	14.1	17.8	10.6	**-**	59.2	**42.6**
Sold	(kt)	4.3	9.9	20.5	13.2	**3.7**	64.6	**47.3**

Note: 4Q 2015 and 4Q 2016 production performance was impacted respectively by the furnace reline and capacity expansion project in 2015 and repairs following an operational incident in August 2016.

TiZir Titanium & Iron ilmenite upgrading facility, Tyssedal, Norway

MARKETS

The market for titanium dioxide pigment remained strong throughout the quarter. A tight inventory situation, together with ongoing strength in pigment demand, led to increasing sales volumes by global pigment producers which were accompanied by a series of price increases during 2016. Further price increases have been announced effective 1 January 2017.

In China, ongoing environmental scrutiny has restricted mining and pigment operations, leading to lower inventories and numerous pigment price increases during 2016.

This positive sentiment has also flowed through to feedstock producers. High grade titanium feedstock producers have continued to idle capacity, curb development expenditure and reduce inventories, leading to a decrease in overall feedstock supply. As a result, the outlook for chloride slag pricing continues to be positive, although potential excess capacity in the sector may limit the pace of any increase in the short term.

The zircon market remained relatively unchanged throughout the quarter, with demand and pricing remaining stable. Some major producers have already announced slight price increases for 1Q 2017 due primarily to the reduction of inventories in the sector. As with titanium dioxide, new environmental regulations have resulted in the need for a number of Chinese ceramic and chemical companies to upgrade their production processes to reduce emissions which may have an impact on levels of demand in the short-term.

Increased pricing for coal, iron ore and steel influenced the pig iron market throughout the quarter, leading to a small increase in the price of TTI’s high purity pig iron.

TIZIR

At 31 December 2016, external borrowings (excluding shareholder loans) by TiZir amounted to US$322.4 million, comprising the senior secured bonds (including accrued interest) due September 2017 and amounts drawn under TTI’s and GCO’s working capital facilities.

In relation to the abovementioned senior secured bonds, TiZir is currently working on its refinancing options.

TiZir’s cash and cash equivalents at 31 December 2016 were US$10.4 million, giving external net debt of US$312.0 million.

No financial contributions to TiZir were made by the joint venture partners in 4Q 2016.

OUTLOOK

Lower mine production levels are budgeted in 1Q 2017 compared to 4Q 2016 due to an upcoming 180 degree turnaround of the mine path which involves a crossover through low grade tailings. A key outcome of the mine optimisation study, outlined above, is a significant reduction in planned mine path crossovers and 180 degree turnarounds in the future.

During 1Q 2017, core operational activities include:

- continued advancement of optimisation initiatives in order to improve utilisation, throughput and recovery of the WCP
- implementation of further cost reduction initiatives
- ramp up of the relined furnace

MDL CORPORATE

As previously announced, MDL has a loan agreement with its joint venture partner ERAMET in relation to its 50/50 owned joint venture company TiZir Limited. As at 31 December 2016, the total amount owed plus accrued interest was US$13.8 million. Of this amount, US$7.5 million was payable by MDL on or before 31 December 2016, with the remaining balance payable on or before 31 March 2017.

Under the terms of the TiZir Shareholders Agreement, should MDL elect not to repay this loan by the respective due dates then ERAMET is entitled to dilute MDL’s equity in the TIZIR joint venture. Any dilution would take place based on a formula that calculates the equity value of TiZir using valuations contained in the most recent TiZir balance sheet. A dilution based on the amount due on 31 December 2016 would have resulted in MDL’s share of the TiZir joint venture falling from 50% to approximately 48.5%.

In respect of the payment due on 31 December 2016, ERAMET informed MDL that it would not seek to dilute MDL’s interest on the due date. As ERAMET did not provide a revised due date in respect of this loan, the loan will continue under the same terms and conditions as specified under the Shareholders Agreement including an effective interest rate of USD Libor plus 7%.

MDL corporate position as at 31 December 2016:

- issued shares were 103,676,341
- unlisted, unvested performance rights totalled 1,170,000
- cash was US$4.9 million (approx. A$6.7 million)
- secured debt of US$13.9 million

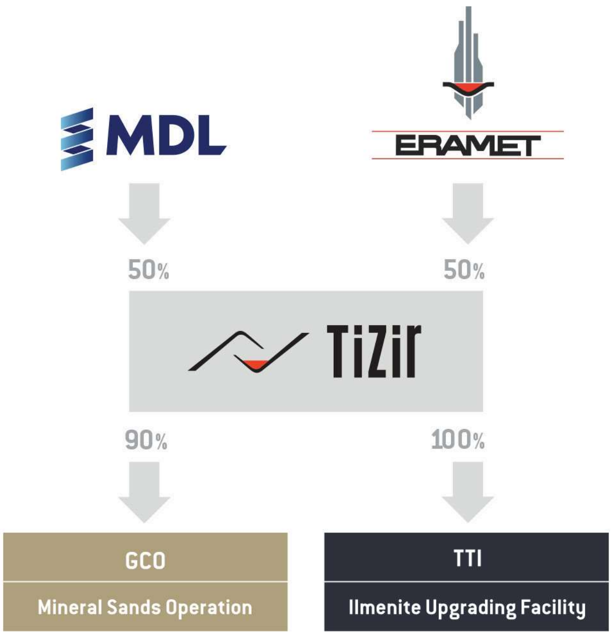
ABOUT MDL

Mineral Deposits Limited (ASX: MDL) is an Australian based mining company in the business of mining, integrating and transforming mineral sands resources.

MDL owns 50% of the TiZir joint venture in partnership with ERAMET of France. The TiZir joint venture comprises two integrated, operating assets – the Grande Côte mineral sands operation ('GCO') in Senegal, West Africa and the TiZir Titanium & Iron ilmenite upgrading facility ('TTI') in Tyssedal, Norway.

GCO is a large-scale, cost competitive mineral sands operation located in Senegal that is fully integrated from mine-to-ship, using owned or controlled infrastructure. GCO commenced mining activities in March 2014 and, over an expected mine life of at least 25 years, will primarily produce high quality zircon and ilmenite. A majority of GCO's ilmenite is sold to TTI. GCO also produces small amounts of rutile and leucoxene.

TTI upgrades GCO ilmenite to produce high quality titanium feedstocks, primarily sold to pigment producers, and a high-purity pig iron, a valuable co-product, which is sold to ductile iron foundries. TTI benefits from access to cheap and clean power, and excellent logistics, in particular, year-round shipping capacity and customer proximity.



Forward looking statements

Certain information contained in this report, including any information on MDL's plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute forward-looking statements.

Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. MDL cautions that such 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. These factors include the inherent risks involved in mining and mineral processing operations, exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of zircon, ilmenite and other key inputs, changes in the regulatory environment and other government actions, changes in mine plans and other factors, such as business and operational risk management, many of which are beyond the control of MDL.

Except as required by applicable regulations or by law, MDL does not undertake any obligation to publicly update, review or release any revisions to any forward-looking statements to reflect new information, future events or circumstances after the date of this report.

Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell MDL securities.

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