APPENDIX 4E (RULE 4.3A)
FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Expressed in United States Dollars unless otherwise stated

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All comparisons to the year ended 31 December 2015

This information should be read in conjunction with the attached 2016 consolidated annual report of Mineral Deposits Limited.

		Change %		Amount $'000
Revenue from ordinary activities	up	49.2	to	5,228
Loss from ordinary activities after tax attributable to equity holders of the parent	down	35.5	to	(27,123)
Loss for the period attributable to equity holders of the parent	down	35.5	to	(27,123)

Commentary on the results for the year ended 31 December 2016

For commentary on the results for the year ended 31 December 2016, please refer to the attached annual report.

Net tangible assets per ordinary share

	31 Dec 2016	31 Dec 2015
Net tangible asset backing per ordinary share (cents)	234.57	258.64

Controlled entities acquired or disposed of

There were no controlled entities acquired or disposed of during the period ended 31 December 2016.

Details of joint venture entities

		31 Dec 2016	31 Dec 2015
Ownership interest held in TiZir Limited	%	50	50
Contribution to net loss (refer note 11 – Investment in Joint Venture)	$'000	(31,893)	(46,325)

Additional Appendix 4E disclosure requirements and commentary can be found in the accompanying annual report for the year ended 31 December 2016.

This Appendix 4E report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu.

ANNUAL REPORT 2016

MINE > INTEGRATE > TRANSFORM

MDL

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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. Forward-looking statements can generally be identified by the use of forward-looking words, such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Forward-looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance.

Forward-looking 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, financing risks, 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. There can be no assurance that actual outcomes will not differ materially from these statements.

Past performance information given in this report is given for illustrative purposes only and is not necessarily a guide to future performance. No representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecast. Nothing contained in this report is, or shall be relied upon as, a promise, representation, warranty or guarantee as to the past, present or future performance 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.

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


INTEGRATION OF OPERATIONS
TTI producing from GCO ilmenite
SUCCESSFUL IMPLEMENTATION
of expansion and upgrade project at TTI


GCO LTI FREE
POSITIVE EBITDA
for TiZir of $24.1 million


Record utilisation & production levels at GCO
1ST year
positive cash flows at GCO

CHAIRMAN'S REPORT

'...your company is competitively positioned to take advantage of any commodity price recovery'

Fellow Shareholders,

While it has been a productive year for your company, with significant milestones achieved at both the Grande Côte mineral sands operation ('GCO') in Senegal and the TiZir Titanium & Iron ilmenite upgrading facility ('TTI') in Tyssedal, Norway, the year has not been without challenges.

The severe downturn in the prices of the commodities we sell and the incident at TTI impacted our operations and our cash flows. As I write this letter, however, the outlook across the commodity spectrum and, in particular, the mineral sands space has improved significantly. In addition, I am pleased to report that TTI is again operational after completion of repairs and ramp up to full capacity is underway.

Our teams performed at a pleasing level under considerable pressure in 2016 and it is great to see their efforts rewarded with positive operational achievements. At GCO, we focused on areas that would deliver enhanced operational performance and, as a result, the operation is now performing to expectations. In Norway, the team performed well under challenging circumstances, bringing the facility back on line ahead of schedule and ramping up as planned.

TiZir recorded a positive EBITDA for 2016 of $24.1 million – an acceptable result given the commodity price weakness that prevailed during the year and TTI's production status. Further, 2016 represented the first full year of positive cash flows for GCO. These results provide a platform from which your company can grow future profitability through increasing cost efficiencies and realisation of synergistic benefits between GCO and TTI. It is notable that the operations achieved a positive financial result during a severe commodity price downturn and in doing so confirmed to us their status as world class assets.

Turning to each operation:

GCO

Our mineral sands operation in Senegal achieved an excellent safety result, completing 2016 without recording any lost time injuries ('LTI') – an outstanding achievement which reflects the approach that the operation takes to workplace safety and the dedication of the workforce to promoting a safety first culture and ensuring a safe working environment.

GCO achieved a number of sales and production records in 2016:

- Dredge throughput for a month (3.98 million tonnes), quarter (11.3 million tonnes) and year (39.2 million tonnes)
- Heavy mineral concentrate production for a quarter (194.1 thousand tonnes)
- Zircon production for a month (6.1 thousand tonnes), quarter (16.5 thousand tonnes) and year (52.6 thousand tonnes)
- Zircon sales for a month (7.3 thousand tonnes), quarter (16.0 thousand tonnes) and year (53.1 thousand tonnes)

These safety, production and sales records are the direct result of a number of key projects established by your company and its joint venture partner ERAMET, in conjunction with TiZir and GCO management. These projects, outlined below, focused on improving all aspects of the operation in order to allow GCO to achieve its potential to operate as a Tier 1 asset.

Safety – The joint venture partners completed a safety audit in February 2016 which resulted in a number of recommendations that were actioned in 2016.

Operations – A systematic review of the operating parameters of the dredge, wet concentrator plant ('WCP') and mineral separation plant ('MSP') was undertaken. At the mining operations, activities focused on increasing operational utilisation and consistency to maximise throughput and recovery of valuable heavy minerals. During the year a mine optimisation study focused on maximising cash flow and the efficient recovery of resources was completed. At the MSP, capital was spent on various initiatives including an up-current classifier and a belt filter to improve zircon recoveries. The strong operational result in the final quarter of 2016 is a reflection of the success of these projects.

Cost efficiencies – Various initiatives aimed at significantly decreasing GCO's operating cost base while maintaining high operational standards were established and implemented throughout 2016. These programs were successful in significantly reducing the cost base of the operation and further initiatives have been identified for 2017.

Management incentivisation – During the year GCO revised its remuneration policies. Following a thorough analysis of the key operating drivers, the remuneration structure of employees was revised in order to strengthen the link between operational performance and employee remuneration.

TTI

At our ilmenite upgrading facility, the successful restart and ramp up of the furnace following the 2015 furnace capacity expansion project completion saw first production of chloride slag in early January 2016, followed shortly thereafter by high purity pig iron. Ramp up exceeded expectations, with production rates achieved at the beginning of 3Q 2016 approximating expanded capacity targets.

However, an incident in August resulted in an extended production shutdown. With respect to this incident, prior to the end of 2016, TTI agreed a full and final settlement with its insurers. The financial impact of the shutdown was also softened by GCO successfully selling ilmenite that had been set aside for TTI to external customers, illustrating the competitiveness of GCO's products in the market.

Furnace repairs are now complete and ramp up to reach expanded capacity production targets is underway. Together with the improved operational performance at GCO, your company is competitively positioned to take advantage of any commodity price recovery.

Funding

While we will continue to focus on operations in 2017, in particular the ramp up at TTI and continued optimisation at GCO, the key focus for your company this year will be the financing of TiZir and MDL. TiZir is currently working on its refinancing options with respect to its senior secured bonds due in September 2017.

During 2016 ERAMET provided your company with short-term financing of $13.8 million (including accrued interest). Should MDL elect not to repay this funding, 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. In respect of the payment due on 31 December 2016, ERAMET informed MDL that it would not seek to dilute MDL's interest as a result of non-payment 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 (three months) plus seven percent.

Board succession

As foreshadowed in last year's Annual Report, I stepped down from my role as executive chairman at the 2016 annual general meeting to become non-executive chairman, while retaining my chairmanship of TiZir. Other board succession activities included the:

- retirement of David Isles, a long-serving director and major contributor to your company's successes over the years; and
- appointment of Rob Sennitt to the position of managing director.

Key audit outcomes

Your company recorded a loss for the year of \$27.1 million (2015 – loss of \$42.0 million), primarily as a result of our share of TiZir's operating losses and ongoing administration costs, offset by a gain on the disposal of MDL's investment in World Titanium Resources Limited and foreign exchange gains on cash balances. After recognising consecutive impairment charges against its investment in TiZir in 2014 and 2015, MDL has not recognised an impairment charge in 2016, representing the first year of integrated operations without an impairment charge.

Finally, 2016 represents the first year that the company's auditor is required to use the new 'enhanced' audit report. This audit report sets out the company's 'key audit matters', providing shareholders and potential investors with information which, in the opinion of the auditor, is of most significance to the audit and procedures undertaken to obtain sufficient audit evidence on these matters.

Outlook

In 2017 your company is focusing on:

- meeting TiZir's and MDL's financial obligations, including, from a TiZir perspective, refinancing the \$275 million corporate bond which matures in September 2017
- successful ramp up of TTI operations
- ongoing cost efficiencies and optimisation initiatives at both GCO and TTI
- capitalisation on synergistic benefits of asset integration

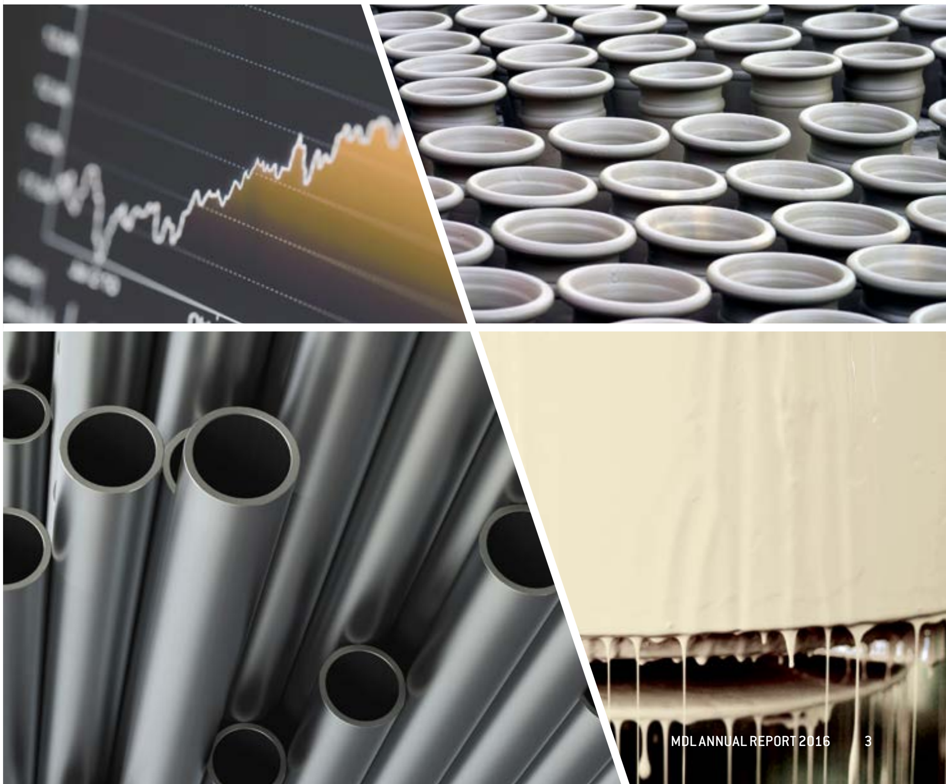
Positive market trends evidenced towards the end of 2016 are expected to continue throughout 2017, as inventory levels appear to have returned to equilibrium in the pigment sector and environmental regulation in China continues to limit ilmenite and pigment production. Pigment producers have announced several price increases since the end of 2015 and are currently enjoying healthy margins, which bodes well for the titanium dioxide feedstock market. The zircon market remains stable and TiZir continues to investigate sales strategies to maximise the return from its high-quality product.

I would like to take this opportunity to thank my fellow directors and our staff for their loyalty and significant contribution to the company over the past 12 months. I would also like to thank our shareholders, partners and stakeholders for their ongoing support.

Nic Limb
Chairman

'GCO achieved a number of sales and production records in 2016...'

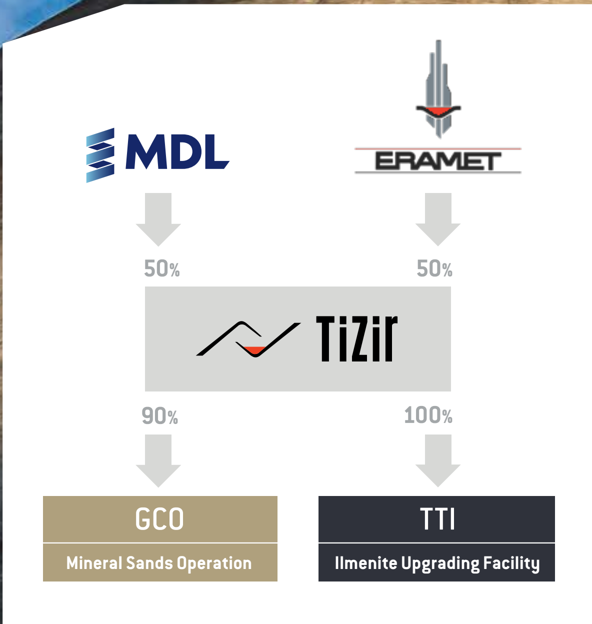
'Positive market trends evidenced towards the end of 2016 are expected to continue throughout 2017'



MDL AT A GLANCE

MDL is an established, ASX-listed, integrated mining company with a 50% equity interest in TiZir Limited ('TiZir').

The TiZir joint venture comprises two integrated, producing assets – GCO & TTI. The joint venture benefits from MDL's development expertise and mineral sands mining experience as well as ERAMET's broad expertise in mining, metallurgy, logistics, R&D and marketing.



WHY MDL?

- Well located, high-quality assets
- Vertical integration to maximise margins and minimise risk
- Significant leverage to improved markets
- Strategic market positioning
- Operational flexibility
- Substantial five year capital program complete
- Improving operational and financial performance of TiZir
- Partnership with ERAMET, a major global mining & smelting group

INTEGRATED ASSETS

GCO is a large-scale, cost competitive mineral sands operation that is fully integrated from mine-to-ship, using owned or controlled infrastructure. GCO produces high-quality zircon and ilmenite as well as small amounts of rutile and leucoxene.

TTI upgrades GCO ilmenite to produce high-quality titanium feedstocks and high-purity pig iron ('HPPI'). TTI benefits from access to cheap and clean power, and excellent logistics, in particular, year-round shipping capacity and customer proximity.

The joint venture product suite comprises: high-quality zircon; titanium feedstocks, which includes titanium minerals (ilmenite, rutile and leucoxene) and a high-grade titanium slag; as well as HPPI, which is a valuable co-product of the ilmenite upgrading process.

MINE > GCO

1 WET MINING – DREDGE & FLOATING CONCENTRATOR

Moving through mobile coastal dunes, the dredge extracts ore from the front of the dredge pond and pumps sand and water to the floating wet concentrator plant which separates heavy mineral concentrate ('HMC') from the lighter sand through a staged spiral gravity separation process.

2 PROCESSING TO SEPARATE MINERALS

Within the MSP, magnetic, electrostatic and gravity processes separate HMC into GCO's product streams: zircon, ilmenite, rutile and leucoxene.

3 POWER

An on-site 36MW power station gives GCO security of power supply.

4 RAIL

Using GCO's own locomotives and rolling stock, product is transported daily via GCO owned or controlled rail from the MSP to the port of Dakar.

5 PORT & SHIPPING

GCO has its own warehousing and ship loading facilities as well as secure mole access at Dakar port. Zircon is shipped to global customers, while the majority of GCO's ilmenite is shipped to TTI for upgrading.

INTEGRATE > TTI

6 INPUT

GCO ilmenite is ground in a ball mill, then screened and pelletised.

7 PRE-REDUCTION

In a rotary kiln the iron oxide is reduced within the pelletised ilmenite to achieve high metallisation of the iron.

8 SMELTING

The material is smelted in an electric arc furnace to extract iron, with everything else reporting to the titanium rich slag.

9 OUTPUTS

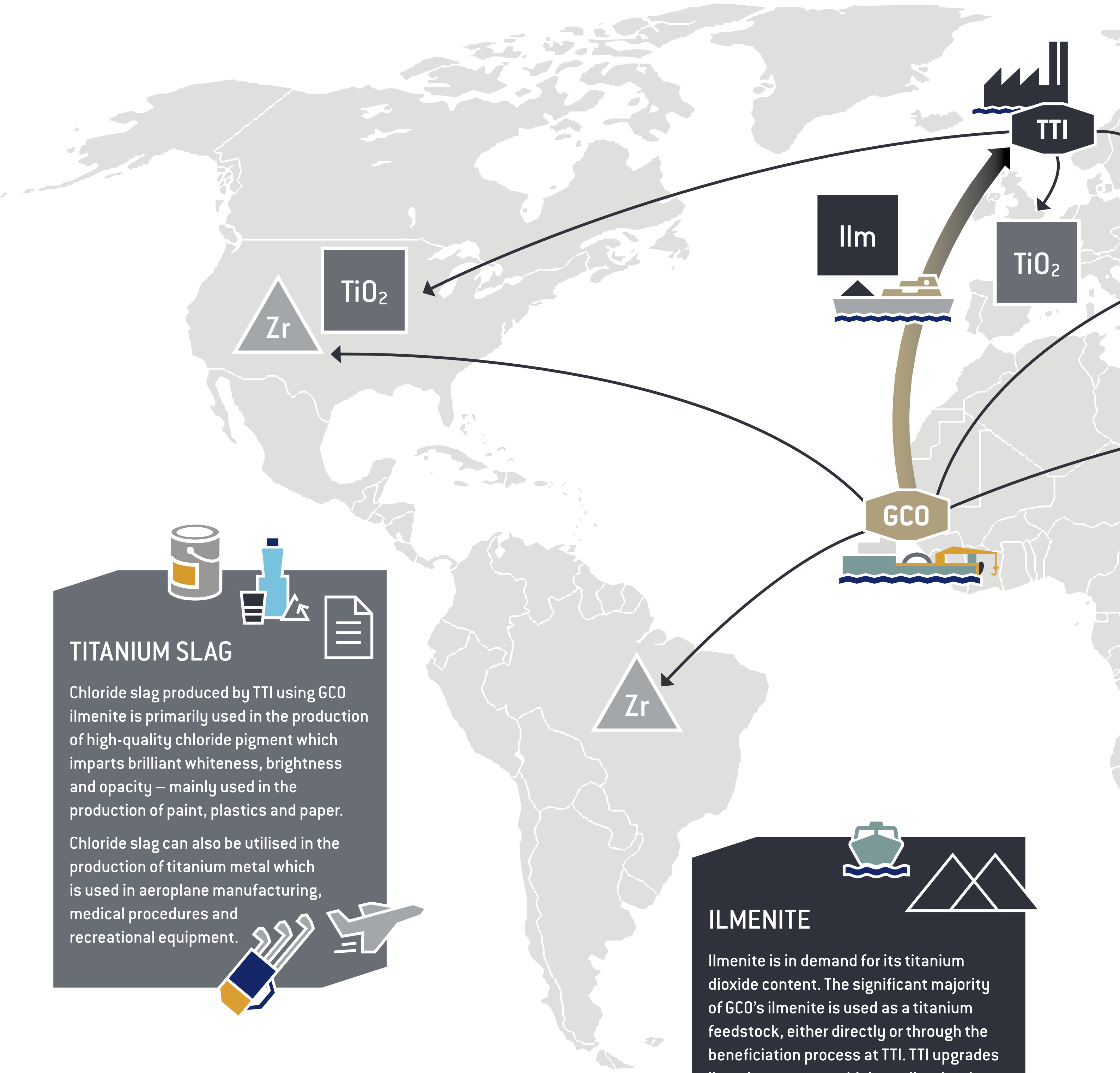
The titanium slag and iron is processed to obtain the required quality specifications.

10 CUSTOMERS

Titanium slag customers are primarily Western-based pigment producers, while a varied and large number of customers purchase TTI's HPPI.

TRANSFORM

PRODUCTS



TITANIUM SLAG

Chloride slag produced by TTI using GCO ilmenite is primarily used in the production of high-quality chloride pigment which imparts brilliant whiteness, brightness and opacity – mainly used in the production of paint, plastics and paper.

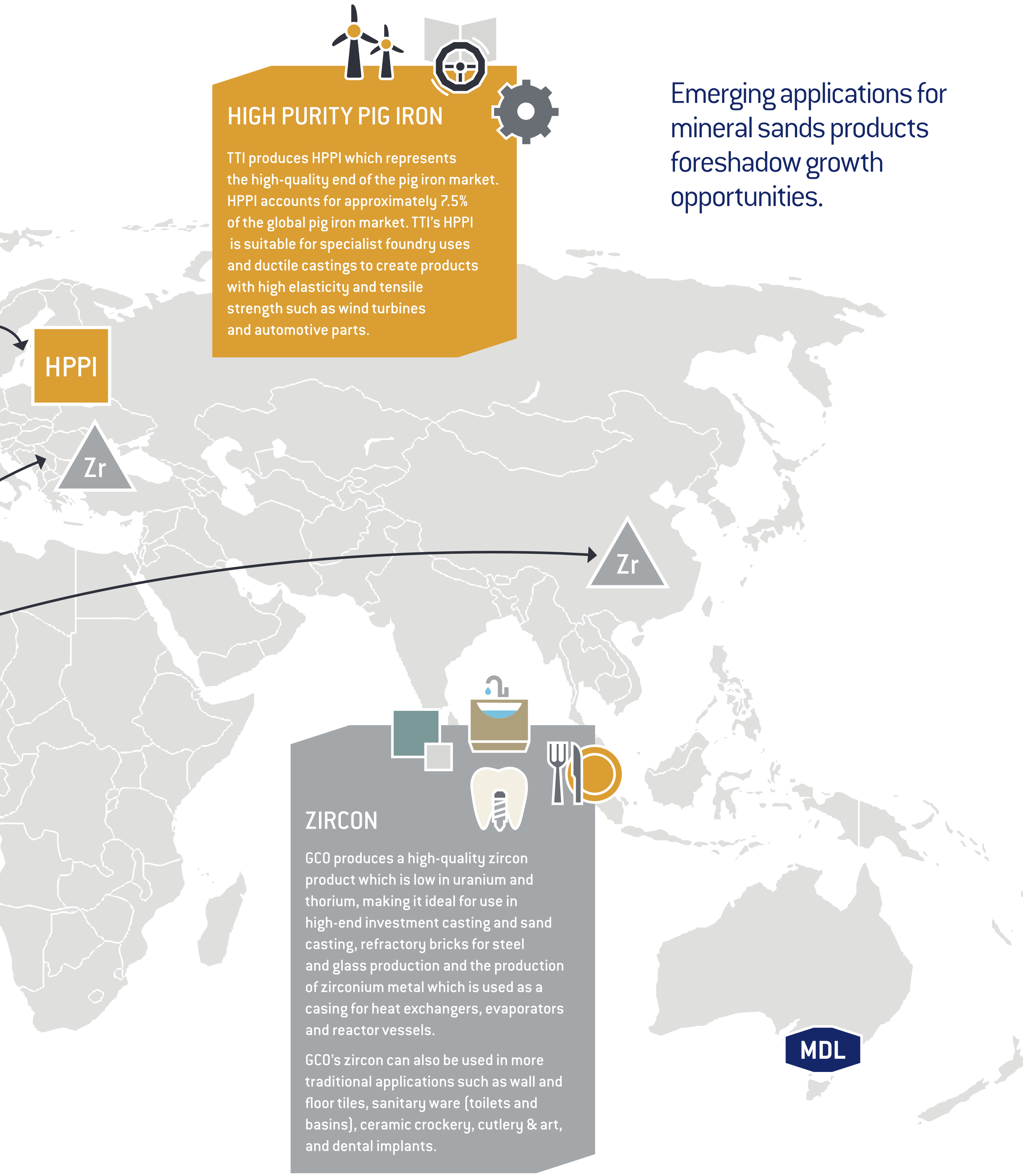
Chloride slag can also be utilised in the production of titanium metal which is used in aeroplane manufacturing, medical procedures and recreational equipment.

ILMENITE

Ilmenite is in demand for its titanium dioxide content. The significant majority of GCO's ilmenite is used as a titanium feedstock, either directly or through the beneficiation process at TTI. TTI upgrades ilmenite to create a high-quality titanium slag and HPPI.

Zircon and titanium feedstocks have physical and chemical properties which make them suitable for a wide range of industrial and domestic 'lifestyle' applications.

Emerging applications for mineral sands products foreshadow growth opportunities.



HIGH PURITY PIG IRON

TTI produces HPPI which represents the high-quality end of the pig iron market. HPPI accounts for approximately 7.5% of the global pig iron market. TTI's HPPI is suitable for specialist foundry uses and ductile castings to create products with high elasticity and tensile strength such as wind turbines and automotive parts.

ZIRCON

GCO produces a high-quality zircon product which is low in uranium and thorium, making it ideal for use in high-end investment casting and sand casting, refractory bricks for steel and glass production and the production of zirconium metal which is used as a casing for heat exchangers, evaporators and reactor vessels.

GCO's zircon can also be used in more traditional applications such as wall and floor tiles, sanitary ware (toilets and basins), ceramic crockery, cutlery & art, and dental implants.

Demand for mineral sands products generally correlates with GDP growth. Urbanisation, particularly in developing countries, is also a key demand driver.

PRODUCTION & SALES

GCO PRODUCTION

Multiple operational records achieved with key improvement initiatives delivered.

GCO management delivered good results in 2016, as demonstrated by GCO's financial and operational performance. Contributing to these results was the establishment of an executive committee at the start of the year to work with GCO and TiZir management. The company's chief operating officer continued to work directly with GCO management throughout the year, delivering key mining (dredge and WCP) and processing (MSP) optimisation projects.

The year finished on a high with the operation generating positive free cash flow, despite low commodity prices, and multiple production records, particularly during 4Q 2016.

Particularly pleasing was the improvement in the performance of the mining division. Throughput at the WCP increased by 12.8% compared to 2015 results. Improved WCP performance was especially evident in 4Q 2016. Further, operational runtime for the year was 8.2% higher compared to prior year results. Again, 4Q 2016 performance was a highlight, reaching an operational runtime that was 15.2% above the average for the year.

On an overall basis, HMC production for the year was 613.7kt, a slight decrease of 3% compared to 2015 despite the stronger performance of the WCP as outlined above. The dredge feed grade was negatively impacted by a mine path crossover through tailings during the year. However, GCO delivered record HMC production in 4Q 2016 of 194.1kt in conjunction with increased throughput and operational runtime performance.

Optimisation of the dredge and WCP continues to be a key focus with a number of initiatives to improve utilisation, throughput and recovery now realised or at advanced stages of implementation. With the completion of capital projects in the MSP, the on-site engineering team was transformed into a mine optimisation team. The team is well established and advancing key mining improvement initiatives focusing on utilisation, throughput and recovery.

A mine optimisation study which focused on delivering a mine path that maximises recovery of resources and enhances future profitability was completed in 4Q 2016. The study incorporates improvement initiatives identified during the first mine turnaround, which was successfully completed at the beginning of the year, and also aims to reduce the frequency of future turnarounds and planned mine path crossovers through tailings.

The MSP continues to perform strongly with a number of key optimisation projects now completed, including the installation of an up-current classifier and a belt filter during 2Q and 3Q 2016. Both projects have delivered to expectations and, as a direct result of the successful commissioning of these projects, GCO achieved successive record quarterly zircon production in 3Q and 4Q 2016, along with record annual zircon production of 52.6kt.

For the 2016 year, total finished goods production at GCO was 478.6kt, which was consistent with 2015 production.

TTI PRODUCTION

Production in the second half of the year was significantly impacted by the requirement to reline the furnace post the operational incident in August.

The ramp up of operations in the first half of the year went well with furnace operations exceeding expectations following the reline and capacity expansion project completion. Titanium slag production reached levels close to those achieved in 1H 2015, reflecting the successful ramp up trajectory. There were periods during 3Q 2016 when the furnace was operating close to its expanded nameplate capacity.

An operational incident in August resulted in damage to the surrounds of the furnace. No injuries were sustained by TTI personnel and safety procedures operated successfully. During repairs to the furnace it became evident that some sections of the lining had been damaged due to water ingress and the decision was taken to drain and reline the furnace. This work was completed ahead of schedule in early January 2017 and chloride titanium slag and HPPI production has since begun.

During the period, TTI agreed with its insurer on 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. All outstanding monies were received prior to year-end.

100% basis		CY 2016	CY 2015
Mining			
Ore mined	(kt)	39,203	34,759
HMC produced	(kt)	613.7	632.9
Finished goods production			
Titanium slag	(kt)	103.6	106.8
Ilmenite	(kt)	416.3	427.7
Zircon	(kt)	52.6	45.2
HPPI	(kt)	42.6	59.2
Rutile & leucoxene	(kt)	9.7	5.3

RECORD PRODUCTION:

HMC

HMC DELIVERED IN 4Q 2016

Zr

52.6kt ZIRCON FOR THE YEAR

1ST COMMERCIAL CHLORIDE SLAG PRODUCTION

USING GCO ILMENITE AT TTI

GCO SALES

Sales volumes were consistent with production volumes in 2016 across all product groups.

Ilmenite sales decreased by 2.3% in 2016 primarily as a result of slightly lower ilmenite production. As a result of the TTI incident and subsequent furnace reline, ilmenite that had been set aside for TTI was sold to external customers in 4Q 2016.

Ilmenite pricing was slightly stronger in 2016 compared to the prior year, as pressure on availability of titanium dioxide feedstock and pigment continued to increase. In particular, pricing in the second half of the year was stronger as pigment producers secured consecutive price increases.

Zircon sales increased by 26.9% in 2016, primarily due to the increase in production as outlined above, but also due to the further establishment of these products in the market. Sales in the second half of 2016 were particularly strong, accounting for 57.7% of annual zircon sales volumes in 2016.

Despite strong volume growth in GCO zircon experienced in 2016, zircon pricing came under significant pressure, particularly during the first half of the year following price decreases announced by major producers. Pricing and demand stabilised during the second half of the year, however, with some producers securing small price increases towards year-end.

TTI SALES

TTI sales volumes were significantly impacted by ramp up during the first half of the year and the operational incident in August outlined above.

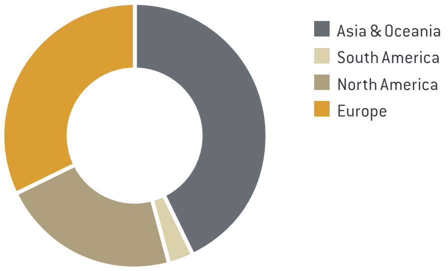
Prior to the operational incident, sales volumes of TTI's new chloride titanium slag product had been robust. In particular, TTI secured contracts for the sale of a significant majority of its 2016 chloride titanium slag production, illustrating market acceptance of this product.

Pricing for titanium slag was relatively stable throughout the year, primarily due to the offtake contracts entered into by TTI.

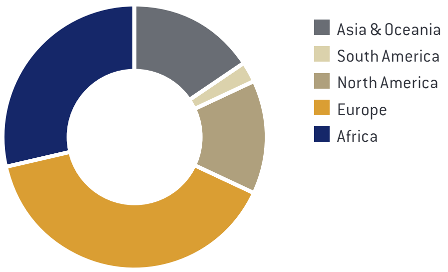
Sales of HPPI were consistent with production in 2016, again reflecting market acceptance of TTI's high-quality pig iron, following changed specifications resulting from the switch to chloride slag production and the associated consumption of GCO ilmenite.

Pricing for HPPI was volatile in 2016, partly as a result of finding customers and niche markets for the new products. Further, movements in coal and iron ore prices throughout 2016, along with ongoing geopolitical issues experienced in Eastern Europe, significantly impacted pricing stability.

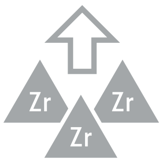
Sales volume by region 2016



Sales volume by region 2015



26.9%
INCREASE
IN ZIRCON SALES VOLUMES



100% basis		CY 2016	CY 2015
Sales volumes			
Titanium slag	(kt)	121.8	131.7
Ilmenite	(kt)	410.9	420.4
Zircon	(kt)	53.1	41.9
HPPI	(kt)	47.3	64.6
Rutile & leucoxene	(kt)	8.8	4.6

FINANCIAL SUMMARY & STRATEGIC OUTLOOK

FINANCIAL SUMMARY

Key financial highlights for 2016 included:

> positive EBITDA result for TiZir of $24.1 million

> first year of positive cash flows at GCO

> 14.3% reduction in the operating cost base at GCO and TTI

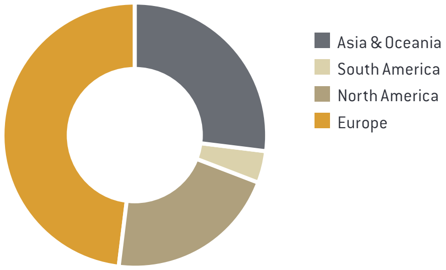
Despite an increase in sales volumes at GCO, TiZir revenue decreased by $8.4 million in 2016 principally due to limitations on production at TTI throughout the year.

The increase in sales volumes at GCO also saw a shift in the regional revenues generated by TiZir, with the proportion of revenue generated by Europe decreasing and Asia & Oceania along with South America increasing in 2016. The primary reason for the change was the sale to external customers of ilmenite that had been set aside for TTI. With the restart of operations at TTI, regional sales to Europe are expected to increase in 2017.

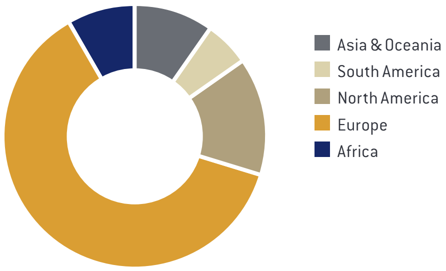
In 2016, TiZir generated its first annual positive EBITDA since commencement of mining at GCO in 2014 – an acceptable result given the commodity price weakness that prevailed during the year and TTI's production status.

TiZir's EBITDA performance was improved through a 14.3% reduction in the operating cost base of its two assets. In particular, energy costs reduced by $7.6 million due to lower fuel costs whilst raw materials decreased significantly as a result of the integration of GCO and TTI. Other direct costs (such as spare parts, consumables and rental equipment) and external services increased in 2016 as a result of the TTI operational incident and the use of specialist consultants to assist GCO in optimisation of mining operations.

TiZir revenue by region 2016



TiZir revenue by region 2015



TiZir (100% basis) US$m	CY 2016	CY 2015	$m Change	% Change
Revenue	160.6	169.0	**(8.4)**	(4.9)
Gross margin	1.3	0.7	**0.6**	94.2
EBITDA	24.1	(6.7)	**30.8**	460.6
Net loss after tax attributable to joint venture partners	(63.8)	(92.6)	**28.8**	31.2
Cash flow provided by/(used in) operations	18.5	(38.5)	**57.0**	148.1
Net capital expenditure	(20.2)	(51.8)	**31.6**	61.0

14.3% REDUCTION IN OPERATING COST BASE AT GCO & TTI

STRATEGIC OUTLOOK

Major focus areas for 2017 include:

> TiZir bond refinancing

> GCO production optimisation

> TTI ramp up

From a market perspective, positive trends evidenced in 2016 are expected to continue.

TiZir bond refinancing

TiZir is primarily funded by senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a total face value of $275 million maturing in September 2017. With respect to these bonds, TiZir is currently working on its refinancing options.

GCO production optimisation

Production at GCO for 1Q 2017 is expected to be lower due to a crossover through low grade tailings which coincides with a 180 degree turnaround of the mine path. Following this period, production is anticipated to increase to levels consistent with those achieved in 4Q 2016. While production in 1Q 2017 will be lower, GCO will continue to focus on optimising the efficiency and consistency of the WCP through improvement in utilisation, throughput and recovery and limiting downtime over and above results achieved in 4Q 2016. GCO management and the mining team, including the recently established mine optimisation team, have been tasked with delivering these projects in a timely and cost-efficient manner.

The cost reduction program currently operating at GCO will continue, with numerous projects identified for completion during 2017.

TTI ramp up

With the furnace repair and reline complete, TTI's primary focus is a successful ramp up to expanded capacity targets. As previously disclosed, it is anticipated that the upgraded furnace and water-cooled copper-ceramic roof will increase smelting capacity by approximately 15% and improve maintenance performance by lengthening periods between scheduled shutdowns.

TTI will also continue to focus on cost efficiencies to ensure that its production remains cost competitive.

Market outlook

The market for titanium dioxide pigment strengthened throughout the year. 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 improve, 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 4Q 2016, 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.

Capitalise on synergies of asset integration in 2017

Through its joint venture interests in GCO and TTI, MDL is invested in the creation of robust sustainable development policies and activities attuned to the needs, aspirations and sensitivities of key stakeholders. The joint venture facilitates positive economic, social and environmental objectives and outcomes through culturally sensitive engagement with employees, governments, local communities, civil society organisations and other stakeholders. MDL's oversight of the joint venture's governance and sustainability performance is administered via TiZir's board and committee structure and strengthened through regular shareholder site visits.

Employment & human resources

In 2016, GCO continued its emphasis on capacity building programs and the ongoing recruitment of Senegalese citizens through programs aimed at attracting, training, incentivising and retaining committed staff.

GCO's workplace profile as at 31 December 2016:

738	TOTAL EMPLOYEES
654	NATIONAL EMPLOYEES
60	EXPATS
24	NATIONAL CONTRACTORS
9%	FEMALE EMPLOYEES

Recruitment and training: The worker preselection recruitment committee and training program implemented during GCO's construction phase remains a cornerstone of the company's human resources program. This committee – comprising two municipal commissions – continues to facilitate equitable local community representation and employment opportunities at GCO. Through partnership with this committee and the Office National de Formation Professionnelle (ONFP, National Vocational Training Office), GCO facilitates training of local community members to enhance employment opportunities with GCO and other potential employers across Senegal. This joint initiative provides students with skills training in 12 different professions across various operational disciplines such as mining and environmental management.

Since mining commencement, GCO has partnered with various schools and universities such as Thiès Ecole Polytechnique and the University of Dakar (including the School of Library and Information Sciences and the Institute of Earth Sciences). In partnership with Thiès Ecole Polytechnique, in 2016 GCO welcomed 24 student work-placements in various departments across the organisation.

GCO's staff training program continues to grow, with its primary aim being the development of a safe, skilled, participatory and well-informed workforce. During 2016, GCO formalised a partnership with the Centre National de Qualification Professionnelle (CNQP, National Centre for Professional Qualification) to strengthen technical and managerial capacity building within its workforce and to provide opportunities for employees to have their training, skills and experience formally accredited through the Validation des Acquis de l'Expérience (VAE) degree program.

Employee housing cooperative: With over 380 members and a target of 500 homes, the employee housing cooperative aims to promote and support access to reduced-cost family housing for local GCO employees, retain staff and encourage settlement in local community areas. These aims are strengthened through financing partnerships with the Banque Nationale de Developpement Economique and the Banque De L'Habitat. Activities in 2016 included identification of housing sites in Dakar, Thiès and M'boro and the allocation of 81 parcels of land at the Diogo housing site.

Social responsibility & stakeholder engagement

GCO's socio-economic development strategy is underpinned by a series of stakeholder approved plans and committees developed through ongoing community, government and NGO consultation and participation. Crucial to ongoing stakeholder engagement is a commitment to enhancing opportunities and aligning expectations while simultaneously minimising concerns and negative outcomes. Comprising a fully nationalised team, GCO's social & environment department is at the forefront of this engagement.

In broad terms, GCO's financial social responsibility commitment comprises:

$500,000
on **social development programs** for local communities during pre-production

$400,000 PER YEAR
on **social development programs** for local communities in the production period

$50,000 PER YEAR
to the **training and equipment** needs of the Department of Mines & Geology during production

These commitments are additional to the economic stimulation and associated benefits stemming from tax payments, royalties, 'production-share contributions' and support of local supply chains. GCO will pay a yearly 5% gross production royalty to the Government of the Republic of Senegal in addition to a 10% production share contribution.

In liaison with the Centre de Recherche pour le Développement Humain (Research Centre for Human Development), GCO undertook a review of its social development plan and practice for

the period 2011 to 2015 and is establishing a revised plan for the coming five years. GCO's social responsibility activities, which are profiled in more detail below, have focused on ongoing contributions to local economic development, assistance in strengthening local community infrastructure, and community capacity building as well as entrepreneurship programs in agriculture and small business development (particularly for women and young people).

Health: GCO engages with regional health authorities and local community representatives to:

- enhance the effectiveness of health promotion strategies;
- reinforce health infrastructure; and
- provide support to particularly vulnerable sectors of the community.

In keeping with these aims, 2016 activities focused on providing support to malaria reduction programs as well as the provision of medical equipment (such as ambulances) and technical support to health posts in surrounding communities. GCO also participates in government health initiatives through, for example, its partnership with AFRIVAC aimed at increasing child immunisation rates, as well as regular employee health bulletins and the distribution of HIV kits to employees.

Water: The quality of and access to drinking water is a significant community concern. GCO's activities in this area aim to improve drinking water access and quality alongside building capacity with respect to the management of water resources and facilities. GCO has focused on extending the existing Diogo water supply network to an additional 13 villages in the GCO active area. Having begun in September 2015, this project continued as planned.

Transport: Following the completion of Fass Boye's community bus station in early 2015, transport initiatives during the reporting period focused on railway safety education programs and participatory community consultation. These programs are aimed at ensuring community safety as well as enhancing community access to neighbouring villages, markets and trade routes.

Education: Opportunities for educational enhancement are a priority for GCO and the communities impacted by its activities. GCO drives this objective through programs that increase access to schooling and strengthen educational infrastructure and resources. Since project inception, GCO has:

- built a kindergarten, three primary schools and one secondary school;
- rehabilitated three primary schools and two secondary schools; and
- assisted in the provision of educational resources such as desks, chairs and chalkboards.

These projects were identified and prioritised in a participative way through a community committee involving local authorities and council members as well as village and hamlet representatives.

Waste management: Originally established during GCO's construction phase and involving 13 villages, the aim of this community project is to establish and support sustainable waste management programs that are run by local communities with the support of local health services, local councils and GCO. A 'tidy town' competition is held annually to garner ongoing community participation and support. This project has generated seven permanent employment positions within the participating communities.

Agriculture: Following substantive community and government consultation, GCO is implementing two agriculture based community development programs focused on communities impacted by GCO's activities. The first program, established in partnership with Enda LEAD AF, is a microfinance community cooperative program targeting farmers engaged in market gardening in the Niayes. The second program is a community pilot farm based on innovative and sustainable agricultural techniques dedicated to communities living alongside the Diogo to Meckhe railway corridor. A protocol with Positive Planet is under discussion with respect to this pilot project. These programs aim to:

- encourage the development of agricultural cooperatives;
- augment knowledge and skills development in areas such as accounting, farming and animal husbandry;
- encourage environmentally appropriate farming techniques; and
- contribute to employment opportunities for young people.

These aims are consistent with recently released government agricultural policies as well as the government's Plan Senegal Emergent, an economic and social development plan launched in 2014 with the goal of establishing Senegal as an emerging economy by 2035. Program participants are supported in different ways through the provision of technical assistance, quality seedlings and fertilisers, infrastructure, training and microfinance loans.

Enda LEAD AF and Positive Planet are West Africa focused, non-government organisations specialising in local community, sustainable development initiatives.

Other community infrastructure projects: GCO has approved funding for the establishment of a community radio station in Diogo, identified by the local community as an important tool for information sharing and increasing opportunities for youth participation. The feasibility study for this project was completed in 2016.

Assisting community identified initiatives to stimulate local and regional economies, GCO has contributed to the construction of community market infrastructure. Having completed the relocation and refurbishment of Tivaouane market in 2014, GCO also established a community market in Ndoucoura (in the municipality of Meouane) and, in 2016, began work on a new market in M'boro.

As part of its lighting program, 40 solar street lights were installed in the commune of Meckhe during the reporting period.

General community support & engagement: As a local community member, GCO is dedicated to ongoing community engagement and participation as well as providing financial and logistical support for local events, celebrations, councils and cooperatives. To the maximum extent possible, GCO also supports local suppliers and service providers and is committed to ensuring that local communities are well informed as to its operating activities.

In 2013 Senegal was accepted as a candidate for the Extractive Industries Transparency Initiative ('EITI') and in 2015 published its first activity report, which will assist in its aim of becoming a full EITI member. GCO is supportive of Senegal's EITI activities and is represented on the multi-stakeholder cooperative tasked with implementing the principles and achieving the reporting directives of the EITI.

Health, safety & security

GCO operates on the basis of a 'zero incident' ethos and aims to manage and minimise health and safety risks through the development of a sound safety culture focused on prevention, the elimination of unsafe acts and conditions, and continuous monitoring and improvement. Following a rigorous safety audit undertaken by ERAMET and MDL at the beginning of 2016, GCO recorded zero lost time injuries and registered a total reportable injury frequency rate of 12.2 (2015 – 16.6).

GCO operates an on-site, well equipped medical clinic staffed by a medical doctor, four state-registered nurses and a medical administrative assistant. The clinic provides critical occupational health management support in addition to primary preventative activities including pre-recruitment medicals, annual medical examinations and food hygiene inspections, as well as support to local medical facilities and communities. GCO has in place a dedicated emergency response team ('ERT'), available 24/7, which trains on a continuous basis. The ERT is an important component of GCO's security framework which incorporates the Voluntary Principles on Security and Human Rights and is strengthened by ongoing liaison with Senegalese emergency services departments and embassies.

Training is critical to the health and safety of GCO's employees and contractors, so members of the training department work with other departments to identify training needs and establish effective training solutions to ensure safe and sustainable operations. Health & safety training programs are predominantly conducted in French (supplemented with Wolof, the dominant local language, where deemed appropriate) and English.

Environment

GCO's environmental management strategy is framed by the knowledge of local communities, environmental experts and other relevant stakeholders. The key objectives of this strategy are to:

- minimise adverse environmental impacts while operating the project successfully;
- at a minimum, comply with applicable regulatory requirements; and
- continuously progress through annual improvement plans, training programs and effective corrective action systems.

GCO was granted its environmental compliance certificate during the period, following a regulatory audit of its updated Environment and Social Impact Assessment and Environment and Social Management Plan. An Environmental Management System complying with ISO 14001 is currently under development.

In keeping with the nature of mining activities at GCO, the company's rehabilitation program – developed in consultation with the relevant authorities and neighbouring communities – is progressive in nature and designed to ensure restoration to original or improved condition as well as maintaining biodiversity and benefiting the local community. During the reporting period, rehabilitation activities progressed according to plan and built on the success of prior year activities which have been officially recognised by the National Department of Forest, Fauna & Social Conservation. A total of 136ha of land has been rehabilitated since production began in 2014.

GCO's environment team has undertaken extensive trials to test the effectiveness of different approaches to rehabilitation in mined areas and assess species survival rates of different trees and plants. Tree and plant species have been selected for their benefits in stabilising the dunes, re-establishing impacted state-owned forest areas and providing additional crop and food sources for local communities. Preliminary results from vegetable species trials in rehabilitated sites are encouraging and, if conclusive, will positively impact community farming development within the dune system (an area previously identified as unsuitable for agricultural purposes).

Management of water used by the operation occurs through dedicated resources and a management system developed to ensure efficient use, lowest possible impact and high standards of reporting.

GCO complied with its environmental monitoring and reporting requirements, with zero reportable breaches during the 2016 period.

Land access & resettlement

Resettlement activities have focused on progressing the completion of GCO's first resettlement site for seven hamlets (35 households, 288 people) located within the mine path. Following intensive community consultation and the establishment of a resettlement committee comprising project affected people, local administrative officials, rural councils and GCO employees, construction of the resettlement village commenced in 2015.

Resettlement activities have been undertaken in partnership with ANEV (Agence Nationale des Éco-Villages), a Senegalese government agency focused on the development of eco-villages which contribute to poverty reduction while focusing on sustainable development. The resettlement site involves the construction of family homes, community infrastructure (including a primary school that has been operating since March 2016, health centre including housing facilities for staff, potable water supply and mosque), installation of solar power supply solutions, bio-digesters (for the production of organic fertiliser and bio-gas), a cattle trail and an agricultural area. With community infrastructure now in place, relocation is imminent.

GCO has adopted compensation rates that are above Senegalese official rates and comply with World Bank standards.

Employment & human resources

TTI is committed to creating capacity building jobs by maintaining an active apprenticeship program and increasing employment opportunities for women at the facility. TTI's Research and Development Department has an office at the Norwegian University of Science and Technology and provides postgraduate supervision and support.

TTI's workplace profile as at 31 December 2016:

179 TOTAL EMPLOYEES

11 APPRENTICES

14% FEMALE EMPLOYEES

Social responsibility & stakeholder engagement

As one of the area's largest employers, TTI's goal is to sustain its position as an active and responsible member of the local community.

Over the years, the company has provided assistance to local clubs and organisations such as the Tyssedal Sport and Athletics club and the Red Cross. In keeping with its role as an active member of the community, TTI regularly lends company equipment to community members and arranges social events for employees (both current and retired) and their families.

The company ensures that its neighbours and key stakeholders are informed of its activities via the distribution of reports published in Norwegian and English and at least one annual community meeting.

TTI also maintains a complaints register to ensure that neighbourhood concerns are appropriately and adequately addressed in a timely manner. Complaints during the reporting period were largely related to dust.

Health & safety

TTI's health and safety culture is a crucial element of the facility's success and longevity and testament to the daily efforts of TTI's workforce. The company's integrated health, safety and environmental management system is ISO 9001 and 14001 certified and independently audited annually.

Unfortunately, TTI sustained four LTIs in 2016, contributing to a total reportable injury frequency rate of 35.3 (2015 – 26.3). An ERAMET-led safety audit was conducted during the period.

Environment

TTI rigorously monitors dust precipitation and production, emissions into air and sea, and waste treatment. In addition to complying with the regulations of environmental authorities, TTI sets reduction targets and continuously identifies areas for improvement in these fields.

TTI has also instituted a practice of recycling hot water generated in the smelting process. The water is used for heating buildings in the district (such as a nearby hotel and museum) and supplying a local trout farm, illustrating a number of community benefits arising from this recycling policy. The company also reduces its waste production by providing residual dust generated during production to Boliden Odda, a smelting company that extracts zinc from this material. TTI has also been a member of RENAS (a recycling company for commercial electrical and electronic equipment) since 2000 and maintains a partnership with Bellona, a non-government agency specialising in the identification and implementation of sustainable environmental solutions.

In 2015, TTI received funding from Enova, a Norwegian government agency promoting energy efficiency and the use of environmentally friendly technology, providing TTI with the opportunity to install, test and continue the development of an innovative upgrading process (replacing coal with hydrogen) that could ultimately reduce TTI's CO_2 emissions by as much as 90% and reduce energy consumption by up to 40%. The technology, if successfully developed, would assist TTI's commitment to reduce its environmental footprint and enhance its reputation as a supplier with strong environmental credentials.

MINERAL RESOURCES & ORE RESERVES

The following Mineral Resource and Ore Reserve estimates are provided in relation to the Grande Côte mineral sands operation ('GCO') in Senegal, West Africa (100% basis). MDL owns 50% of TiZir Limited, which in turn owns 90% of GCO. The Mineral Resource and Ore Reserve estimates as at 31 December 2016 together with supporting statements and Table 1 disclosure were prepared by GCO Competent Persons in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 Edition ('the JORC Code 2012')[1] and first released to the ASX on 22 February 2017. Available on the MDL and ASX websites, the Mineral Resource and Ore Reserve estimates as at 31 December 2016 replace the previous estimates released to the ASX on 18 February 2016.

The Company is not aware of any new information or data that materially affects the information included in this annual statement of Mineral Resource and Ore Reserve estimates and confirms that all material assumptions and technical parameters underpinning the estimates included in the ASX release of 22 February 2017 continue to apply and have not materially changed.

MINERAL RESOURCE ESTIMATE

The GCO Mineral Resource is a total of 27.1 million tonnes ('Mt') of heavy minerals ('HM') (Measured and Indicated and Inferred). The main HM deposits identified to date are Diogo, Fass Boye, Lompoul, Mboro, Mboro Hotel, Yodi and Noto. Both the dunes and the underlying marine sands contain HM, principally ilmenite, zircon, rutile and leucoxene. Zircon and ilmenite are the main HM of interest.

Changes from the previous estimate are due to the following factors:

- depletion of 0.7 Mt (39.8 Mt @ 1.7% HM), due to mining from January 2016 to December 2016;
- recalculation of the Indicated Resource that is located in the Lompoul, Diogo and Mboro deposits, now estimated to be 350Mt @ 1.4% HM; and
- recalculation of the Inferred Resource located in the Noto deposit (south of Mboro) and in the Lompoul deposit, now estimated to be 41 Mt @ 1.2% HM.

Based on the drilling undertaken and allowing for mining depletion, Mineral Resource estimate for the identified deposits is as follows:

	Estimate as at 31 December 2016							Estimate as at 31 December 2015						
				Assemblage							Assemblage			
Resource category	Ore Mt	In situ HM Mt	HM %	Ilm %	Zir %	Leu %	Rut %	Ore Mt	In situ HM Mt	HM %	Ilm %	Zir %	Leu %	Rut %
Measured	1,509	21.8	1.4	72.0	10.7	3.2	2.5	1,585	23.5	1.5	72.0	10.7	3.2	2.5
Indicated	350	4.8	1.4	72.0	10.7	3.2	2.5	210	3.1	1.4	72.0	10.7	3.2	2.5
Inferred	41	0.5	1.2	72.0	10.7	3.2	2.5	120	1.3	1.1	72.0	10.7	3.2	2.5
Total	**1,900**	**27.1**	**1.4**	**72.0**	**10.7**	**3.2**	**2.5**	**1,915**	**27.9**	**1.4**	**72.0**	**10.7**	**3.2**	**2.5**

Notes:

1. Quantities and grades were derived by accumulating the grades to six metres below the natural water table except for the Mboro Hotel and Yodi deposits, where the accumulation is to the natural water table.
2. A cut-off grade of 1.0% HM was applied to the accumulated grades.
3. Tonnes were rounded to the nearest 1,000,000.
4. Grades were rounded to one decimal place.
5. The mineral assemblage (ilmenite, zircon, rutile and leucoxene) is reported as a percentage of HM.
6. All Mineral Resources are inclusive of Ore Reserves.

Information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Djibril Sow, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of Grande Côte Operations SA. Mr Sow has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Sow consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Other deposits within the Mining Concession have been partially explored and there is potential to identify additional deposits beyond the limits of present drilling.

1 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition, sets out minimum standards, recommendations and guidelines for public reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves authored by the Joint Ore Reserves Committee of The Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia.

ORE RESERVE ESTIMATE

The mine path and schedule have been optimised compared to the path design and schedule in the prior year's Ore Reserve estimate. The mine path now advances north towards Lompoul (previously south) after mining the Diogo area. The mine path has been widened in areas and designed to be straighter with pond floor and water level adjusted relative to the upper aquifer water surface. Dozer push (dry mining) of high-grade material adjacent to the mine path (within 100m) in specific areas has also been included in Probable Reserves.

These optimisation changes resulted in an Ore Reserve increase of 171 Mt at 1.3% HM before applying 2016 depletion.

Based on the 2016 depleted Mineral Resource and updated life of mine plan, the Ore Reserve estimate is as follows:

Classification	Estimate as at 31 December 2016							Estimate as at 31 December 2015						
				Assemblage							Assemblage			
	Ore Mt	HM Mt	HM %	Ilm %	Zir %	Leu %	Rut %	Ore Mt	HM Mt	HM %	Ilm %	Zir %	Leu %	Rut %
Proved	1,122	16.6	1.5	72.0	10.7	3.2	2.5	1,143	17.6	1.5	72.0	10.7	3.2	2.5
Probable	343	5.1	1.5	72.0	10.7	3.2	2.5	151	1.9	1.3	72.0	10.7	3.2	2.5
Proved & Probable	1,465	21.7	1.5	72.0	10.7	3.2	2.5	1,294	19.5	1.5	72.0	10.7	3.2	2.5

Notes:

1. The Ore Reserve estimate is based on Indicated and Measured Mineral Resource contained within the mine design.
2. A cut-off grade of 1.3% HM was applied for the first five years, with 1.0% HM thereafter.
3. The Ore Reserve estimate is the part of the Mineral Resource contained within the dredge path design and dozer push dry mining areas. It is inclusive of mining dilution and is based on the project's economics.
4. Ore tonnes were rounded to the nearest 1,000,000.
5. Grades were rounded to one decimal place.
6. The mineral assemblage (ilmenite, zircon, rutile and leucoxene) is reported as a percentage of HM.
7. All Mineral Resources are inclusive of Ore Reserves.

Information in this report that relates to Ore Reserve estimates is based on information compiled by Mr Mouhamed Drame, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of Grande Côte Operations SA. Mr Drame has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Drame consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The GCO deposit continues to the north and south of the Mining Concession beyond these Ore Reserves. Additional mine life will depend on the success of additional drilling and the future economics of GCO.

GOVERNANCE AND INTERNAL CONTROLS

Mineral Resource and Ore Reserves are compiled by qualified GCO personnel and/or independent consultants following industry standard methodology and techniques.

The underlying data, methodology, techniques and assumptions on which estimates are prepared are subject to internal peer review by senior company personnel, as is JORC compliance. Moreover, estimates are subject to review by ERAMET and MDL personnel holding relevant qualifications. Where deemed necessary or appropriate, estimates are reviewed by independent consultants.

Competent Persons named by the Company are members of the Australasian Institute of Mining and Metallurgy and qualify as Competent Persons as defined in the JORC Code 2012.

CORPORATE GOVERNANCE STATEMENT

Mineral Deposits Limited ('MDL' or the 'Company') seeks to achieve high standards of corporate governance and designs and enacts its corporate governance practices to be consistent with this objective. As an Australian listed public company, the board of directors has adopted governance practices that are, to the maximum extent considered appropriate in the Company's present circumstances, in line with the ASX Corporate Governance Council's 3rd edition 'Corporate Governance Principles and Recommendations'.

The Corporate Governance Statement ('CGS') sets out the Company's governance structure and practice for the period 1 January 2016 to 31 December 2016. The Company's key corporate governance documents (including the CGS) can be found in the Governance section of the MDL website (www.mineraldeposits.com.au/governance) and are listed below:

GOVERNANCE DOCUMENTS

Constitution

A core governance document, the constitution establishes the contract between the Company and each member; the Company and the directors & company secretary; and a member and other members. MDL's constitution was last updated in 2013.

Code of Conduct

A guiding document designed to clearly state the way in which we aim to conduct ourselves in business and with our internal and external stakeholders. These practices help create an environment which assists MDL to achieve its potential in a global market.

Corporate Governance Statement

Annually updated and released to the ASX, this statement sets out the Company's governance structure and practice for the relevant reporting period against the most recent edition of the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations'.

Board Charter

Defines the roles, responsibilities and authorities of the board and management in setting the strategic direction, business plan, management, control and good corporate governance practice of the Company.

Audit & Risk Committee Charter

Addresses the objectives, membership, authority, responsibilities and procedures of the Audit & Risk Committee. Objectives include financial reporting integrity; external auditor independence; risk management; internal control; and compliance.

Nomination & Remuneration Committee Charter

Addresses the objectives, membership, authority, responsibilities and procedures of the Nomination & Remuneration Committee. Objectives include board composition and succession; board and executive performance; and remuneration structure, policies and practice.

Anti-Bribery & Corruption Policy

Sets out the Company's responsibilities, and the responsibilities of those working for the Company, in observing and upholding MDL's position on bribery and corruption. The policy also provides information and guidance to those working for the Company on how to recognise and deal with bribery and corruption issues.

Diversity Policy

Outlines the Company's commitment to sustaining a fair and equitable workplace environment.

Human Rights & Child Protection Policy

Establishes MDL's dedication to conducting its business in a manner consistent with the philosophy of, and principles outlined in, the Universal Declaration of Human Rights.

Market Disclosure & Communications Policy

As a company listed on the ASX, MDL is committed to ensuring that investors have equal and timely access to Company information and that announcements are clear, concise and compliant with ASX disclosure principles. This policy is a key guiding document in facilitating effective two-way communication.

Remuneration Policy

Provides guidance on the Company's remuneration policy, structure and practice with respect to non-executive and executive directors, senior management and other staff.

Risk Oversight & Management Policy

MDL faces a range of risks in its business activities, including financing, strategic, operational, environmental, compliance, financial reporting, sustainability and other market risks. This policy outlines the Company's aims with respect to the identification and control of risk as well as the effectiveness of its risk management framework.

Securities Trading Policy

Outlines the circumstances in which Designated Persons (including directors, executives and employees, amongst others) may trade in MDL Securities.

Sustainability Policy

Summarises the Company's dedication to achieving excellence in managing environmental, safety, health and social performance in its work places, activities and operations.

DIRECTORS' REPORT

The directors of Mineral Deposits Limited ('MDL' or the 'Company') present their report, together with the consolidated financial statements of the Company and its controlled entities, for the year ended 31 December 2016 and the audit report thereon.

DIRECTORS

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

Nicholas Limb

Robert Sennitt (appointed 8 April 2016)

Martin Ackland

Robert Danchin

Tom Whiting

Charles (Sandy) MacDonald

David Isles (ceased 20 May 2016)

INFORMATION ON DIRECTORS

The names and details of the directors in office during the period and as at the date of this report, unless indicated otherwise, are:

Non-executive chairman

Nicholas Limb BSc (Hons) MAusIMM ASIA

Nic is the non-executive chairman of MDL and was previously the Company's executive chairman – a position he held for 22 years. He has professional qualifications as a geoscientist and worked in the mineral exploration sector for 10 years. In 1983 he joined a stockbroking firm as a corporate financier in the natural resources finance division and subsequently joined a major international investment bank as an executive director, again working in resources finance. In 1993 he became managing director of a small listed gold explorer which grew to a substantial gold producer prior to being taken over in 2000. In 1994 he formed MDL and has acted as chairman since that time. During his tenure as chairman, MDL discovered and subsequently developed the large Sabodala Gold Project in Senegal and has progressed GCO to its current production status. He has been a non-executive director of a number of public companies over the last 20 years and currently holds a non-executive chair position with FAR Limited.

Nic represents MDL on the TiZir joint venture board, holding the position of chairman. He is also a member of MDL's Nomination & Remuneration Committee.

Period of office: 23 years.

Directorships of other listed companies since 1 January 2014:

FAR Limited (November 2011 to present)

World Titanium Resources Limited (October 2013 to May 2016)

Executive directors

Robert Sennitt (Managing Director) BEc CA

Rob was appointed managing director on 8 April 2016 after serving as CEO from June 2015 following an initial period working with MDL on strategic and business development initiatives. Prior to joining MDL, Rob spent almost 25 years in the investment banking industry where his focus was advising companies in the natural resources sector on financial and strategic transactions. During this period, Rob was a managing director at RBC Capital Markets, an executive director at Macquarie Capital and also worked with J.P. Morgan in Australia.

Rob represents MDL on the TiZir joint venture board, the Finance Committee (as chair) and the Strategy & Development Committee.

Period of office: 1 year.

No directorships of other listed companies held since 1 January 2014.

Martin Ackland BAppSc (Prim Met) MAusIMM MSME

Appointed in 2003, Martin is a qualified metallurgist who has spent over 40 years in the resources industry in a variety of roles that involved the creation of major resource groups from small capital bases. He has served as a director of a number of listed mining companies involved in gold, uranium and base metal production. From 1987 to 1995, Martin was an executive director of Ticor Limited (formerly Minproc Holdings Limited) where he was responsible for the successful implementation of the Tiwest Project – the world's only integrated mineral sands mine, synthetic rutile and TiO_2 pigment operation. His experience ranges from project development through to finance and capital raising.

Martin represents MDL on the boards of TiZir and TiZir Titanium & Iron AS. He is also a member of the TiZir Strategy & Development Committee.

Period of office: 14 years.

No directorships of other listed companies held since 1 January 2014.

Independent, non-executive directors

Robert Danchin (Deputy Chairman) BSc (Hons) MSc PhD FAusIMM

Bobby has over 40 years' experience in the exploration industry. He was chief executive officer of Anglo American plc's Exploration and Acquisition Division and the Anglo American Group's deputy technical director (geology). From 1997 to 2002, he was an executive director of Anglo American Corporation of South Africa Limited. In 1980, he joined Stockdale Prospecting Limited (an Australian subsidiary of De Beers) as chief geologist based in Australia. He remained with that company for 15 years, eventually becoming exploration manager heading up its Australian-based diamond exploration program.

Bobby is deputy chairman of the Company with special responsibility for corporate governance and related areas. He is also a member of the Audit & Risk Committee and the Nomination & Remuneration Committee.

Period of office: 10 years.

Directorships of other listed companies since 1 January 2014:

Cluff Natural Resources plc (August 2012 to May 2015)

Tom Whiting BSc (Hons) PhD MAppFin MASEG MAICD

Tom has over 40 years' experience in global minerals exploration management including a very successful discovery track record. He held numerous senior management roles over a 20 year career with BHP Billiton, including Vice President of Minerals Exploration from 2000 to 2004. In this role, Tom was responsible for BHP Billiton's global minerals exploration program whilst based in Melbourne. His other roles included strategic overview of brownfield's exploration programs for all global BHP Billiton minerals assets. He also served on the Leadership group for BHP Billiton's Diamonds and Specialty Products Customer Sector Group, which included its mineral sands business. Prior to joining BHP, Tom worked for CRA Exploration Pty Ltd based in Melbourne and Geoterrex Pty Ltd (an international geophysical contractor) in Australia and Canada. He started his career with Delhi Oil based in Adelaide, Australia. He is currently non-executive chairman of the Deep Exploration Technologies Cooperative Research Centre.

Tom is chairman of the Nomination & Remuneration Committee and a member of the Audit & Risk Committee.

Period of office: 5 years.

Directorships of other listed companies since 1 January 2014:

Stellar Resources Limited (February 2011 to present)

Charles (Sandy) MacDonald BSc (Hons) FAusIMM MAICD

Sandy has over 40 years' experience covering operations, development, design and construction in the mining and metallurgical industries in Africa, United Kingdom, Canada and Australia. Since 2004, Sandy has worked as an independent consultant on process design and implementation, technology development, plant expansion and project management for companies including TiZir Limited, BeMaX Resources NL, Tiomin Resources Inc, Xstrata, Western Mining Limited and BHP Billiton Limited. As a co-founder and technical director of Ausenco Limited, Sandy was responsible for feasibility studies and projects for a wide variety of mineral sands companies, including Iluka Resources, Tiwest, Kenmare Resources plc, Murray Basin Titanium and Basin Minerals Limited, as well as other mineral processing companies. He has also held senior engineering positions with Minproc Engineers, Noranda Limited of Canada, Allis Chalmers of Great Britain, and Nchanga Consolidated Copper Mines of Zambia.

Sandy is a member of the Audit & Risk Committee.

Period of office: 3 years.

No directorships of other listed companies held since 1 January 2014.

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and rights of the Company as at the date of this report.

Director	No. of fully paid ordinary shares	No. of rights over ordinary shares
N Limb	993,553	-
R Sennitt	85,000	500,000
M Ackland	333,212	-
R Danchin	862	-
T Whiting	300,000	-
C MacDonald	100,000	-

INFORMATION ON OFFICERS

Chief operating officer

Jozsef Patarica BEng MBA GAICD MAusIMM

Prior to joining MDL, Jozsef spent eight years as a director of ASX listed Bassari Resources Limited focused on discovering and developing multimillion ounce gold deposits in the Birimian Gold Belt, Senegal, West Africa. He is a mining professional with a strong track record in the mining industry spanning 24 years. He has been involved in management, project evaluation and operational roles throughout his career in a number of mining centres across Australia and Senegal. He was involved in the development and operational management of the Fosterville Gold Mine (BIOX) in Victoria where he successfully transitioned the operation from open pit to underground mining. Prior to Fosterville, Jozsef was part of Placer Dome's Corporate and Project Development Group based in Australia. He was part of the team for Newcrest Limited involved in the construction and commissioning of Cadia Hill Gold Mine in NSW and, whilst in Western Australia, he was part of the team which successfully constructed and commissioned the Stage 3 expansion of the Fimiston Plant for Kalgoorlie Consolidated Gold Mines.

Jozsef represents MDL on the board of Grande Côte Operations SA.

Chief financial officer

Greg Bell BCom CA

Greg joined MDL in 2010 as accounting manager to provide assistance with the demerger of the Sabodala Gold Project. He has over 15 years of accounting and corporate finance experience with BDO and Deloitte and was previously the manager of the audit team for the Company from 2003 until 2006.

Greg is a member of the TiZir Finance Committee.

Company secretary & general manager – corporate affairs

Michaela Evans BA(Hons) PhD GradDipACG

Michaela joined MDL in 2012 as communications manager – corporate & social responsibility and was appointed company secretary in 2013. She has previous ASX listed administrative and executive assistance experience and has, over the years, been employed in a research capacity by Curtin University and the University of Western Australia.

Michaela is a member of the TiZir Strategy & Development Committee.

FORMER PARTNER OF THE AUDIT FIRM

No current or former audit partners are directors or officers of the Company.

PRINCIPAL ACTIVITIES

The principal activities of MDL for the year ended 31 December 2016 continued to be focused on the mineral sands sector through the Company's joint venture interest in TiZir Limited ('TiZir'). 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 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 which are 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.

Further information is included under Review of Operations.

OPERATING RESULTS

The Company reported a loss for the year ended 31 December 2016 of $27.1 million (2015 – loss of $42.0 million) which included the Company's share of TiZir's reported loss of $31.9 million (2015 – $46.3 million), other income of $5.2 million, administration expenses (including depreciation and amortisation) of $4.0 million, finance costs of $0.7 million, net foreign exchange gains of $0.9 million and a gain on the disposal of the Company's investment in World Titanium Resources Limited of $3.4 million.

ERAMET loan funding

The Company has a loan agreement with its joint venture partner ERAMET in relation to its 50/50 owned joint venture company TiZir. As at 31 December 2016, the total amount owed plus accrued interest was $13.8 million. Of this amount, $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 the Company elect not to repay this loan by the respective due dates then ERAMET is entitled to dilute the Company'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 the Company that it would not seek to dilute its 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 in the Shareholders' Agreement including an effective interest rate of LIBOR (three months) plus seven percent.

TiZir impairment review

Impairment reviews were undertaken as at 30 June 2016 and 31 December 2016 in relation to TiZir's two cash-generating units ('CGU'), GCO and TTI. The recoverable amount of GCO is assessed using the fair value less costs of disposal method, whilst the recoverable amount of TTI is assessed using the value in use method. Both CGUs utilise discounted cash flow financial models to estimate their respective recoverable amounts. As a result of the impairment review, no impairment charge has been recognised against the assets of TiZir's CGUs as at 31 December 2016.

Key assumptions and sensitivity analysis

GCO's recoverable amount is particularly sensitive to certain key assumptions, including life of mine, discount rate (11.5% nominal post-tax), commodity prices, utilisation, production and sales volumes, and operating costs. A life of mine of 26 years has been used, incorporating the established reserves which provide for a mine path of 14 years covering approximately 40% of the mining concession, along with additional resources (beyond the area covered by the initial 14 year mine path) that are based on initiatives identified during a mine optimisation study completed in 2016.

For the purpose of assessing MDL's investment in TiZir for impairment, the Company uses the discounted cash flow model undertaken at a CGU level to forecast the future cash flows that are estimated to flow to the Company as a result of its investment in TiZir through loan repayments, capital returns and dividends. The Company then compares the net present value of these cash flows to the carrying value of its investment in TiZir. For the year ended 31 December 2016, as a result of the impairment review, no impairment charge has been recognised against the Company's investment in or its amounts receivable from TiZir.

FINANCIAL POSITION

The statement of financial position at 31 December 2016 comprises net assets of $243.2 million (2015 – $268.2 million), consisting of:

- 50% equity interest in TiZir carried at $172.1 million (2015 – $200.8 million);
- cash of $4.9 million (2015 – $8.0 million);
- an interest bearing, subordinated loan (including accrued interest) to TiZir of $78.2 million (2015 – $59.4 million);
- an interest bearing loan (including accrued interest) payable to ERAMET of $13.8 million (2015 – $2.5 million); and
- other assets and liabilities netting to an asset of $1.8 million (2015 – net asset of $2.5 million).

CASH FLOW

Cash balances reduced by $3.1 million during the year ended 31 December 2016 as a result of:

- proceeds from the sale of the Company's interest in World Titanium Resources Limited of $4.9 million;
- partial secured debt repayment to ERAMET of $4.0 million;
- other net cash outflows of $3.9 million; and
- impact of exchange rates on cash holdings of negative $0.1 million.

REVIEW OF OPERATIONS

Grande Côte mineral sands operation, Senegal

Production

GCO management delivered good results in 2016, as demonstrated by GCO's financial and operational performance. Contributing to these results was the establishment of an executive committee at the start of the year to work with GCO and TiZir management. The company's chief operating officer continued to work directly with GCO management throughout the year, delivering key mining (dredge and WCP) and processing (MSP) optimisation projects.

The year finished on a high with the operation generating positive free cash flow, despite low commodity prices, and multiple production records, particularly during 4Q 2016.

Particularly pleasing was the improvement in the performance of the mining division. Throughput at the WCP increased by 12.8% compared to 2015 results. Improved WCP performance was especially evident in 4Q 2016. Further, operational runtime for the year was 8.2% higher compared to prior year results. Again, 4Q 2016 performance was a highlight, reaching an operational runtime that was 15.2% above the average for the year.

On an overall basis, HMC production for the year was 613.7kt, a slight decrease of 3% compared to 2015 despite the stronger performance of the WCP as outlined above. The dredge feed grade was negatively impacted by a mine path crossover through tailings during the year. However, GCO delivered record HMC production in 4Q 2016 of 194.1kt in conjunction with increased throughput and operational runtime performance.

Optimisation of the dredge and WCP continues to be a key focus with a number of initiatives to improve utilisation, throughput and recovery now realised or at advanced stages of implementation. With the completion of capital projects in the MSP, the on-site engineering team was transformed into a mine optimisation team. The team is well established and advancing key mining improvement initiatives focusing on utilisation, throughput and recovery.

A mine optimisation study which focused on delivering a mine path that maximises recovery of resources and enhances future profitability was completed in 4Q 2016. The study incorporates improvement initiatives identified during the first mine turnaround, which was successfully completed at the beginning of the year, and also aims to reduce the frequency of future turnarounds and planned mine path crossovers through tailings.

The MSP continues to perform strongly with a number of key optimisation projects now completed, including the installation of an up-current classifier and a belt filter during 2Q and 3Q 2016. Both projects have delivered to expectations and, as a direct result of the successful commissioning of these projects, GCO achieved successive record quarterly zircon production in 3Q and 4Q 2016, along with record annual zircon production of 52.6kt.

For the 2016 year, total finished goods production at GCO was 478.6kt, which was consistent with 2015 production.

Sales

Sales volumes were consistent with production volumes in 2016 across all product groups.

Ilmenite sales decreased by 2.3% in 2016, primarily as a result of slightly lower ilmenite production. As a result of the TTI incident and subsequent furnace reline, ilmenite that had been set aside for TTI was sold to external customers in 4Q 2016.

Ilmenite pricing was slightly stronger in 2016 compared to the prior year, as pressure on availability of titanium dioxide feedstock and pigment continued to increase. In particular, pricing in the second half of the year was stronger as pigment producers secured consecutive price increases.

Zircon sales increased by 26.9% in 2016, primarily due to the increase in production as outlined above, but also due to the further establishment of these products in the market. Sales in the second half of 2016 were particularly strong, accounting for 57.7% of annual zircon sales volumes in 2016.

Despite strong volume growth in GCO zircon experienced in 2016, zircon pricing came under significant pressure, particularly during the first half of the year following price decreases announced by major producers. Pricing and demand stabilised during the second half of the year, however, with some producers securing small price increases towards year-end.

The following table summarises GCO's quarterly sales and production volumes for the year ended 31 December 2016:

100% basis		1Q 2016	2Q 2016	3Q 2016	4Q 2016	CY 2016	CY 2015
Mining							
Ore mined	(kt)	9,583	10,291	8,071	11,258	39,203	34,759
HMC produced	(kt)	140.7	138.9	140.0	194.1	613.7	632.9
MSP production							
Ilmenite	(t)	107,181	92,783	96,503	119,882	416,349	427,690
Zircon	(t)	10,713	13,608	11,844	16,462	52,627	45,248
Rutile & leucoxene	(t)	1,906	2,524	2,192	3,042	9,664	5,311
Sales volume							
Ilmenite	(t)	65,001	118,649	84,857	142,408	410,915	420,417
Zircon	(t)	9,661	12,758	14,721	15,961	53,101	41,855
Rutile & leucoxene	(t)	1,740	2,300	2,620	2,159	8,819	4,611

TiZir Titanium & Iron ilmenite upgrading facility, Norway

Production

Production in the second half of the year was significantly impacted by the requirement to reline the furnace post the operational incident in August.

The ramp up of operations in the first half of the year went well with furnace operations exceeding expectations following the reline and capacity expansion project completion. Titanium slag production reached levels close to those achieved in 1H 2015, reflecting the successful ramp up trajectory. There were periods during 3Q 2016 when the furnace was operating close to its expanded nameplate capacity.

An operational incident in August resulted in damage to the surrounds of the furnace. No injuries were sustained by TTI personnel and safety procedures operated successfully. During repairs to the furnace it became evident that some sections of the lining had been damaged due to water ingress and the decision was taken to drain and reline the furnace. This work was completed in early January 2017 and chloride titanium slag and HPPI production has since begun.

During the period, TTI agreed with its insurer on 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. All outstanding monies were received prior to year-end.

Sales

TTI sales volumes were significantly impacted by ramp up during the first half of the year and the operational incident in August.

Prior to the operational incident, sales volumes of TTI's new chloride titanium slag product had been robust. In particular, TTI secured contracts for the sale of a significant majority of its 2016 chloride titanium slag production, illustrating market acceptance of this product.

Pricing for titanium slag was relatively stable throughout the year, primarily due to the offtake contracts entered into by TTI.

Sales of HPPI were consistent with production in 2016, reflecting market acceptance of TTI's high-quality pig iron, following changed specifications resulting from the switch to chloride slag production and the associated consumption of GCO ilmenite.

Pricing for HPPI was volatile in 2016, partly as a result of finding customers and niche markets for the new products. Further, movements in coal and iron ore prices throughout 2016, along with ongoing geopolitical issues experienced in Eastern Europe, significantly impacted pricing stability.

The following table summarises TTI's quarterly sales and production volumes for the year ended 31 December 2016:

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

Sustainability

Through its joint venture interests in GCO and TTI, MDL is invested in the creation of robust sustainable development policies and activities that are attuned to the needs, aspirations and sensitivities of key stakeholders. The joint venture facilitates positive economic, social and environmental objectives and outcomes through culturally sensitive engagement with employees, governments, local communities, civil society organisations and other stakeholders. MDL's oversight of the joint venture's governance and sustainability performance is administered via TiZir's board and committee structure and strengthened through regular site visits.

Further details are available in the sustainability report section of this annual report.

Health and safety

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

MDL's philosophy is that all work-related injuries, diseases and property losses are preventable. Through its joint venture interest, the Company continues to develop and implement programs that comply with international safety management standards.

The Company has policies in place with respect to the management of its health and safety responsibilities.

Environment and social

MDL is committed to operating in a responsible manner, seeking to integrate leading international best practices of the mining industry into all activities. The Company's Code of Conduct, Anti-Bribery & Corruption Policy, Human Rights & Child Protection Policy and Sustainability Policy underpin its approach to implementing environmental and social management strategies.

MDL abides by numerous codes and regulations issued by the relevant mining and environmental authorities of the countries in which it operates. The relevance of these codes and regulations is reviewed periodically to determine if there has been any change of status.

Rehabilitation work in Australia continues to be undertaken on a programmed basis at one of MDL's former mining sites in New South Wales. No adverse situations have been reported.

Risk and insurance

MDL faces a range of risks in its business activities, including financing, strategic, operational, environmental, compliance, financial reporting, sustainability and other market risks. Where considered appropriate, these risks are insured against as well as being integrated into risk management practices. There are a number of risks, both specific and general in nature, to MDL, TiZir and the entities within TiZir which may, either individually or in combination, affect the future operational and financial performance of the Company.

The summary of key risks set out below is not, and should not be considered to be, an exhaustive list of all the risks relevant to the Company and its 50% equity investment in TiZir. MDL, however, considers that these risks represent key Company risks, particularly risks to an investment in the Company. Additional risks and uncertainties that the Company is unaware of, or that the Company considers to be immaterial, may also become key risks and material. The risk factors outlined below omit how each is managed and may be mitigated and should be read in connection with the forward-looking statement that accompanies this annual report.

Key risks

- Current and future funding arrangements that are integral to the continuance of mining and mineral processing at TiZir's operations as well as the Company's realisation of the value of its investment in TiZir;
- Risks associated with TiZir being unable to fund a shortfall in cash flow and MDL not being in a position to fund its share (of the shortfall);
- General market risks associated with commodity price and demand fluctuations;
- Uncertainty regarding resource and reserve estimates;
- Operational risks resulting in delays or difficulties with product delivery or mining, processing and production optimisation/ramp up;
- Asset realisation risks;
- Dependence on key personnel as well as other employment and labour relations risks;
- Inadequate insurance cover;
- Changes to input costs, inflation and foreign exchange rates that could increase operating and capital costs;
- Restrictions on the repatriation of earnings;
- Licensing and permitting risks, including changes, limitations or challenge to MDL and TiZir's mining rights and interests;
- Health, safety, security, environment and/or community incidents impacting MDL and TiZir's operations and/or reputation;
- Unanticipated or higher than expected rehabilitation, closure and reclamation costs;
- Political and foreign operations risks including but not limited to political, legal and fiscal changes in the places where MDL and TiZir operate;
- Joint venture risks associated with a breakdown in relationships or a contravention of joint venture agreements;
- Litigation risks;
- Constraints on Company growth;
- Liabilities associated with strategic investments, acquisitions or divestitures; and
- General risks which may impact the Company's share price and which are outside the control of the Company, including but not limited to: Australian and worldwide economic and political stability, natural disasters, performance of the Australian stock market as a whole, the Australian interest rate, foreign exchange and taxation.

Some key MDL assets, in particular GCO in Senegal, West Africa, which is held via MDL's interest in TiZir, are located in countries where political risks are potentially higher than in more developed regions. The MDL board has considered the benefits and cost of political risk insurance and has determined that, at this time, it will not maintain political risk insurance on the equity component of its investment in TiZir or its interest in Senegal. MDL does not currently maintain any political risk insurance policy on any of its assets or interests.

MDL's risk management system includes a risk register of material risks to the Company, supplemented by risk control and mitigation plans. This register and accompanying plans are updated and reviewed on a regular basis.

Corporate

Investment in World Titanium Resources Limited

MDL exited its position in World Titanium Resources Limited ('WTR') during the reporting period. The proceeds from the sale of the Company's interest in WTR amounted to approximately A$6.45 million (US$4.9 million).

Board succession

On 8 April 2016, the Company announced the appointment of Robert Sennitt as managing director, effective from that date. In association with this appointment, Executive Chairman Nic Limb relinquished his executive role and became non-executive chairman in May, while retaining his role as chairman of the TiZir board. Long-serving director David Isles also retired in May and, as a consequence, Robert Danchin assumed the role of Audit & Risk Committee chairman and Nic Limb was appointed as a member of the Nomination & Remuneration Committee.

Performance rights

On 30 June 2016, the Company granted unlisted performance rights as a long-term incentive to nominated members of its executive team under the MDL performance rights plan ('PRP'). The issue of these rights, their vesting conditions, participants and the PRP were approved by shareholders of the Company at the annual general meeting held on 20 May 2016. Further details on these performance rights including vesting conditions, vesting schedule and valuation methodology are provided in the remuneration report and note 30 to the financial statements.

Joint venture funding

The Company has a loan agreement with its joint venture partner ERAMET in relation to TiZir. As at 31 December 2016, the total amount owed to ERAMET plus accrued interest was $13.8 million. Of this amount, $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 the Company'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 the Company that it would not seek to dilute its 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 in the Shareholders' Agreement including an effective interest rate of LIBOR (three months) plus seven percent.

SUBSEQUENT EVENTS

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

OUTLOOK

TiZir bond refinancing

TiZir is primarily funded by senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a total face value of $275 million maturing in September 2017. With respect to these bonds, TiZir is currently working on its refinancing options.

GCO production optimisation

Production at GCO for 1Q 2017 is expected to be lower due to a crossover through low grade tailings which coincides with a 180 degree turnaround of the mine path. Following this period, production is anticipated to increase to levels consistent with those achieved in 4Q 2016. While production in 1Q 2017 will be lower, GCO will continue to focus on optimising the efficiency and consistency of the WCP through improvement in utilisation, throughput and recovery and limiting downtime over and above results achieved in 4Q 2016. GCO management and the mining team, including the recently established mine optimisation team, have been tasked with delivering these projects in a timely and cost-efficient manner.

The cost reduction program currently operating at GCO will continue, with numerous projects identified for completion during 2017.

TTI ramp up

With the furnace repair and reline complete, TTI's primary focus is a successful ramp up to expanded capacity targets. As previously disclosed, it is anticipated that the upgraded furnace and water-cooled copper-ceramic roof will increase smelting capacity by approximately 15% and improve maintenance performance by lengthening periods between scheduled shutdowns.

TTI will also continue to focus on cost efficiencies to ensure that its production remains cost competitive.

Market outlook

The market for titanium dioxide pigment strengthened throughout the year. 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 improve, 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 4Q 2016, 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.

FUTURE DEVELOPMENTS

MDL's key objectives for the upcoming year include:

- meeting TiZir's and MDL's financial obligations, including, from a TiZir perspective, refinancing the $275 million corporate bond which matures in September 2017
- successful ramp up of TTI operations
- ongoing cost efficiencies and optimisation initiatives at both GCO and TTI
- capitalisation on synergistic benefits of asset integration

MDL will continue to seek and assess further opportunities to add value for shareholders.

CHANGE IN STATE OF AFFAIRS

Other than as stated above, there was no significant change in the state of affairs of the consolidated entity during the financial period.

ENVIRONMENTAL REGULATIONS

The Company's previous Hawks Nest operations remain subject to environmental regulation under the laws of the Commonwealth of Australia and New South Wales State legislation. The Company is therefore required to continue to comply with the terms and conditions of the approvals and licences granted until such date(s) as its mining leases are relinquished.

During the year ended 31 December 2016, there were no instances of non-compliance by the Company in relation to licences and approvals.

DIVIDENDS

During the financial year, no dividends were paid. The directors have not recommended the payment of a dividend in relation to the year ended 31 December 2016 (2015 – nil).

PERFORMANCE RIGHTS AND OPTIONS

At the date of this report, the following performance rights were outstanding:

Unlisted performance rights	Grant date	Expiry date	No. of Performance rights issued	Exercise price A$	Vesting date
MDLAA	30 June 2016	31 Jan 2021	1,170,000	-	31 Jan 2019

During the period, no performance rights over ordinary shares were exercised.

Further details of performance rights are contained in note 30 to the financial statements.

No person entitled to performance rights had or has any rights by virtue of the performance right to participate in any share issue of the Company.

INDEMNIFICATION OF OFFICERS AND AUDITOR

The Company's constitution requires the Company to indemnify each director and its officers against liabilities (to the extent permitted by law and subject to the Corporations Act 2001) for certain costs and expenses incurred by any of them in defending any legal proceedings arising out of their conduct while acting as an officer of the Company. The Company has paid premiums to insure each of its directors and officers against liabilities and has entered into deeds of indemnity with each of its directors and officers.

DIRECTORS' MEETINGS

Throughout the year ended 31 December 2016, there were 13 directors' meetings. Included in the directors' meetings figures are circular resolutions voted on by eligible directors which are necessary to address company business where the directors are unable to be present for formal board meetings.

Eligibility and attendances were as follows:

Director	Eligible	Attended
N Limb	12	11
R Sennitt	9	9
M Ackland	13	13
R Danchin	13	12
T Whiting	13	13
C MacDonald	13	13
D Isles	5	5

During the year ended 31 December 2016, there were five audit & risk committee meetings and four nomination & remuneration committee meetings.

Eligibility and attendances were as follows:

	Audit & Risk Committee		Nomination & Remuneration Committee	
Director	Eligible	Attended	Eligible	Attended
R Danchin	5	5	4	4
T Whiting	5	5	4	4
N Limb	N/A	N/A	2	2
C MacDonald	4	4	N/A	N/A
D Isles	3	3	2	2

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR

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

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence statement is included on page 38 of the financial report.

ROUNDING OFF OF ACCOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Report) Instrument 2016/191, dated March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

This remuneration report forms part of the directors' report and outlines the remuneration arrangements for the Company's non-executive directors, executive directors and other senior executives who have the authority and responsibility for planning, directing and controlling the activities of MDL ('key management personnel', hereafter referred to as 'KMP') for the year ended 31 December 2016.

1. Directors and KMP details

The names and positions held by KMP in office at any time during or since the end of the financial year are:

Non-executive directors

Nicholas Limb	Non-executive chairman (effective 20 May 2016)
Robert Danchin	Independent; deputy chairman; audit & risk committee chairman
Tom Whiting	Independent; nomination & remuneration committee chairman
Charles (Sandy) MacDonald	Independent
David Isles	Independent; audit & risk committee chairman (ceased 20 May 2016)

Executive directors

Nicholas Limb	Executive chairman (1 January 2016 – 20 May 2016)
Robert Sennitt	Managing director ('MD')
Martin Ackland	Executive director

Other KMP

Jozsef Patarica	Chief operating officer ('COO')
Greg Bell	Chief financial officer ('CFO')
Michaela Evans	Company secretary & general manager – corporate affairs ('Co Sec')

2. Reporting in United States Dollars

In this report, remuneration and benefits have been presented in United States Dollars, unless otherwise stated. This approach is consistent with the consolidated financial statements of the Company. Remuneration is usually paid in Australian Dollars and, for reporting purposes, converted to United States Dollars based on the average exchange rate for the payment period.

3. Remuneration governance

3.1 Nomination & Remuneration Committee

The board of directors is responsible for oversight of the Company's remuneration governance, guided by the recommendations and activities of the nomination & remuneration committee ('N&RC'). The N&RC functions on the basis of a formally adopted charter which is available on the Company's website. The current members of the committee are Tom Whiting (committee chairman), Robert Danchin and Nic Limb who replaced David Isles upon his retirement in May 2016.

With respect to Company remuneration, the broad responsibilities of the committee are to:

- determine and review the overall philosophy, strategy, plans, policies and practices for the recruitment, remuneration and retention of KMP;
- review and approve corporate goals and objectives relevant to KMP compensation, evaluate KMP performance in light of those corporate goals and objectives and make recommendations to the board regarding the proposed remuneration package of KMP based on their evaluation;
- consider the adoption of appropriate incentive plans and review adopted plans on a regular basis to ensure they comply with legislation and regulatory requirements, reflect industry standards, are appropriately linked with value creation opportunities for shareholders and are effective in achieving Company objectives;
- approve the participants and total level of award under any employee short-term and long-term incentive plans; and
- identify circumstances wherein external remuneration advice should be sought and ensure conformance with respect to the appropriate appointment and reporting practices of remuneration consultants.

The Company's overarching remuneration philosophy is outlined in its Remuneration Policy which is available on the MDL website.

3.2 Remuneration consultants

During the reporting period, MDL did not engage remuneration consultants to provide 'remuneration recommendations', as defined in the Corporations Act 2001. During the reporting period, Moore Stephens was engaged to provide an independent valuation of the Company's 2016 performance rights. The amount charged for these services totalled A$8,000 (excl. GST). No other payments were made to Moore Stephens during the relevant period. Moore Stephens has confirmed that no executive or officer of the Company exercised undue influence on its reported analysis or observations.

4. Remuneration policy and practice

Section 4 of this report provides an overview of the Company's remuneration policy and practice for 2016. The board's remuneration policy is to set remuneration for KMP and other employees at a level that is market competitive in order to attract, retain and motivate key individuals and remunerate fairly and responsibly as well as to ensure that remuneration practices are aligned to the Company's strategic and business objectives, risk exposures, and with the creation of shareholder value. Notwithstanding unforeseen circumstances and business developments, to the maximum extent possible remuneration practice aligns with the Company's Remuneration Policy.

4.1 Non–executive directors ('NED')

Policy

The board – in liaison with the N&RC – reviews NED remuneration policy and practice annually and undertakes benchmarking reviews as appropriate. Fees paid to NEDs are determined by the board and are subject to an aggregate limit of A$750,000 per annum in accordance with the Company's constitution and as approved by shareholders at the annual general meeting held in May 2013.

When determining and reviewing levels of NED remuneration, the Company's policy is to consider: the Company's size, structure, activities and areas of operation; the responsibilities and commitments of individual members (including committee activities); and NED fees paid to comparable companies.

The Company's policy with respect to the remuneration of NEDs during the reporting period was as follows:

- remuneration includes a fixed fee for service, paid in cash, and statutory superannuation (where applicable), the total of which is to be within the aggregate 'non-executive director fee pool' amount as last approved by shareholders;
- entitlement to reimbursement of reasonable travel, accommodation and other expenses incurred whist engaged on Company business;
- at the board's discretion, additional remuneration may be paid for special duties or extra services performed on behalf of the Company (including those performed on behalf of on behalf of TiZir);
- no provision for retirement benefits other than statutory superannuation entitlements;
- no entitlement to participate in incentive-based remuneration schemes; and
- no additional fees are to be paid for participation on any board committees.

Practice

A summary of the Company's remuneration practice in relation to its current NEDs is as follows:

Non-executive director	2016 TFR A$	Date of last TFR adjustment	TFR at appointment A$	Appointment date
N Limb	87,500[i]	N/A	150,000	20 May 2016
R Danchin	100,000	1 May 2008	70,000	9 February 2007
C MacDonald	75,000	N/A	75,000	21 February 2014
T Whiting	75,000	N/A	75,000	19 January 2012

(i) Fees shown are those received by Nic Limb in his capacity as a NED from 1 June 2016 to 31 December 2016.

Non-executive director	2016 special exertion fees A$
N Limb	173,833[i]

(i) Fees shown are those received by Nic Limb in his capacity as chairman of TiZir from 1 June 2016 to 31 December 2016.

During the period, Mr Limb transitioned from executive to non-executive chairman and the board determined he would receive an annual director's fee of A$150,000 (inclusive of superannuation) commensurate with his position and experience and benchmarked against peer companies. Separately, Mr Limb is remunerated by the Company for services performed in his capacity as chairman of TiZir based on a pro rata amount of A$298,000 per annum (reviewed regularly) on the basis that he dedicates appropriate time to effectively discharge the duties of his position.

Dr Danchin is remunerated at a higher rate than the other independent NEDs in recognition of his role and responsibilities as deputy chairman. His annual remuneration of A$100,000 has remained unchanged since 2008.

The other independent NEDs are remunerated at the same rate (being A$75,000 per annum), which has remained unchanged for Dr Whiting and Mr MacDonald since their appointment dates (respectively January 2012 and February 2014).

As per the Company's stated policy, the NEDs of the Company did not participate in Company incentive plans during the period and did not receive retirement benefits. With the exception of Mr Limb (as outlined above), no special duty or extra service fees were paid to NEDs during the period.

4.2 Executives

Policy

The N&RC advises the board on remuneration for executive directors and senior executive members and oversees the Company's executive remuneration policy which aims to:

- reward executives fairly and responsibly in accordance with market rates and practices to ensure that the Company provides competitive rewards that attract, retain and motivate executives of a high calibre;
- set high levels of performance which are clearly linked to an executive's remuneration;
- structure remuneration at a level that reflects the executive's duties and accountabilities;
- benchmark remuneration against appropriate comparator groups;
- align executive incentive rewards with the creation of value for shareholders;
- align remuneration with the Company's long-term strategic plans & business objectives and with risk exposures through the resources cycle; and
- comply with applicable legal requirements and appropriate governance standards.

As outlined in the Company's 2015 annual report, following a comprehensive remuneration review, and with the assistance of independent information prepared by Aon Hewitt, the Company implemented a number of revisions to its executive remuneration policy effective from 1 January 2016, the general principles of which are summarised below and in the tables overleaf.

Pay mix and benchmarking: Executive remuneration structure is designed to comprise 'fixed' and 'at risk'/'variable' (performance based) remuneration, benchmarked annually against peer companies within the resources sector that are of a similar size, market capitalisation and revenue base. Benchmarking is conducted by the N&RC with the assistance of an independent remuneration consultant (where required).

Eligibility: Eligibility to participate in the Company's short-term incentive ('STI') and/or long-term incentive ('LTI') plans is typically set out in an employee's service contract; however, the Company's policy is for the board to determine participation annually based on N&RC recommendations.

Gate: Where appropriate, the board will establish a minimum level of expected performance related to, for example, Company earnings, operational cash flow or health, safety and environmental objectives, which must be achieved for any STI award to become payable under the STI plan.

Board Discretion: The board has overriding discretion to amend STI and LTI outcomes to: properly reflect performance; adjust for anomalous outcomes; reflect the Company's risk exposures through the resources cycle; and ensure alignment of awards of 'at risk' remuneration with Company strategy and long-term shareholder value creation.

	Fixed remuneration policy structure
Remuneration vehicle	Total fixed remuneration ('TFR') includes: • Cash based salary • Superannuation contributions
Purpose and guidance	• Retain and attract a talented, knowledgeable and experienced workforce • Market competitive – guided by P50 • Reflective of role, responsibilities and experience
Link to performance	• Individual performance review having regard for overall Company performance • No contractual guarantee of an annual increase

	Short-term incentive policy structure
Remuneration vehicle	• Cash bonus
Purpose and guidance	• 'At risk'/'variable' remuneration • Incentivise and provide competitive reward for achievement of Company-wide and individual performance targets linked to strategic objectives
Link to performance	*Grant structure* • STIs based on 'at target' and 'stretch' opportunities that will be reviewed annually by the N&RC at the beginning of the financial year, giving due consideration to the Company's remuneration principles • General guidance on opportunity percentages relative to TFR is provided below (percentages are subject to change annually pending N&RC consideration of Company objectives and changed circumstances amongst other factors):

Employee	'At target' STI opportunity % of TFR	'Stretch' STI opportunity % of TFR
MD	30	50
COO	24	40
CFO	24	40
Co Sec	Board discretion	Board discretion
Other employees	Board discretion	Board discretion

Overall performance weighting
STI performance criteria to be weighted between 'financial performance' (typically 50%) and individual performance (typically 50%). Key Performance Indicators ('KPI') within these two broad performance areas will also normally be weighted

Targets
Following the establishment of KPI areas, targets will typically be set to establish threshold, target and stretch objectives. In general, no payment will be made until an above-threshold level of performance is achieved. Thereafter payments will generally be made on a sliding scale between threshold and target and between target and stretch as appropriate to the specific KPI

Financial performance criteria
Annual determination of financial performance criteria will be established by the N&RC at the beginning of each year, with one or more (up to three) to be considered and implemented for the relevant financial year. Financial measures will usually emphasise profit and cash flow drivers

Individual performance criteria
Individual KPIs will be approved annually by the N&RC at the beginning of each financial year. Targets are intended to set challenging but achievable goals and will be selected by the N&RC, giving due consideration to overall business objectives, MDL culture and the individual executive's role accountabilities. KPIs will reflect the executive's experience and capacity to determine, control or influence KPI outcomes. General KPI areas will typically include operational performance (including production targets and cost efficiency), development/execution of strategic plans, management of JV relationships, sustainability (including health and safety and community liaison), risk management, leadership/talent management and governance. KPIs relate to MDL, TiZir, GCO and TTI activities and objectives

Assessment structure
N&RC to review performance outcomes after year-end performance is known; individual performance criteria to be reviewed during the year with overall performance assessed at year-end

Payment timing
Payments will be made in the first quarter following the relevant performance year (i.e. payment for 2016 performance – if achieved – would be made between January and March 2017)

Leaver provisions
Subject to board discretion, no payment of an STI will occur should an eligible participant leave before the relevant testing period

	Long-term incentive policy structure
Remuneration vehicle	• Performance rights • Performance rights granted under the Company's LTI plan will carry no dividend or voting rights
Purpose and guidance	• 'At risk'/'variable' remuneration • Incentivise and provide competitive reward for continued service and achievement of long-term strategic/growth objectives

Link to performance

Grant structure

- LTI opportunities will be established annually by the N&RC at the beginning of each period, giving due consideration to the Company's remuneration principles
- Where an LTI opportunity is established by the board, performance for that LTI cycle will be measured over three years (i.e. testing for 2016 cycle to occur three years after 2016 cycle start date in 2019)
- The N&RC will recommend to the board opportunity percentages relative to TFR giving due consideration to the number of shares and incentives on issue and issued in the prior five years. In keeping with the Company's remuneration philosophy, leverage to LTI should be higher than STI
- The N&RC at its discretion may determine a LTI 'cap' relative to TFR
- General guidance on opportunity percentages relative to TFR is provided below (percentages are subject to change pending N&RC consideration of Company objectives and changed circumstances amongst other factors):

Employee	Maximum LTI opportunity % of TFR
MD	50
COO	40
CFO	40
Co Sec	30
Other employees	N/A

Performance conditions

- Generally applied performance conditions will be those that return value to shareholders and that incentivise executives to focus on the Company's long-term strategy and growth opportunities. Measures proposed and likely to be used in future include:
  - Relative TSR
  - Absolute TSR
  - Shareholder return measures (such as Return on Equity)
  - Delivery of strategic objectives

Typically, 'cliff vesting' hurdles should be avoided, unless the board determines that achieving the target objective is strongly aligned with long-term shareholder return and/or the delivery of valuable strategic objectives.

Generally, with respect to TSR provisions, vesting will occur on a proportionate straight-line basis for performance between threshold and target (Absolute TSR) and 50P and 75P (Relative TSR).

For Relative TSR vesting, the comparator group will typically be the S&P/ASX Resources 300 Index. The comparator group is intended to reflect any competitors, companies and sectors where investors may choose to invest their money if not in MDL with particular regard to those companies of similar industry and market capitalisation.

In its absolute discretion, the board may determine that no Relative TSR performance rights will vest if the Company's TSR performance is negative.

Timing

Annual testing of vesting criteria and issues of LTI performance rights will typically be undertaken in February of each financial year in order to disclose results in the Company's annual report and enable approval, as required, at the Company's annual general meeting.

Calculation

Typically, VWAP on the 20 days preceding the start of each three year cycle. No retesting of performance criteria hurdles will be performed after agreement of calculation.

Expiry

There will be no entitlement to incentives for which performance criteria have not been met at the end of the performance period and no MDL shares will be provided in respect of those lapsed rights. Vested performance rights will expire as per the conditions set out in each participant's offer letter and/or the MDL PRP.

Share trading

Shares issued or transferred to executives under the Company's incentive scheme will be subject to compliance with the Company's share trading policy. KMP participating in an equity-based incentive plan of the Company will be prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in MDL's securities.

Clawback

Unvested LTI equity awards will be subject to clawback (forfeiture or lapse) in certain circumstances (including serious misconduct, unlawful, fraudulent, dishonest behaviour).

Leaver provisions

Vesting of performance rights will typically be subject to continuing employment of the eligible executives. Subject to director discretion, rights will generally lapse on an executive's resignation or dismissal. In exceptional circumstances and where a termination is for reasons including retirement, death, total and permanent disablement, change of control and bona fide redundancy, unless it determines otherwise, the board has the discretion to determine the extent to which all or part of any unvested equity may vest and the specific performance testing to be applied. Such provisions may also be subject to shareholder approval. Leaver provisions will typically be outlined in a participant's performance rights offer letter.

At risk summary table:

The table below shows the relative targeted mix of remuneration components based on the Company's remuneration policy as a percentage of total remuneration:

Executive(i)	Fixed remuneration %	At risk remuneration(ii) Maximum STI opportunity %	At risk remuneration(ii) Maximum LTI opportunity %	Maximum total 'at risk' remuneration %
MD	50.0	25.0	25.0	50.0
COO	55.6	22.2	22.2	44.4
CFO	55.6	22.2	22.2	44.4

(i) Co Sec remuneration mix cannot be presented due to STI opportunity being subject to board discretion.
(ii) Maximum STI and LTI opportunity is subject to achievement of all STI objectives at 'stretch' and LTI vesting hurdles at the testing date.

Executive remuneration practice

Executive director remuneration

As outlined above, Nic Limb relinquished his executive role to become non-executive chairman at the AGM held in May 2016. Consequently, during the period, he received A$233,334 in performance of his executive duties. Additionally, employee benefits amounting to A$591,568 representing annual leave and long service leave were paid in respect of Mr Limb's services accumulated from his date of appointment up until 31 May 2016. Due to his transitional status, Mr Limb was not eligible to participate in the Company's 2016 STI and LTI plans and, as such, no variable remuneration (including cash bonuses) will be paid to Mr Limb in 2017 in relation to the year ended 31 December 2016.

The remuneration of MDL's technical director Martin Ackland remained unchanged in 2016. He was not eligible to participate in the Company's 2016 STI and LTI plans and, as such, no variable remuneration (including cash bonuses) will be paid to Mr Ackland in 2017 in relation to the year ended 31 December 2016.

On 8 April 2016, the Company announced the appointment of Robert Sennitt as MD, effective from that date. His remuneration and contractual provisions remained unchanged from those disclosed on his appointment as chief executive officer in June 2015. Along with other members of the Company's senior executive group, Mr Sennitt was eligible to participate in the Company's STI and LTI plans. Further details of Mr Sennitt's remuneration for the period are outlined below.

All three directors represented MDL's interests on the TiZir board for the full reporting period.

Senior executive remuneration

During the reporting period, the senior executive comprised Robert Sennitt (MD), Jozsef Patarica (COO), Greg Bell (CFO) and Michaela Evans (Co Sec).

These executives were eligible to participate in the Company's 2016 STI and LTI plans.

Fixed remuneration

The total fixed annual remuneration of these executives (which includes statutory superannuation) for the reporting period was as follows:

Executive	Effective date	TFR as at effective date
R Sennitt – MD(i)	1 June 2015	A$500,000
J Patarica – COO(ii)	1 October 2015	A$400,000
G Bell – CFO(iii)	1 June 2015	A$250,000
M Evans – Co Sec(iv)	1 June 2015	A$250,000

(i) Appointed business development manager 28 January 2015.
(ii) For the period wherein Jozsef Patarica's services are retained by GCO, his total fixed remuneration is A$450,000. Upon cessation of his secondment to GCO or by mutual agreement, the fixed component of Mr Patarica's remuneration reverts to A$400,000. This will occur in 2017.
(iii) Appointed interim CFO 15 December 2014.
(iv) Appointed Co Sec 22 March 2013.

Amongst MDL's comparator group, fixed senior executive remuneration is typically guided by the market fiftieth percentile ('P50') with the mix of fixed pay and variable STIs and LTIs structured to deliver total potential remuneration around the market seventy-fifth percentile ('P75') where stretch targets have been met or exceeded. Benchmarking results provided by Aon Hewitt in late 2015/early 2016 indicated that the fixed remuneration of the MD, CFO and Co Sec is at or below P50. While outside the Company's preferred benchmark target, the board did not revise executive fixed remuneration during the reporting period.

For the duration of the reporting period, Jozsef Patarica was seconded to GCO and consequently his TFR was A$450,000 (inclusive of superannuation). In 2017, the fixed component of his remuneration will revert to A$400,000.

STI

As foreshadowed in the 2015 remuneration report, members of the senior executive were eligible to participate in the Company's STI plan. KPI targets that were set for participants were approved by the board, following N&RC recommendations, and were aligned with the policy guidance outlined above.

The performance targets and their relative weighting for each executive for the reporting period were as follows:

Performance category	MD %	COO %	CFO %	Co Sec[(i)] %
Financial	40	40	40	Board discretion
Safety/Sustainability	10	10	10	
Operations	22	30	30	
Strategic development/growth	17	10	10	
Corporate/leadership/governance	11	10	10	

(i) The Co Sec's STI bonus is discretionary (notwithstanding the application of the overarching safety based gate as outlined below) and assessed by the board on the basis of the provision of board and executive support over the course of the reporting period.

The measures within each broad STI category were identified as core drivers of value for shareholders and were selected to encourage activities and behaviours aligned with the Company's strategy, risk framework and governance principles. Additionally, the majority of the indicators were measurable and easily verifiable. In accordance with Company policy, multiple objectives were set within each of the performance areas. Financial indicators, for example, included objectives related to cash flow, capital structure and profitability; operational indicators included optimisation objectives, risk management, and cost control initiatives; and strategic development/growth indicators included measures related to joint venture relations and specific strategic objectives. Threshold, target and stretch goals were also developed for each indicator. A safety based gate of no fatalities at GCO and TTI for the reporting period was also established.

Following satisfaction of the safety gate objective, executive performance against 2016 KPIs were tested and the outcomes are outlined below:

Executive	'At target' STI opportunity % of TFR	'Stretch' STI opportunity % of TFR	FY2016 actual STI award % relative to TFR	FY2016 actual STI award A$
R Sennitt – MD	30	50	22	110,323
J Patarica – COO	24	40	22	86,781
G Bell – CFO	24	40	19	47,262
M Evans – Co Sec	Board discretion	Board discretion	19	47,262

Executive bonuses for FY2016 performance will be paid in cash (less superannuation and applicable taxation) in 1Q 2017 in accordance with the Company's Remuneration Policy.

LTI

In keeping with the Company's Remuneration Policy, and in recognition of the importance of including variable remuneration in executive remuneration packages that is only paid on the achievement of objectives that the board considers will deliver increased shareholder value, the Company issued the following rights to senior executives during the reporting period:

Executive	Maximum LTI opportunity % of TFR	No. of performance rights
R Sennitt – MD	50	500,000
J Patarica – COO	40	320,000
G Bell – CFO	40	200,000
M Evans – Co Sec	30	150,000

The Company's PRP and the performance rights issued to Managing Director Robert Sennitt were approved by MDL's shareholders on 20 May 2016 at the Company's AGM. The performance rights are subject to board and shareholder approved performance hurdles. Half of the rights are subject to an Absolute TSR hurdle over a three year performance period (being 1 February 2016 to 31 January 2019) and will be tested at the end of that period (31 January 2019), with the remaining half subject to a Relative TSR over the same performance period.

Whilst the board's policy is that typically a 20 day volume weighted average price ('VWAP') should be used to evaluate the number of performance rights to be issued under the PRP, the board, at its discretion, resolved that the number of performance rights issued to the executive be valued at A$0.50 per performance right, rather than the VWAP value of A$0.23, due to the position of the Company in the resource sector price cycle.

Each performance right entitles the holder to one share upon vesting and exercise. There is no exercise price pertaining to the performance rights and the rights carry no voting or dividend rights.

Further details of these rights, their performance hurdles, vesting schedule and valuation are outlined in section 10.2 of this report and in note 30 to the financial statements.

4.3 KMP remuneration summary FY2016

The remuneration of KMP during the year ended 31 December 2016 was as follows:

	Short-term benefits			Post-employment benefits	Other employee benefits[ii]	Equity-settled share-based payments [iii]	Total	Performance related
	Salary and fees[i] US$	Non-cash benefits US$	Cash bonus US$	Superannuation contributions US$	US$	Performance rights US$	US$	%
Year ended 31 December 2016								
Executive directors								
N Limb[iv]	162,739	-	-	10,849	(25,366)	-	148,222	-
R Sennitt[v]	345,936	8,040	82,075	26,038	11,625	8,221	481,935	18.7
M Ackland	255,472	-	-	26,038	7,556	-	289,066	-
Non-executive directors								
N Limb[iv]	179,229	-	-	15,189	-	-	194,418	N/A
R Danchin	48,357	-	-	26,038	-	-	74,395	N/A
T Whiting	37,563	-	-	18,232	-	-	55,795	N/A
C MacDonald	41,774	-	-	4,841	-	-	46,615	N/A
D Isles	13,018	-	-	10,230	-	-	23,248	N/A
Key executives								
J Patarica	321,202	-	64,561	13,575	6,703	5,261	411,302	17.0
G Bell	170,595	912	35,160	14,479	8,749	3,288	233,183	16.5
M Evans	170,393	-	35,160	15,594	1,935	2,466	225,548	16.7
	1,746,278	**8,952**	**216,956**	**181,103**	**11,202**	**19,236**	**2,183,727**	**-**
Year ended 31 December 2015								
Executive directors								
N Limb	395,324	-	-	26,355	(32,701)	-	388,978	-
M Ackland	258,580	-	-	26,355	-	-	284,935	-
Non-executive directors								
R Danchin	48,945	-	-	26,355	-	-	75,300	N/A
T Whiting	38,021	-	-	18,454	-	-	56,475	N/A
C MacDonald	60,867	-	-	4,900	-	-	65,767	N/A
D Isles	31,624	-	-	24,851	-	-	56,475	N/A
Key executives								
R Sennitt[v]	203,648	-	-	15,976	16,619	-	236,243	N/A
J Patarica[vi]	81,535	-	-	3,177	6,448	-	91,160	N/A
G Bell[vii]	160,049	-	-	13,925	18,519	-	192,493	N/A
M Evans	149,976	-	-	22,587	5,948	-	178,511	N/A
	1,428,569	**-**	**-**	**182,935**	**14,833**	**-**	**1,626,337**	**-**

(i) For Mr MacDonald, this figure includes fees paid in advance and forms part of his cash salary which he has elected to salary sacrifice during 2015 and 2016.

(ii) Other employee benefits represent annual leave and long service leave entitlements, measured on an accrual basis. The amount included above relates to movement in each executive's entitlements over the year, along with movements in the AUD/USD exchange rate as these entitlements are denominated in Australian dollars.

(iii) The figures provided in 'equity-settled share-based payments' were not provided in cash to the KMP during the financial period. These amounts are calculated in accordance with accounting standards and represent the amortisation of accounting fair values of performance rights that have been granted to KMP in this or prior financial years. The fair value of performance rights have been valued as at their date of grant and in accordance with the requirements of AASB 2 Share-Based Payments. The fair value of performance rights is measured using a generally accepted valuation model. The fair values are then amortised over the entire vesting period of the equity instruments. The 'Total Remuneration' therefore includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should these equity instruments vest and be exercised.

Performance rights issued to KMP are unvested at balance date and have no exercise price. These performance rights have vesting conditions as outlined in item 4.2 of this remuneration report.

(iv) Nic Limb relinquished his executive role to become non-executive chairman at the AGM held in May 2016. As a result, employee benefits representing annual leave and long service leave were paid in respect of Mr Limb's services accumulated from his date of appointment up until 31 May 2016. Further, Mr Limb's remuneration for the year ended 31 December 2016 has been split to illustrate the remuneration received in his role as executive chairman up until 31 May 2016 and the remuneration received in his role as non-executive chairman from this date to the end of the reporting period.

(v) Robert Sennitt was appointed chief executive officer on 1 June 2015. Mr Sennitt did not receive a payment as part of his consideration for agreeing to hold the position. Further, on 8 April 2016, Mr Sennitt was appointed as MD of the Company, effective from that date. His remuneration and contract provisions remained unchanged from those disclosed on his appointment as CEO.

(vi) Jozsef Patarica was appointed COO on 1 October 2015. Mr Patarica did not receive a payment as part of his consideration for agreeing to hold the position.

(vii) Greg Bell was appointed interim CFO on 15 December 2014 and was formally appointed to the position on 1 June 2015. Mr Bell did not receive a payment as part of his consideration for agreeing to hold the position.

5. Remuneration outlook: Key proposed remuneration changes

As outlined above, STI executive bonuses for FY2016 performance will be paid in cash (less superannuation and applicable taxation) in 1Q 2017 in accordance with the Company's Remuneration Policy.

Notwithstanding unforeseen circumstances, no remuneration increases are proposed for KMP (including NEDs, executive directors and existing senior executives) for 2017. Exceptions may be made where changes to a KMP's accountabilities and/or duties require an adjustment to remuneration. In accordance with the COO's contractual provisions, Jozsef Patarica's TFR will revert to A$400,000 (inclusive of superannuation). In keeping with the Company's succession plans, Martin Ackland's TFR will be revised in 2017.

In line with ensuring appropriate 'at risk' remuneration for executives, STIs and LTIs will be established for 2017. Executive STI KPIs will be identified in accordance with stipulated remuneration guidance as set out in this remuneration report and in the Company's Remuneration Policy available on the Company's website. Subject to appropriate shareholder approval and in keeping with Company policy and the PRP, the board has determined that 2017 cycle LTI performance rights will be issued to senior executives, as follows:

Executive	Maximum LTI opportunity % of TFR	Number of Performance Rights(i)
R Sennitt – MD	50	499,234
J Patarica – COO	40	319,510
G Bell – CFO	40	199,694
M Evans – Co Sec	30	149,771

(i) Calculated on the basis of the 20 day VWAP preceding 1 February 2017, being $A0.501.

Further details on the 2017 cycle LTI performance rights, including performance hurdles and vesting conditions, will be outlined in the notice of meeting dispatched prior to the Company's 2017 AGM.

6. MDL five year performance

As outlined, MDL's remuneration policy is aimed at the alignment of KMP remuneration with strategic and commercial objectives and the creation of shareholder value. The following table outlines MDL's financial performance over the last five years as required by the Corporations Act 2001. The board and N&RC take a broad view with respect to performance and, consequently, the below indicators may not always directly align with senior executive remuneration outcomes.

The Company's share price performance in prior periods has been significantly impacted by the downturn in the mineral sands market and general resource industry sentiment. Market and sentiment improvements evidenced in 2016, combined with stronger production performance at GCO, have seen the MDL share price increase by 239% since 31 December 2015. Further, with the integration of GCO and TTI now complete, the Company is well positioned to be competitive during cyclical downturns with significant leverage to the upside during periods of commodity price strength. The board believes the Company is well placed to enhance shareholder value and return over the medium to long-term.

		Year ended				
		31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Revenue	US$'000	5,228	3,505	3,238	2,301	2,091
Net profit/(loss) after tax	US$'000	(27,123)	(42,031)	(71,732)	(16,626)	16,221
Titanium feedstocks produced	kt	529.5	539.8	285.0	190.3	181.1
Titanium feedstocks sold	kt	541.5	556.7	253.3	197.1	156.9
Zircon produced	kt	52.6	45.2	9.0	-	-
Zircon sold	kt	53.1	41.9	7.1	-	-
Basic EPS	US cents	(26.2)	(40.5)	(69.7)	(19.8)	19.4
Share price at end of year	A$	0.490	0.205	0.745	2.80	3.85

7. Performance rights and share options exercised or forfeited by KMP during the period

No performance rights or share options were exercised by or forfeited by KMP during the year ended 31 December 2016.

8. Contracts for executives

Non-executive directors are not remunerated under a contract of employment.

The Company has entered into employment contracts with each of its executives. The terms of these contracts for KMP during the reporting period are set out in the following table:

	N Limb[i]	M Ackland	R Sennitt	J Patarica	G Bell	M Evans
Position	Executive chairman	Executive director	MD	COO	CFO	Co Sec
Appointment date[ii]	26 August 1993	21 July 2003	28 January 2015	1 October 2015	13 Sept 2010	1 August 2012
Contract date[iii]	1 July 2011	1 July 2011	1 June 2015	1 October 2015	1 June 2015	1 June 2015
Cease date	20 May 2016	-	-	-	-	-
Total fixed remuneration[iv]	A$560,000	A$378,400	A$500,000	A$400,000[iv]	A$250,000	A$250,000
STI/LTI eligibility	No participation in proposed 2017 STI/LTI awards	No participation in proposed 2017 STI/LTI awards	Eligible, subject to ongoing N&RC approval	Eligible, subject to ongoing N&RC approval	Eligible, subject to ongoing N&RC approval	Eligible, subject to ongoing N&RC approval
Contract length	Ongoing, no fixed term	Ongoing, no fixed term	Ongoing, no fixed term	Ongoing, no fixed term	Ongoing, no fixed term	Ongoing, no fixed term
Notice for termination by the Company	12 months	12 months	Three months	Three months	Three months	Three months
Termination for serious misconduct	No notice required. No STI/LTI payment	No notice required. No STI/LTI payment	No notice required. No STI/LTI payment	No notice required. No STI/LTI payment	No notice required. No STI/LTI payment	No notice required. No STI/LTI payment
Notice for resignation by the employee	Three months	Three months	Three months	Three months	Three months	Three months
Change of control	No provision	No provision	100% of fixed remuneration in the event of material diminution of status / responsibilities	100% of fixed remuneration in the event of material diminution of status / responsibilities	100% of fixed remuneration in the event of material diminution of status / responsibilities	100% of fixed remuneration in the event of material diminution of status / responsibilities
Statutory entitlements	All leave and benefits (annual leave, long service leave, superannuation entitlements) in accordance with the law	All leave and benefits (annual leave, long service leave, superannuation entitlements) in accordance with the law	All leave and benefits (annual leave, long service leave, superannuation entitlements) in accordance with the law	All leave and benefits (annual leave, long service leave, superannuation entitlements) in accordance with the law	All leave and benefits (annual leave, long service leave, superannuation entitlements) in accordance with the law	All leave and benefits (annual leave, long service leave, superannuation entitlements) in accordance with the law
Post-employment restraints	No provision	No provision	Six months	Six months	Six months	Six months

(i) Nic Limb ceased to be an executive of the Company in May 2016 and therefore these contractual provisions did not apply for the majority of the reporting period. Mr Limb received A$233,334 in performance of his executive duties for the period 1 January 2016 to 31 May 2016. Additionally, employee benefits amounting to A$591,568 representing annual leave and long service leave were paid in respect of Mr Limb's services accumulated from his date of appointment up until 31 May 2016.

(ii) Date of first appointment with the Company. Stated position and terms shown in the table do not necessarily correlate with original contract terms.

(iii) Most recent contract executed between the Company and the employee, for which terms are detailed in the table.

(iv) No guaranteed increase. See also note (i) and note (v).

(v) For the period wherein Jozsef Patarica's services are retained by GCO, his total fixed remuneration is A$450,000. Upon cessation of his secondment to GCO or by mutual agreement, the fixed component of Mr Patarica's remuneration reverts to A$400,000. This will occur in 2017.

9. Loans to KMP

No loans were made to KMP during the period, nor are any loans to KMP outstanding.

10. Director and executive equity holdings

The number of shares and performance rights held, directly, indirectly or beneficially, by parent company directors and key executives are outlined below and in note 30 to the financial statements. The Company has no formal policy with respect to minimum shareholding requirements; however, share ownership is encouraged.

Mr Ackland, Mr MacDonald, Mr Sennitt and Dr Whiting purchased MDL shares on market during the reporting period.

10.1 Shareholdings

The aggregate number of shares held by directors of the Company or their director related entities at year-end was 1,812,627 (2015 – 1,406,372).

Number of fully paid ordinary shares held, directly, indirectly or beneficially, by KMP:

	Balance as at 1 Jan 2016	Received as remuneration	Performance rights exercised	Net change other(i)	Balance as at 31 Dec 2016
31 December 2016					
Directors					
N Limb	993,553	-	-	-	993,553
R Sennitt	35,000	-	-	50,000	85,000
M Ackland	133,202	-	-	200,010	333,212
R Danchin	862	-	-	-	862
T Whiting	160,000	-	-	140,000	300,000
C MacDonald	40,000	-	-	60,000	100,000
D Isles(ii)	43,755	-	-	(43,755)	-
Key executives					
J Patarica	-	-	-	-	-
G Bell	-	-	-	-	-
M Evans	-	-	-	-	-
Total	**1,406,372**	**-**	**-**	**406,255**	**1,812,627**

	Balance as at 1 Jan 2015	Received as remuneration	Performance rights exercised	Net change other(i)	Balance as at 31 Dec 2015
31 December 2015					
Directors					
N Limb	543,553	-	-	450,000	993,553
M Ackland	133,202	-	-	-	133,202
R Danchin	862	-	-	-	862
T Whiting	50,000	-	-	110,000	160,000
C MacDonald	40,000	-	-	-	40,000
D Isles	43,755	-	-	-	43,755
Key executives					
R Sennitt(iii)	-	-	-	35,000	35,000
J Patarica(iv)	-	-	-	-	-
G Bell	-	-	-	-	-
M Evans	-	-	-	-	-
Total	**811,372**	**-**	**-**	**595,000**	**1,406,372**

(i) 'Net change other' represents shares purchased or sold on market during the period as well as shareholdings recognised upon KMP appointment.

(ii) David Isles retired from his position as non-executive director on 20 May 2016 and consequently ceased as a KMP member on this date. Dr Isles' shareholding at this date has been recognised in 'net change other'.

(iii) Robert Sennitt became a KMP member on 1 June 2015 and consequently his existing shareholding position was recognised in 'net change other'.

(iv) Jozsef Patarica became a KMP member on 1 October 2015.

10.2 Performance rights and option holdings

There were no outstanding share options held by directors or executives of the Company or their director related entities at year-end (2015 – nil).

Non-executive directors are not eligible to participate in issues arising from Company incentive plans.

On 30 June 2016, the Company granted 1,170,000 unlisted performance rights as a long-term incentive to nominated members of its executive team under the MDL PRP (2015 – nil). The issue of these rights, their vesting conditions, participants, and the PRP were approved by shareholders of the Company at the 2016 AGM. Each performance right entitles the holder to one share upon vesting and exercise. There is no exercise price pertaining to the performance rights. Performance rights carry no voting or dividend rights.

At the date of this report, the unlisted performance rights granted by the Company are as follows:

Unlisted performance rights	Grant date	Vesting date	Expiry date	Exercise price A$	No. of performance rights issued
R Sennitt – MD	30 June 2016	31 January 2019	31 January 2021	-	500,000
J Patarica – COO	30 June 2016	31 January 2019	31 January 2021	-	320,000
G Bell – CFO	30 June 2016	31 January 2019	31 January 2021	-	200,000
M Evans – Co Sec	30 June 2016	31 January 2019	31 January 2021	-	150,000
					1,170,000

The above performance rights are subject to the following conditions:

Performance rights vesting conditions

Absolute total shareholder return

Fifty percent of the performance rights are subject to an Absolute TSR hurdle over the three year performance period (being 1 February 2016 to 31 January 2019) and will be tested at the end of that period (31 January 2019).

Absolute TSR rights will vest according to the following schedule:

Measure	Performance level to be achieved	Performance vesting outcome	Percentage of total grant that will vest	Maximum percentage of total grant
Absolute TSR	Above 25% CAGR	100%	50%	50%
	Above 15% CAGR and up to 25% CAGR	Pro rata vesting from 50%-100%	Between 25% and 50%	50%
	At 15% CAGR	50%	25%	25%
	Less than 15% CAGR	0%	0%	0%

*CAGR = Compound Annual Growth Rate

Note that for the purposes of calculating the CAGR over the duration of the performance period, the board set the base price for MDL shares as at 1 February 2016 at A$0.50 per share.

Vesting will occur on a proportionate straight-line basis from 50% to 100% for performance between 15% CAGR and 25% CAGR.

Relative total shareholder return

Fifty percent of the performance rights are subject to a Relative TSR hurdle over the three year performance period (being 1 February 2016 to 31 January 2019) and will be tested at the end of that period (31 January 2019).

Relative TSR rights will vest according to the following schedule:

Measure	Performance level to be achieved	Performance vesting outcome	Percentage of total grant that will vest	Maximum percentage of total grant
Relative TSR	75th Percentile or above	100%	50%	50%
	Between 50th Percentile and 75th Percentile	Pro rata vesting from 50%-100%	Between 25% and 50%	50%
	At 50th Percentile	50%	25%	25%
	Below 50th Percentile	0%	0%	0%

Note that for the purposes of calculating the Relative TSR performance over the duration of the performance period, the board determined that the price for MDL shares would be calculated on the basis of the 20 day VWAP preceding 1 February 2016, being A$0.23.

Vesting will occur on a proportionate straight-line basis from 50% to 100% where the TSR performance is between 50% and 75% of the comparator group. The comparator group is the S&P/ASX Resources 300 Index. The comparator group is intended to reflect any competitors, companies and sectors where investors may choose to invest their money if not in MDL with particular regard to those companies of similar industry and market capitalisation.

In its absolute discretion, the board may determine that no Relative TSR performance rights will vest if the Company's TSR performance is negative.

Performance rights vesting schedule

The performance rights issued expire on 31 January 2021 and vest on the earliest to occur of:

- 31 January 2019, being three years from date of grant;
- the date of a change of control event in respect of the Company or where the board determines that it expects a change of control to occur, the date determined by the board for the purposes of the PRP (the relevant date in both cases being the determined change of control date). In those circumstances, if the determined change of control date occurs during the vesting period, the amount of performance rights that will vest will be calculated in accordance with the following schedule:

Measure	Performance level to be achieved	Performance vesting outcome	Percentage of total grant that will vest
Absolute TSR	Above 25% CAGR	100%	100%
	Above 15% CAGR and up to 25% CAGR	Pro rata vesting from 50%-100%	Between 50% and 100%
	At 15% CAGR	50%	50%
	Less than 15% CAGR	0%	0%

  Vesting will occur on a proportionate straight-line basis from 50% to 100% for performance between 15% CAGR and 25% CAGR. For the purposes of calculating the CAGR over the duration of the relevant performance period, being, in these circumstances, from 1 February 2016 to the determined change of control date:

  - the board determined that the price for MDL shares as at 1 February 2016 would be calculated on the basis of the 20 day VWAP preceding 1 February 2016, being A$0.23; and
  - the price for MDL shares as at the determined change of control date would be the price per MDL share (as applicable) approved by MDL shareholders, or paid by the acquirer of the MDL shares obtaining the relevant control, the subject of the change of control event.

  In those circumstances, the vested performance rights will expire on the earlier of:

  - five business days after the occurrence of a change of control event; and
  - if the board determines that it expects a change of control event to occur, the date determined by the board (in which case the Company must give the participant notice that the board has determined the performance rights will expire in those circumstances at least five business days prior to the determined date for expiry).
- termination of employment of the relevant executive being a 'Good Leaver' (a portion will vest in accordance with the PRP);
- where a participant is a 'Bad Leaver' as defined in the PRP, all unvested incentives held by that participant will immediately lapse and all vested rights will expire within five days after employment ceases.

Valuation of performance rights

Performance rights issued are measured at fair value at the date of grant and are expensed where there are no vesting conditions and in cases where a vesting restriction exists, amortised over the vesting period. In accordance with Accounting Standards, fair value is determined using a generally accepted valuation model.

11. Director related transactions

11.1 Loans to related parties

No loans were made to director related parties during the period.

11.2 Transactions with director related entities

The terms and conditions of transactions with KMP were no more favourable to KMP and their related entities than those available, or which might reasonably be expected to be available, on similar transactions to KMP related entities on an arm's length basis.

This directors' report is signed in accordance with a resolution of directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors

Robert Danchin
Deputy Chairman

Robert Sennitt
Director

Melbourne, 24 February 2017

Deloitte Touche Tohmatsu
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The Board of Directors
Mineral Deposits Limited
Level 17
530 Collins Street
Melbourne VIC 3000

24 February 2017

Dear Members of the Board,

Mineral Deposits Limited

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

As lead audit partner for the audit of the financial statements of Mineral Deposits Limited for the financial year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Share of net loss of equity accounted joint venture	11	(31,893)	(46,325)
Other income	5	5,228	3,505
Administration expenses	6	(4,003)	(3,682)
Finance costs		(749)	-
Disposal of non-current assets		-	(4)
Impairment of financial assets		-	(1,973)
Gain on disposal of investment in listed company	9	3,431	-
Net foreign exchange gains		863	6,448
Loss before tax		**(27,123)**	**(42,031)**
Income tax expense	7	-	-
Loss for the year		**(27,123)**	**(42,031)**
Other comprehensive income/(loss), net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of operations		(992)	(7,655)
Share of other comprehensive income/(loss) of equity accounted joint venture	11	3,144	(8,601)
Other comprehensive income/(loss) for the year, net of tax		2,152	(16,256)
Total comprehensive loss for the year		**(24,971)**	**(58,287)**
Loss for the year attributable to:			
– owners of the parent		(27,123)	(42,031)
– non-controlling interests		-	-
		(27,123)	**(42,031)**
Total comprehensive loss for the year attributable to:			
– owners of the parent		(24,971)	(58,287)
– non-controlling interests		-	-
Total comprehensive loss for the year		**(24,971)**	**(58,287)**

	Note	31 Dec 2016 US Cents	31 Dec 2015 US Cents
Earnings per share ('EPS')			
Basic EPS	19	(26.2)	(40.5)
Diluted EPS	19	(26.2)	(40.5)

Notes to the financial statements are included on pages 43 to 76.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current assets			
Cash and cash equivalents	27(a)	4,893	8,036
Trade and other receivables	8	418	176
Other financial assets	9	-	1,481
Other	10	92	68
Total current assets		**5,403**	**9,761**
Non-current assets			
Investment in joint venture	11	172,066	200,815
Receivables	8	80,727	61,381
Property, plant and equipment	12	260	368
Intangible assets	13	3	-
Total non-current assets		**253,056**	**262,564**
Total assets		**258,459**	**272,325**
Current liabilities			
Trade and other payables	14	1,213	938
Borrowings	15	13,813	2,500
Provisions	16	200	713
Total current liabilities		**15,226**	**4,151**
Non-current liabilities			
Provisions	16	31	20
Total non-current liabilities		**31**	**20**
Total liabilities		**15,257**	**4,171**
Net assets		**243,202**	**268,154**
Equity			
Issued capital	17	390,255	390,255
Reserves	18	44,766	42,595
Accumulated losses		(191,819)	(164,696)
Total equity		**243,202**	**268,154**

Notes to the financial statements are included on pages 43 to 76.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Issued capital US$'000	Accumulated losses US$'000	Reserves: Foreign currency translation reserve US$'000	Reserves: Equity-settled employee benefits reserve US$'000	Reserves: Cash flow hedge reserve US$'000	Attributable to equity holders of the parent US$'000
Consolidated						
Balance at 1 January 2015	**390,255**	**(122,665)**	**50,507**	**9,711**	**(1,367)**	**326,441**
Loss attributable to members of the consolidated entity	-	(42,031)	-	-	-	(42,031)
Exchange difference arising on translation of operations	-	-	(7,655)	-	-	(7,655)
Share of other comprehensive loss of equity accounted joint venture	-	-	(7,545)	-	(1,056)	(8,601)
Total comprehensive loss for the year	-	(42,031)	(15,200)	-	(1,056)	(58,287)
Balance at 31 December 2015	**390,255**	**(164,696)**	**35,307**	**9,711**	**(2,423)**	**268,154**
Loss attributable to members of the consolidated entity	-	(27,123)	-	-	-	(27,123)
Exchange difference arising on translation of operations	-	-	(992)	-	-	(992)
Share of other comprehensive income of equity accounted joint venture	-	-	1,141	-	2,003	3,144
Total comprehensive (loss)/income for the year	-	(27,123)	149	-	2,003	(24,971)
Recognition of share based payments	-	-	-	19	-	19
Balance at 31 December 2016	**390,255**	**(191,819)**	**35,456**	**9,730**	**(420)**	**243,202**

Notes to the financial statements are included on pages 43 to 76.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Cash flows related to operating activities			
Receipts from customers		449	386
Payments to suppliers and employees		(4,475)	(3,737)
Net cash used in operating activities	27(b)	**(4,026)**	**(3,351)**
Cash flows related to investing activities			
Proceeds from sale of property, plant and equipment		-	2
Payments for purchase of property, plant and equipment		(13)	(3)
Payments for investment in listed company		-	(607)
Proceeds from sale of investment in listed company		4,912	-
Interest received		101	252
Loans to joint venture – TiZir	8	-	(12,500)
Net cash provided by/(used in) investing activities		**5,000**	**(12,856)**
Cash flows related to financing activities			
Repayment of borrowings	15	(4,000)	-
Net cash used in financing activities		**(4,000)**	**-**
Net decrease in cash and cash equivalents held		**(3,026)**	**(16,207)**
Cash and cash equivalents at beginning of financial period		8,036	25,302
Effect of exchange rates on cash holdings in foreign currencies		(117)	(1,059)
Cash and cash equivalents at end of financial period	27(a)	**4,893**	**8,036**

Notes to the financial statements are included on pages 43 to 76.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. GENERAL INFORMATION

Mineral Deposits Limited ('MDL' or the 'Company') is a public company listed on the Australian Securities Exchange (ASX: MDL) incorporated in Australia and holding interests in Norway and Senegal, West Africa through a United Kingdom based joint venture (TiZir Limited). The 'Group' comprises the Company and its subsidiaries.

The registered and head office of the Company and principal place of business is:

Mineral Deposits Limited
Level 17 530 Collins Street
Melbourne VIC 3000 Australia

The principal activities of the Group are described in the directors' report.

2. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

The directors have considered the impact of new accounting standards that are not yet applicable and do not believe they will have a material impact on the financial performance or state of affairs of the Group.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 14 Regulatory Deferral Accounts and AASB 2014-1 (Part D) Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2014-3 Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-9 Equity Method in Separate Financial Statements
- AASB 2015-1 Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Investment Entities: Applying the Consolidation Exception

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	31 December 2018
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	31 December 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	31 December 2017
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	1 January 2018	31 December 2018
AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts	1 January 2018	31 December 2018
AASB 1056 Superannuation Entities	1 July 2016	31 December 2017
AASB 15 Revenue from Contracts with Customers	1 January 2018	31 December 2018
AASB 9 Financial Instruments (and the relevant amending standards)	1 January 2018	31 December 2018
AASB 16 Leases	1 January 2019	31 December 2019

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

The directors anticipate that the adoption of these Standards and Interpretations will have no material financial impact on the financial statements of the Company or the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 24 February 2017.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments that are measured at revalued amount or fair value, as explained in the accounting policies below. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States Dollars ('USD') unless otherwise stated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether the price is observable or estimated using another valuation technique. In estimating fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instruments 2016/191, amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will have sufficient funding to pay its debts as and when they fall due for a period of at least 12 months from the date the financial report is issued.

During the year ended 31 December 2016, the Group experienced a net loss after tax of $27.1 million, primarily as a result of the recognition of its share of TiZir's operating losses of $31.9 million. Further, the Group incurred negative cash flows of $3.1 million during the year in order to meet its own obligations.

At the date of this report, the Group has sufficient cash resources to meet its obligations for the next 12 months as and when they fall due, with the exception of the loan payable to ERAMET of $13.8 million.

As outlined in the directors' report, should the Company elect not to repay this loan by its respective due dates, ERAMET is entitled to dilute the Group'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 (being $7.5m) would have resulted in the Group's share of the TiZir joint venture falling from 50% to approximately 48.5%. As such, the directors do not consider that this loan impacts their assertion that the Group remains a going concern.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company (and its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date the Company gains control until the date when the Company ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A list of subsidiaries is contained in note 24 to the financial statements. All controlled entities have a December financial year-end. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

When applicable, bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution plan

Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contributions.

(e) Mine development

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the mine on a units of production basis.

(f) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events for which it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying value is the present value of those cash flows.

(g) Restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when:

- there is a present obligation as a result of exploration, development and/or production activities undertaken;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount of the provision can be measured reliably.

The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

(h) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Investments in subsidiaries are shown at cost and provision is only made where, in the opinion of the directors, there is impairment in value which is other than temporary. Where there has been such impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified.

Other financial assets are classified into the following specified categories: 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

On disposal of an investment, the difference in the net disposal proceeds and the carrying amount is charged or credited to the statement of profit or loss and other comprehensive income.

Effective interest method

The effective interest method is a method of calculating the amortised costs of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period.

Available-for-sale financial assets

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 28. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in profit or loss for the period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For available for sale assets, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available for sale.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(i) Foreign currency transactions and balances

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in USD, which is the presentation currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities at period-end exchange rates prevailing at the reporting date;
- income and expenses at average exchange rates for the period; and
- retained profits/(losses) at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of Australian operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of changes in equity in the period.

(j) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(k) Impairment of assets

At each reporting date the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(l) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. MDL is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a 'group allocation' approach.

The group allocation approach requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequence.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group). Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(m) Property, plant and equipment

Property is measured on a cost basis. Plant and equipment are measured on a cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour and borrowing costs where appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. The consolidated entity uses the units of production method when depreciating mining assets which results in a depreciation charge proportional to the depletion of the anticipated remaining life of mine.

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(n) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. However, contingent rentals arising under operating leases are recognised as income in a manner consistent with the basis on which they are determined.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with AASB 123.

Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Financial instruments issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of:

- the amount of the obligation under the contract, as determined under AASB 137 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation in accordance with the revenue recognition policies described in note 3(p).

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

(p) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis taking into account the effective yield on the financial assets.

Revenue from operating leases is recognised in accordance with the Group's accounting policy outlined in note 3(n).

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of an appropriate model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 30.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period with corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(r) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation in the current financial period.

(s) Joint venture arrangements

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity accounting method, except where the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities.

Therefore, if no gain or loss previously recognised in other comprehensive income by the joint venture would be reclassified to the consolidated statement of profit or loss and other comprehensive income on disposal of the related assets and liabilities, the Group reclassified the gain or loss from equity to the consolidated statement of profit or loss and other comprehensive income (as a reclassification adjustment) when the equity method is discontinued.

The Group will continue to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such change in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

The Group's interests in assets where the Group does not have joint control are accounted for in accordance with the substance of the Group's interest. Where such arrangements give rise to an undivided interest in the individual assets and liabilities of the joint venture, the Group recognises its undivided interest in each asset and liability and classifies and presents those items according to their nature.

(t) Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis or units of production basis as appropriate over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period with any changes in these accounting estimates being accounted for on a prospective basis.

(u) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4.CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity's accounting policies

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer below for key sources of estimation uncertainty.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Group equity accounts the TiZir joint venture results and within these results there are several accounting estimates and judgements. These estimates and judgements will have a direct impact on the results reported by the Group as it recognises its share of profits or losses and post-acquisition movements in equity, which adjust the carrying amount of the investment in the joint venture. The key accounting estimates and judgements used in the preparation of this report are as follows:

(a) Impairment of assets

At each reporting date, the Company tests whether there are any indicators of impairment. Each of the two operations owned by TiZir, being GCO and TTI, is regarded as a separate CGU for the purposes of such testing. If any impairment indicators are identified, the recoverable amounts are determined as the higher of fair value less costs to sell and value in use.

For the purpose of assessing the GCO CGU for impairment, the Company has determined that the most appropriate method is the fair value less costs to sell method using a discounted cash flow model. GCO's recoverable amount is particularly sensitive to certain key assumptions, including: life of mine, discount rate (11.5% nominal post-tax), commodity prices, utilisation, production and sales volumes, and operating costs. A life of mine of 26 years has been used, incorporating the established reserves which provide for a mine path of 14 years covering approximately 40% of the mining concession, along with additional resources (beyond the area covered by the initial 14 year mine path) that are based on initiatives identified during a mine optimisation study completed in 2016.

As a result of the impairment review, no impairment charge has been recognised against the assets of TiZir's CGUs as at 31 December 2016.

For the purpose of assessing MDL's investment in TiZir for impairment, the Company uses the discounted cash flow model undertaken at a CGU level to forecast the future cash flows that are estimated to flow to the Company as a result of its investment in TiZir through loan repayments, capital returns and dividends. The Company then compares the net present value of these cash flows to the carrying value of its investment in TiZir. For the year ended 31 December 2016, as a result of the impairment review, no impairment charge has been recognised against the Company's investment in or its amounts receivable from TiZir at 31 December 2016.

Further information concerning the Company's impairment assessment is included in notes 3(s) and 11.

(b) TiZir funding

As outlined in note 11, TiZir is primarily funded by senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a total face value of $275 million maturing in September 2017. The Group's management, in conjunction with its joint venture partner and TiZir management, is currently working on obtaining the required funding to meet the obligations of TiZir as and when they fall due. In the event TiZir does not obtain the support of its financiers, significant uncertainty would exist as to whether TiZir would continue as a going concern and therefore whether its assets would be realised and liabilities extinguished in the normal course of business and at the amounts stated in its financial statements. As a consequence, the recoverable amount of the Group's investment in and its amounts receivable from TiZir as recognised in the statement of financial position at 31 December 2016 may be significantly impacted.

The information contained in note 5, 6 and 7 is relevant in explaining the financial result:

5. OTHER INCOME

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Interest revenue from:		
– bank deposits	95	211
– interest on subordinated loan to TiZir	4,159	2,454
	4,254	2,665
Other revenue:		
– management fees charged to TiZir	500	500
– rental received	121	96
– recharges and recoveries	353	221
– other	-	23
	974	840
	5,228	**3,505**

6. ADMINISTRATION EXPENSES

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Depreciation of non-current assets:		
– land, buildings and property improvements	92	96
– office furniture	12	13
– computer equipment and software	13	14
	117	123
Amortisation of intangible assets:		
– computer software	1	1
Employee benefits:		
– amortisation of performance rights	19	-
– remuneration expense	2,396	2,030
– superannuation contributions	209	226
– provision for leave entitlements	(48)	26
	2,576	2,282
Administration and other overheads	1,309	1,276
	4,003	**3,682**

7. INCOME TAXES

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Income tax recognised in profit or loss		
Tax expense/(benefit) comprises:		
Current tax expense	500	1,768
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce current tax expense	170	-
Current tax expense	**670**	**1,768**
Deferred tax expense relating to the origination and reversal of temporary differences	1,391	(550)
Benefit arising from previously unrecognised temporary differences of a prior period that is used to reduce deferred tax expense	(103)	(216)
Effect of unused tax losses not recognised as deferred tax assets	(1,958)	(1,002)
Deferred tax benefit	**(670)**	**(1,768)**
Total tax expense	**-**	**-**
The prima facie income tax expense on pre-tax accounting losses from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(27,123)	(42,031)
Income tax (benefit) calculated at 30% (2015 – 30%)	(8,137)	(12,609)
Effect of revenue that is exempt from taxation	8,352	13,645
Effect of expenses that are not deductible in determining taxable profit	(3)	555
Effect of unused tax losses and temporary differences not recognised as deferred tax assets in the current year	(500)	(1,768)
Effect of different tax rates of subsidiaries operating in other jurisdictions	288	177
Income tax expense recognised in loss	**-**	**-**
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 3(l) occur:		
Tax losses – revenue	41,557	43,773
Tax losses – capital	78,832	76,818
Temporary differences	198	(4,489)
	120,587	**116,102**

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidation group is MDL. The members of the tax consolidation group are identified at note 24.

Nature of tax funding arrangements

The Company is responsible for recognising the current and deferred tax assets and liabilities (in respect of tax payable or tax losses) for the tax consolidated group. The Group notified the Australian Tax Office on 10 April 2005 that it formed an income tax consolidated group to apply from 1 July 2003.

The tax sharing arrangement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax consolidated group. The effect of the tax sharing arrangement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

8. TRADE AND OTHER RECEIVABLES

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current		
Other receivables[(i)]	14	19
Amounts due from other related parties[(ii)]	404	157
	418	**176**
Non-current		
Amounts due from related parties – other[(iii)]	2,500	2,000
Amounts due from related parties – subordinated loan[(iv)]	78,227	59,381
	80,727	**61,381**

(i) Other receivables predominantly comprise accrued interest on term deposits.

(ii) Amounts due from other related parties comprise charges for accommodation, facilities and administrative support. Trading terms are 30 days from date of invoice.

(iii) During the year, the Company charged a management fee of $0.5 million to TiZir for corporate, accounting and administrative support (2015 – $0.5 million).

(iv) Movement in amounts due from related parties – subordinated loans:

At the beginning of the period	59,381	41,927
Amounts advanced during the period	14,687	15,000
Interest accrued during the period	4,159	2,454
At end of the period	**78,227**	**59,381**

During the year ended 31 December 2015, the Company entered into two new subordinated loan agreements with TiZir as follows:

- $12.5 million subordinated loan agreement dated 21 September 2015. This loan is interest bearing at a rate of LIBOR (three months) plus five percent and is repayable on or before 29 September 2018; and
- $3.0 million subordinated loan agreement dated 22 December 2015. This loan is interest bearing at a rate of LIBOR (three months) plus seven percent and is repayable on or before 29 September 2018. ERAMET advanced $2.5 million to TiZir on behalf of the Company (refer note 15) under the terms of this agreement during the year ended 31 December 2015. Further, ERAMET advanced the remaining $0.5 million available under this subordinated loan agreement to TiZir on behalf of the Company (refer to note 15) on 4 January 2016.

During the current period, the Company entered into two new subordinated loan agreements with TiZir as follows:

- $1.8 million subordinated loan agreement dated 6 April 2016. This loan is interest bearing at a rate of LIBOR (three months) plus seven percent and is repayable by TiZir on or before 29 September 2018. ERAMET advanced $1.8 million to TiZir on behalf of the Company (refer note 15) under the terms of this agreement during the year ended 31 December 2016.
- $30 million subordinated loan agreement dated 6 July 2016. This loan is interest bearing at a rate of LIBOR (three months) plus seven percent and is repayable by TiZir on or before 29 September 2018. ERAMET advanced $12.4 million to TiZir on behalf of the Company (refer note 15) under the terms of this agreement during the year ended 31 December 2016.

Under the terms of the respective subordinated loan agreements, no repayment of the loans may be made unless the corporate bonds issued by TiZir on 29 September 2012 and 23 May 2014 are fully repaid.

As at the reporting date, MDL had no receivables past due and therefore there are no provision or credit issues in relation to these receivables.

9. OTHER FINANCIAL ASSETS

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current		
Available for sale investments carried at fair value		
– shares in listed company – World Titanium Resources Limited ('WTR')	**-**	**1,481**

On 18 January 2016, African Minerals Exploration & Development Fund II (SICAR) announced its intention to make an on market takeover bid for WTR that valued MDL's investment in the company at A$4.6 million. Subsequently, in March 2016, the Company undertook to exit its position in WTR. The proceeds from the sale of the Company's interest in WTR amounted to A$6.45 million. This transaction resulted in a gain on disposal of the Company's shareholding of A$4.4 million (US$3.4 million).

10. OTHER ASSETS

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current		
Prepayments	63	68
Security deposit	29	-
	92	**68**

11. INVESTMENT IN JOINT VENTURE

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Investment in TiZir	**172,066**	**200,815**
Movement in investment in joint venture		
Opening balance	200,815	255,741
Equity contributions during the period	-	-
Share of net loss of joint venture for the period	(31,893)	(46,325)
Share of other comprehensive income/(loss) for the period	3,144	(8,601)
	172,066	**200,815**

The following tables set out the financial performance of TiZir for the year ended 31 December 2016:

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Sales	160,594	168,951
Cost of goods sold	(159,318)	(168,294)
Gross profit	**1,276**	**657**
Other revenue/(expense)	25,718	(441)
Administration expenses	(2,855)	(6,910)
EBITDA	**24,139**	**(6,694)**
Finance costs	(45,906)	(34,628)
Foreign exchange (losses)/gains	(408)	961
Depreciation and amortisation expense	(33,552)	(31,774)
Other operating income and expenses	(7,122)	-
Impairment of mine development expenditure	-	(26,710)
Amortisation of assets recognised on acquisition	(2,720)	(2,720)
Loss before tax	**(65,569)**	**(101,565)**
Income tax (expense)/benefit	(1,404)	1,850
Amortisation of deferred tax liability recognised on acquisition	870	1,170
Loss for the year	**(66,103)**	**(98,545)**
Attributable to non-controlling interest	**2,317**	**5,895**
Loss attributable to joint venture partners	**(63,786)**	**(92,650)**
Share of net loss of joint venture attributable to MDL shareholders	**(31,893)**	**(46,325)**

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Other comprehensive income/(loss) directly recognised in equity		
Exchange differences arising on translation of operations	2,282	(15,091)
Change in revaluation reserve for hedging financial instruments	5,270	(2,892)
Income tax relating to changes in revaluation reserve for hedging financial instruments	(1,264)	781
Other comprehensive income/(loss) for the period, net of income tax	6,288	(17,202)
Share of other comprehensive income/(loss) attributable to MDL shareholders	**3,144**	**(8,601)**
Disclosed in consolidated statement of changes in equity as:		
Foreign currency translation reserve	1,141	(7,545)
Cash flow hedge reserve	2,003	(1,056)
Share of other comprehensive income/(loss) attributable to MDL shareholders	**3,144**	**(8,601)**

TiZir impairment review

Impairment reviews were undertaken as at 30 June 2016 and 31 December 2016 in relation to TiZir's two cash-generating units ('CGU'), GCO and TTI.

The recoverable amount of GCO is assessed using the fair value less costs of disposal method, whilst the recoverable amount of TTI is assessed using the value in use method. Both CGUs utilise discounted cash flow financial models to estimate their respective recoverable amounts. As a result of the impairment review, no impairment charge has been recognised against the assets of TiZir's CGUs (31 December 2015 – impairment charge of $26.7 million (100% basis)).

The table below outlines the impact of the impairment loss recognised for the year ended 31 December 2015 on the individual assets within TiZir:

	31 Dec 2015 US$'000
Allocation of impairment loss:	
Mine development expenditure	26,710
Total impairment loss	**26,710**
Impairment loss attributable to non-controlling interest	2,671
Impairment loss attributable to joint venture partners	24,039
Share of impairment loss attributable to MDL shareholders	**12,020**

Key assumptions and sensitivity analysis

GCO's recoverable amount is particularly sensitive to certain key assumptions, including: life of mine, discount rate (11.5% nominal post-tax), commodity prices, utilisation, production and sales volumes, and operating costs. A life of mine of 26 years has been used, incorporating the established reserves which provide for a mine path of 14 years covering approximately 40% of the mining concession, along with additional resources (beyond the area covered by the initial 14 year mine path) that are based on a mine optimisation study completed during 2016.

For the purpose of assessing MDL's investment in TiZir for impairment, the Company uses the discounted cash flow model undertaken at a CGU level to forecast future cash flows that are estimated to flow to the Company as a result of its investment in TiZir through loan repayments, capital returns and dividends. The Company then compares the net present value of these cash flows to the carrying value of its investment in TiZir. For the year ended 31 December 2016, as a result of the impairment review, no impairment charge has been recognised against the Company's investment in or its amounts receivable from TiZir at 31 December 2016.

TiZir funding

TiZir is primarily funded by senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a total face value of $275 million maturing in September 2017. The Group's management, in conjunction with its joint venture partner and TiZir management, is currently working on obtaining the required funding to meet the obligations of TiZir as and when they fall due.

In the event TiZir does not obtain the support of its financiers, significant uncertainty would exist as to whether TiZir would continue as a going concern and therefore whether its assets would be realised and liabilities extinguished in the normal course of business and at the amounts stated in its financial statements. As a consequence, the recoverable amount of the Group's investment in and amounts receivable from TiZir as recognised in the statement of financial position at 31 December 2016 may be significantly impacted.

The following table sets out the financial position of TiZir as at 31 December 2016:

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current assets		
Cash and cash equivalents	10,411	2,653
Trade and other receivables	25,811	38,400
Deferred tax asset	-	1,629
Inventories	47,738	58,935
Total current assets	**83,960**	**101,617**
Non-current assets		
Receivables	364	200
Other financial assets – investments	81	91
Property, plant and equipment	797,000	813,843
Mine development expenditure	20,360	20,742
Mining convention and concession costs	2,354	2,425
Intangible assets recognised on acquisition	14,490	16,302
Other intangible assets	858	1,809
Total non-current assets	**835,507**	**855,412**
Total assets	**919,467**	**957,029**
Current liabilities		
Trade and other payables	53,193	53,781
Borrowings	314,684	64,104
Current tax liabilities	-	97
Derivative financial liabilities	1,633	7,427
Total current liabilities	**369,510**	**125,409**
Non-current liabilities		
Provisions	105	-
Deferred tax liabilities	5,637	5,438
Borrowings	217,640	439,882
Total non-current liabilities	**223,382**	**445,320**
Total liabilities	**592,892**	**570,729**
Net assets	**326,575**	**386,300**
Equity		
Issued capital	621,741	621,741
Reserves	(40,020)	(46,308)
Accumulated losses	(237,589)	(173,803)
	344,132	**401,630**
Non-controlling interest	(17,557)	(15,330)
Total equity	**326,575**	**386,300**

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Reconciliation of financial information to carrying amount of TiZir		
Equity attributable to equity holders of TiZir	344,132	401,630
Portion of equity held by the Group	50%	50%
Total carrying amount of TiZir	**172,066**	**200,815**

The following table sets out the cash flows of TiZir for the year ended 31 December 2016:

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Operating activities		
Loss for the year	(66,103)	(98,545)
Elimination of non-cash income and expenses:		
– Depreciation and amortisation	36,272	34,494
– Impairment of mining concession and convention costs	-	26,710
– Accrued interest	11,341	7,535
– Deferred tax	530	(3,126)
– Loss on disposal of non-current assets	6,051	-
– Unrealised foreign exchange losses/(gains)	1,429	(9,366)
Cash used in operating activities	**(10,480)**	**(42,298)**
Decrease in inventories	11,841	251
Decrease/(increase) in trade receivables	2,950	(1,503)
Decrease/(increase) in other receivables	3,729	(6,957)
Decrease/(increase) in tax receivables	4,994	(4,431)
(Increase)/decrease in prepayments	(210)	1,223
(Decrease)/increase in trade payables	(10,277)	12,352
Increase in prepaid income	8,965	-
Increase in other liabilities	1,210	3,140
Increase in provisions	89	83
(Decrease)/Increase in income tax payables	(66)	173
Amortisation of borrowing costs	5,863	1,087
Interest received	(6)	(2)
Tax paid	(102)	(1,614)
Net change in current operating assets and liabilities	28,980	3,802
Net cash generated by/(used in) operating activities	**18,500**	**(38,496)**
Cash flows from investing activities		
Payments for non-current assets	(23,003)	(51,783)
Proceeds from disposal of non-current assets	2,810	-
Interest received	6	2
Net cash used in investing activities	**(20,187)**	**(51,781)**
Cash flows from financing activities		
Proceeds from borrowings	49,897	88,861
Repayment of borrowings	(38,613)	-
Payment of borrowing costs	(1,120)	(8,253)
Net cash generated by financing activities	**10,164**	**80,608**
Net increase/(decrease) in cash held	8,477	(9,669)
Cash and cash equivalents at beginning of the period	2,653	8,401
Effect of exchange rates on cash holdings in foreign currencies	(719)	3,921
Cash and cash equivalents at end of the period	**10,411**	**2,653**

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, buildings & property improvement US$'000	Office furniture & equipment US$'000	Total US$'000
Cost			
Balance at 1 January 2015	**762**	**440**	**1,202**
Additions	-	3	3
Disposals	-	(8)	(8)
Net foreign currency exchange differences	(80)	(47)	(127)
Balance at 31 December 2015	**682**	**388**	**1,070**
Additions	-	9	9
Net foreign currency exchange differences	(9)	(4)	(13)
Balance at 31 December 2016	**673**	**393**	**1,066**
Accumulated depreciation			
Balance at 1 January 2015	**(314)**	**(342)**	**(656)**
Depreciation expense	(96)	(27)	(123)
Disposals	-	4	4
Net foreign currency exchange differences	37	36	73
Balance at 31 December 2015	**(373)**	**(329)**	**(702)**
Depreciation expense	(92)	(25)	(117)
Net foreign currency exchange differences	8	5	13
Balance at 31 December 2016	**(457)**	**(349)**	**(806)**
Carrying amount of property, plant and equipment			
As at 31 December 2015	**309**	**59**	**368**
As at 31 December 2016	**216**	**44**	**260**

The following useful lives are used in the calculation of depreciation:

Class of fixed assets	Years
Buildings and property improvements	5.0 – 20.0
Office furniture and equipment	2.5 – 10.0

Freehold land is measured at historical cost basis and approximates its fair value.

13. INTANGIBLES

	Computer software US$'000
Cost	
Balance at 1 January 2015	**232**
Disposals	(5)
Net foreign currency exchange differences	(24)
Balance at 31 December 2015	**203**
Additions	4
Net foreign currency exchange differences	(3)
Balance at 31 December 2016	**204**
Accumulated amortisation	
Balance at 1 January 2015	**(229)**
Amortisation expense	(1)
Disposals	3
Net foreign currency exchange differences	24
Balance at 31 December 2015	**(203)**
Amortisation expense	(1)
Net foreign currency exchange differences	3
Balance at 31 December 2016	**(201)**
Carrying amount of intangible assets	
As at 31 December 2015	**-**
As at 31 December 2016	**3**

The above intangible assets are depreciated over a useful life of 2.5 years.

14. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Current		
Unsecured liabilities:		
– trade payables[i]	32	63
– sundry creditors and accrued expenses[ii]	1,181	875
	1,213	**938**

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

(ii) Includes an amount of $720,680 (A$1.0 million) recognised in relation to the Company's establishment of Grande Côte Operations SA.

15. BORROWINGS

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Loans payable (secured) – Eralloys Holdings AS (ERAMET SA subsidiary)	**13,813**	**2,500**
Movement in borrowings		
Opening balance	2,500	-
Advanced during the period	14,687	2,500
Repayments during the period	(4,000)	-
Accrued interest payable	626	-
	13,813	**2,500**

TiZir is primarily funded by senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a face value of $275 million maturing in September 2017. As announced in December 2015 (ASX release: 11 December 2015), amendments to the terms of these bonds were approved at a meeting of bondholders held on 10 December 2015.

The primary amendments to the bond agreement were:

- amendment to the interest coverage ratio covenant including measurement for the first time at 31 December 2016;
- introduction of an equity cure enabling MDL and ERAMET to 'cure' any future breach of the interest coverage ratio covenant by providing equity funding to the joint venture;
- reduction of the maximum bond issue amount to $275 million; and
- introduction of a $60 million committed facility made available to TiZir for the payment of interest and principal up until maturity of the bond, underwritten by ERAMET.

Any funding provided by ERAMET on behalf of MDL in relation to both the abovementioned $60 million committed facility and other funding facilities as required by TiZir in the normal course of business is catered for under the terms of the Shareholders' Agreement entered into by the joint venture partners upon establishment of TiZir in September 2011 and subsequent Deeds of Amendment.

In accordance with the above, ERAMET provided funding of $14.7 million to TiZir during the year ended 31 December 2016 on behalf of the Company ($12.4 million under the terms of the $60 million committed facility and $2.3 million under the terms of other operational financing facilities) in order to fund both operational and financing cash flows of the joint venture.

In April 2016, the Company repaid $4.0 million (raised through the disposal of its interest in WTR as outlined in note 9) of the outstanding amount. The total outstanding balance (including accrued interest) at 31 December 2016 was $13.8 million. Of this amount, $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 Shareholders' Agreement, should the Company elect not to repay this loan by the respective due dates, ERAMET is entitled to dilute the Company'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 publicly available 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 its 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 in the Shareholders' Agreement including an effective interest rate of LIBOR (three months) plus seven percent.

Shares pledged as security

The relevant number of shares (based on the dilution equation outlined above) held in TiZir by MDL subsidiary MDL (Mining) Limited have been pledged as security to Eralloys Holding AS for the payment of all monies due and payable pursuant to the Shareholders' Agreement and subsequent Deeds of Amendment.

16. PROVISIONS

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current		
Employee benefits[i]	200	694
Mine restoration and rehabilitation[ii]	-	19
	200	**713**
Non-current		
Employee benefits[i]	**31**	**20**

(i) Employee benefits represent annual leave and long service leave in respect of employee services up to the reporting date. As outlined in the Remuneration Report, an amount of A$591,568 was paid to Mr Limb upon his transition to non-executive chairman of the Company representing accumulated annual leave and long service leave entitlements from his date of appointment up until 31 May 2016.

(ii) Mine restoration and rehabilitation (current):

Balance at 31 December 2015	19	41
Additional provisions recognised	5	28
Reductions arising from payments	(24)	(46)
Net foreign currency exchange differences	-	(4)
Balance at 31 December 2016	**-**	**19**

17. ISSUED CAPITAL

Share capital

There were no movements in the ordinary share capital of the Company in the current reporting period.

	30 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 No.	31 Dec 2015 No.
Fully paid ordinary shares	**390,255**	**390,255**	**103,676,341**	**103,676,341**

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

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

Performance rights

On 30 June 2016, the Company granted 1,170,000 unlisted performance rights as a long-term incentive to nominated members of its executive team under the MDL PRP. The issue of these rights, their vesting conditions, participants and the PRP were approved by shareholders of the Company at the AGM held on 20 May 2016. Each performance right entitles the holder to one share upon vesting and exercise. There is no exercise price pertaining to the performance rights. Performance rights carry no voting or dividend rights.

Further details of unlisted performance rights are contained in note 30.

18. RESERVES

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Reserves (net of income tax)		
Foreign currency translation	35,456	35,307
Equity-settled employee benefits	9,730	9,711
Cash flow hedge	(420)	(2,423)
	44,766	**42,595**

The foreign currency translation reserve records exchange differences arising on translation from the functional currencies of the Group's Australian controlled entities into USD which are brought to account by entries made directly to the foreign currency translation reserve. The Company also recognises its share of movements in the foreign currency translation of its joint venture, TiZir. Further information on the Company's investment in TiZir is detailed in note 11.

The equity-settled employee benefits reserve recognises the fair value of rights and options granted to directors, employees and financiers in relation to equity-settled share-based payments. Amounts are transferred out of the reserve and into issued capital when vested rights are exercised. Further information about share-based payments is detailed in note 30 to the financial statements.

The cash flow hedge reserve arises from the recognition of the Company's share of movements in cash flow hedge instruments recognised in other comprehensive income of its joint venture, TiZir. Further information on the Company's investment in TiZir is detailed in note 11 to the financial statements.

19. EARNINGS PER SHARE ('EPS')

	Consolidated	
	31 Dec 2016 US cents	31 Dec 2015 US cents
Basic and diluted EPS	**(26.2)**	**(40.5)**

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Consolidated	
	31 Dec 2016 US cents	31 Dec 2015 US cents
Loss for the year attributable to owners of the Company	(27,123)	(42,031)
Earnings used in the calculation of basic and diluted EPS	**(27,123)**	**(42,031)**
Weighted average number of ordinary shares for the purpose of basic EPS ('000)	**103,676**	**103,676**
Shares deemed to be issued for no consideration in respect of performance rights ('000)[i]	-	-
Weighted average number of ordinary shares for the purpose of diluted EPS ('000)	**103,676**	**103,676**

(i) Performance rights are not considered dilutive as the Company recognised a loss for the year ended 31 December 2016.

20. DIVIDENDS

During the financial period, no dividends were paid. The directors have not recommended the payment of a dividend in relation to the year ended 31 December 2016 (2015 – nil).

21. COMMITMENTS FOR EXPENDITURE

Commitment to joint venture

As announced (ASX Releases: 11 December 2015, 21 January 2016), a number of amendments to the TiZir Bond Agreement were approved at a meeting of Bondholders in December 2015. One of the conditions in reaching an agreement with Bondholders was that MDL and ERAMET establish a $60 million committed facility in favour of TiZir ($30 million from each of ERAMET and MDL) for the payment of interest and principal under the bond issue. The entire $60 million facility is underwritten by ERAMET.

Any funding provided by ERAMET on behalf of MDL in relation to both the abovementioned $60 million committed facility and other funding facilities as required by TiZir in the normal course of business is catered for under the terms of the Shareholders' Agreement entered into by the joint venture partners upon establishment of TiZir in September 2011 and subsequent Deeds of Amendment.

In accordance with the above, ERAMET provided funding of $12.4 million to TiZir on behalf of the Company under the terms of the committed facility in order to fund interest payments of the joint venture. As such, the remaining commitment of the Company to the $60 million committed facility at 31 December 2016 was $17.6 million. The Company is committed to meeting its obligations in relation to this facility.

As outlined in note 15, this funding is catered for under the terms of the Shareholders' Agreement. Should MDL elect not to repay the outstanding balance of funding provided by ERAMET (as disclosed in note 15), ERAMET is entitled to increase its share of the 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.

Other than the above, there are no further outstanding commitments to TiZir as at 31 December 2016.

22. LEASES

Operating leases relate to the lease of the Company's head office at Level 17, 530 Collins Street, Melbourne. The initial lease term of five years expired in October 2016. Prior to that date, the Company elected to exercise its option for a further five years and five months on similar terms and conditions as the initial term. Rental increases of 4% per annum are levied on the anniversary date of the establishment of the lease contract.

Details of operating lease commitments are shown below:

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Payments recognised as an expense during the year		
Minimum lease payments	202	191
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
– not later than 12 months	252	181
– between 12 months and five years	1,144	3
Total operating lease liability	**1,396**	**184**

23. CONTINGENT LIABILITIES

MDL and controlled entities

The Company:

- has a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited;
- 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;
- faces potential contingent liabilities in relation to its rehabilitation obligations on its New South Wales 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. Rehabilitation work therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in New South Wales, Australia. No adverse situations were reported and required work was performed; and
- has no outstanding native title claims against it which could or would have a financial impact.

The directors are not aware of any other contingent liabilities at 31 December 2016.

TiZir

The Company faces contingent liabilities relating to its 50% interest in TiZir. The amounts disclosed below represent the Company's share of these potential liabilities:

TiZir faces potential liabilities in respect of the Grande Côte mineral sands operation and has agreed that the following amounts will be payable during the term of the Mining Concession and the entire period of validity of the Mining Convention:

- a total amount of $250,000 during the pre-production phase and thereafter $200,000 per annum during the production phase on social development of local communities in the Grande Côte and surrounding region; and
- $25,000 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.

24. SUBSIDIARIES

	Country of Incorporation	Auditor	Percentage owned 31 Dec 2016	Percentage owned 31 Dec 2015
Subsidiary entities consolidated				
Company and head of tax consolidation group:				
– Mineral Deposits Limited*[(i)]	Australia	Deloitte Touche Tohmatsu		
Subsidiaries of Mineral Deposits Limited:				
– MDL (Mining) Limited*[(i)]	Australia	Deloitte Touche Tohmatsu	100	100
– MDL Gold Limited*[(i)]	Australia	Deloitte Touche Tohmatsu	100	100
– Mineral Deposits (Operations) Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
– HNFL (Holdings) Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
– ZTF Investments Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
– Mineral Deposits International Pty Ltd*	Australia	Deloitte Touche Tohmatsu	100	100
– MDML (Capital) Limited	Mauritius	Deloitte Mauritius	100	100

* Members of tax consolidation group

(i) These wholly-owned entities have entered into a deed of cross guarantee and have been granted relief of the requirement to prepare financial statements in accordance with Class Order 98/1418. Refer to note 25 for further details.

The lead auditor of Mineral Deposits Limited is Deloitte Touche Tohmatsu.

25. DEED OF CROSS GUARANTEE

The wholly-owned entities detailed in note 24 have entered into a deed of cross guarantee with MDL pursuant to ASIC Class Order 98/1418 and are relieved of the requirement to prepare and lodge an audited financial report. These entities became parties to the deed of cross guarantee on 29 April 2008. The effect of the deed of cross guarantee is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

The consolidated statement of profit or loss and other comprehensive income and statement of financial position of the entities party to the deed of cross guarantee, after eliminating all transactions between parties to the deed of cross guarantee, at 31 December 2016 are:

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Share of net loss of joint venture	(31,893)	(46,325)
Other revenue	5,228	3,502
Administration expenditure	(3,969)	(3,623)
Finance costs	(756)	-
Impairment of intercompany receivables	3,071	(2,053)
Foreign currency gains	867	6,479
Loss before tax	**(27,452)**	**(42,020)**
Income tax expense	-	-
Loss for the year	**(27,452)**	**(42,020)**

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
STATEMENT OF FINANCIAL POSITION		
Current assets		
Cash and cash equivalents	4,472	7,597
Trade and other receivables	418	176
Other	59	61
Total current assets	**4,949**	**7,834**
Non-current assets		
Receivables	80,961	63,098
Investment in joint venture	172,066	200,815
Property, plant and equipment	44	149
Other intangible assets	3	-
Total non-current assets	**253,074**	**264,062**
Total assets	**258,023**	**271,896**
Current liabilities		
Trade and other payables	1,248	969
Borrowings	13,813	2,500
Provisions	200	694
Total current liabilities	**15,261**	**4,163**
Non-current liabilities		
Trade and other payables	181	183
Provisions	31	21
Total non-current liabilities	**212**	**204**
Total liabilities	**15,473**	**4,367**
Net assets	**242,550**	**267,529**
Equity		
Issued capital	390,255	390,255
Reserves	61,792	59,319
Accumulated losses	(209,497)	(182,045)
Total equity	**242,550**	**267,529**

26. PARENT ENTITY DISCLOSURE

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
FINANCIAL POSITION		
Assets		
Current assets	4,928	7,833
Non-current assets	238,809	239,584
Total assets	**243,737**	**247,417**
Liabilities		
Current liabilities	1,283	1,621
Non-current liabilities	253	246
Total liabilities	**1,536**	**1,867**
Equity		
Issued capital	390,255	390,255
Accumulated losses	(141,260)	(140,863)
	248,995	**249,392**
Reserves		
Foreign currency translation reserve	(16,524)	(13,553)
Equity-settled share-based payment reserve	9,730	9,711
	(6,794)	(3,842)
Total equity	**242,201**	**245,550**
FINANCIAL PERFORMANCE		
Loss for the year	**(397)**	**(3,139)**
Other comprehensive loss	(2,952)	(29,116)
Total comprehensive loss	**(3,349)**	**(32,255)**

(a) Guarantees entered into by the parent in relation to the debts of its subsidiaries

The parent entity, MDL, has not entered into guarantees in relation to the debts of its subsidiaries, except for below.

(b) Contingent liabilities of the parent

The parent entity, MDL, and its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited entered into a deed of cross guarantee pursuant to ASIC Class Order 98/1418 on 29 April 2008. The effect of the deed of cross guarantee is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the controlled entities under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up.

(c) Commitments for the acquisition of property, plant and equipment by the parent

No commitments for the acquisition of property, plant and equipment by the parent entity exist.

27. CASH FLOW INFORMATION

	Consolidated 31 Dec 2016 US$'000	Consolidated 31 Dec 2015 US$'000
(a) Reconciliation of cash and cash equivalents		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash on hand and at bank	2,813	4,127
Other – term deposits	2,080	3,909
Total cash and cash equivalents at end of year	**4,893**	**8,036**
(b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	**(27,123)**	**(42,031)**
Depreciation and amortisation	118	124
Amortisation of lease incentive	37	40
Loss on disposal of fixed assets	-	4
Share of net loss of equity accounted joint venture	31,893	46,325
Share based remuneration	19	-
Foreign exchange gain	(823)	(6,249)
Impairment of financial assets	-	1,973
Gain on disposal of investment in listed company – WTR	(3,431)	-
Interest expense accrued	749	-
Interest income received and receivable	(4,259)	(252)
Changes in assets and liabilities:		
Increase in trade and term debtors	(868)	(818)
Decrease/(increase) in prepayments	4	(5)
Decrease/(increase) in accrued income	5	(2,444)
Increase/(decrease) in trade creditors and accruals	162	(22)
(Decrease)/increase in employee entitlements	(489)	22
Decrease in rehabilitation provisions	(20)	(18)
Net cash used in operating activities	**(4,026)**	**(3,351)**

(c) Non-cash financing and investing activities

On 22 December 2015, MDL (Mining) Limited entered into a subordinated loan agreement with Eralloys Holding AS (a subsidiary of ERAMET) in order to provide funding to its joint venture entity, TiZir. As part of this loan agreement, Eralloys Holding AS advanced $2.5 million to TiZir on behalf of MDL as part of a subordinated loan agreement between the Company and TiZir (as outlined in note 34(b)). This loan is secured and interest is accrued at LIBOR (three months) plus seven percent (see note 15).

On 4 January 2016, Eralloys Holding AS advanced $0.5 million to TiZir on behalf of MDL as part of the abovementioned subordinated loan agreement between the Company and TiZir (as outlined in note 34(b)). This loan is secured and interest is accrued at LIBOR (three months) plus seven percent (see note 15).

On 6 April 2016, MDL (Mining) Limited entered into a subordinated loan agreement with Eralloys Holding AS (a subsidiary of ERAMET) in order to provide funding to its joint venture entity, TiZir. As part of this loan agreement, Eralloys Holding AS advanced $1.8 million to TiZir on behalf of MDL as part of a subordinated loan agreement between the Company and TiZir (as outlined in note 34(b)). This loan is secured and interest is accrued at LIBOR (three months) plus seven percent (see note 15).

During the year ended 31 December 2016, Eralloys Holding AS advanced two tranches of $6.2 million on 22 March 2016 and 26 September 2016 to TiZir on behalf of MDL as part of ERAMET's underwriting obligations to the committed facility established in accordance with the amendments to the terms of senior secured corporate bonds issued by TiZir (as outlined in note 15). The terms applicable to funds advanced by ERAMET to TiZir on behalf of the Company are disclosed in note 15.

(d) Cash balances not available for use

The Company has $256,077 (2015 – $259,388) in term deposits included in the cash and cash equivalents that are not readily available for use by the Group. These term deposits are held as security over the Company's corporate credit card, credit charge facility and lease of corporate head office premises in the form of bank guarantees.

28. FINANCIAL INSTRUMENTS

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Capital risk management

The Group manages its capital to ensure that entities of the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 15 offset by cash and cash equivalents) and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in the statement of changes in equity.

The gearing ratio at year-end was as follows:

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Financial assets		
Debt	13,813	2,500
Cash and cash equivalents (Note 27(a)	(4,893)	(8,036)
Net debt	8,920	(5,536)
Total equity	243,202	268,154
Net debt to equity ratio	3.67%	N/A

(b) Categories of financial instruments

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Financial assets		
Other receivables – current	447	176
Other receivables – non current	80,727	61,381
Other financial assets – current	-	1,481
Investment in joint venture	172,066	200,815
Cash and cash equivalents	4,893	8,036
Financial liabilities		
Other payables and accruals	1,213	938
Borrowings	13,813	2,500

(c) Foreign currency risk management

The Group has certain financial instruments denominated in Australian Dollars ('AUD'). Consequently, the Group is exposed to the risk that the exchange rate of the USD relative to the AUD may change in a manner which has a material effect on the reported values of the Group's assets and liabilities which are denominated in AUD.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities that are denominated in a currency other than the functional currency of the entity that holds the financial asset or financial liability at the reporting date is as follows:

	Financial assets		Financial liabilities	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
AUD	2,604	8,066	1,083	928

Foreign currency sensitivity analysis

The Group is mainly exposed to AUD. Ten percent represents management's assessment of the reasonably possible change in foreign exchange rates. Sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at period end for a ten percent change in the functional currency rates. A negative number indicates a decrease in profit or equity where the functional currency strengthens ten per cent against the relevant currency for financial assets and where the functional currency weakens against the relevant currency for financial liabilities. For a ten percent weakening of USD against the relevant currency for financial assets and a ten percent strengthening for financial liabilities, there would be an equal and opposite impact on net assets and the balances would be positive.

	Financial assets		Financial liabilities	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
AUD impact				
Profit or loss	(260)	(807)	(108)	(93)

Foreign currency exchange contracts

The Company has not entered into forward exchange contracts to buy or sell specified amounts of foreign currencies in the future at stipulated exchange rates.

(d) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in the market interest rates. The Company has exposure to interest rate risk relating to its bank balances, subordinate loans receivable from TiZir and borrowings.

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Financial assets		
Cash and cash equivalents	4,893	8,036
Other receivables	78,227	59,381
Financial liabilities		
Borrowings	13,813	2,500

Interest rate sensitivity analysis

Variable rate of interest is the sensitivity rate used in management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher by 50 basis points and all other variables were held constant, the profit and net assets would increase/decrease by:

	Financial assets		Financial liabilities	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Group				
Profit or loss	416	337	69	-

If interest rates had been 50 basis points lower, the impact would be equal and opposite.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the Group has minimal trade receivables primarily due to the nature of its assets. The Group limits its credit risk by carrying out transactions only with its related parties in some instances.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors who have built an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient cash balances.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The table has been drawn up based on the cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Due on demand US$'000	Due one to three months US$'000	Due three months to one year US$'000	Due one to five years US$'000	Total US$'000
Consolidated						
31 December 2016						
Financial liabilities						
Variable interest rate[i]	-	7,499	6,314	-	-	13,813
Non-interest bearing	-	1,019	154	40	-	1,213
		8,518	6,468	40	-	15,026
31 December 2015						
Financial liabilities						
Variable interest rate[i]	-	-	-	-	2,500	2,500
Non-interest bearing	-	755	114	69	-	938
		755	114	69	2,500	3,438
Consolidated						
31 December 2016						
Financial assets						
Variable interest rate[ii]	5.81	2,534	-	1	78,227	80,762
Non-interest bearing	-	2,359	446	-	2,500	5,305
		4,893	446	1	80,727	86,067
31 December 2015						
Financial assets						
Variable interest rate[ii]	4.72	6,409	-	-	59,381	65,790
Non-interest bearing	-	1,627	176	-	2,000	3,803
		8,036	176	-	61,381	69,593

(i) Amounts disclosed as variable interest rate financial liabilities relate to funds advanced by ERAMET to TiZir on behalf of MDL as outlined in note 15. Whilst these amounts are repayable within the timeframes specified above, if MDL elects not to repay these balances, ERAMET is entitled to dilute the Company's interest in the TiZir joint venture. The balance includes principal and accrued interest.

(ii) Balance includes principal and accrued interest.

(g) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

Other financial assets measured at fair value representing the Company's investment in WTR are categorised as Level 1 financial assets as the fair value is derived from quoted market prices in active markets. The Company disposed of its investment in WTR in March 2016.

29. SEGMENT REPORTING

The Company's reportable segments are mineral sands activities incorporating the Company's joint venture interest in TiZir.

'Unallocated' is the aggregation of the Company's other operating segments that are not separately reportable and is predominantly the corporate head office.

Information regarding these segments is presented below. The accounting policies of the new reportable segments are the same as the Company's accounting policies.

(a) Segment revenue and results

The mineral sands division is the Company's only operating segment and incorporates the Company's joint venture interest in TiZir which is accounted for on an equity accounting basis. The Company only recognises its share of the profit of TiZir and share of other comprehensive income in the statement of profit or loss and other comprehensive income and therefore there is no disclosure of revenue and results for this operating segment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	Assets		Liabilities	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Mineral sands division	252,793	263,677	13,937	-
Unallocated	5,666	8,648	1,320	4,171
Total segment assets and liabilities	**258,459**	**272,325**	**15,257**	**4,171**

(c) Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Unallocated	118	124	13	3

(d) Segment revenue and result

The following is an analysis of the Group's revenue and result by reportable operating segment:

	Segment revenue		Segment result	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Mineral sands division[i]	4,658	2,955	(27,058)	(38,884)
Unallocated	570	550	(65)	(3,147)
Total revenue and result	**5,228**	**3,505**	**(27,123)**	**(42,031)**

(i) Segment revenue represents management fees and interest charged to TiZir during the year.

(e) Impairment charges by segment

The following is an analysis of the Group's impairment charges by reportable operating segment:

	Year ended	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Mineral sands division – investment in WTR	-	1,973

(f) Geographical information

The Group operates in various geographical areas, predominantly in the United Kingdom and Australia. The following is an analysis of the Group's other revenue and its non-current assets by geographical location:

	Revenue		Non-current assets	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000	31 Dec 2016 US$'000	31 Dec 2015 US$'000
United Kingdom	4,658	2,955	252,793	262,196
Australia	570	550	263	368
Total	**5,228**	**3,505**	**253,056**	**262,564**

The non-current assets in the United Kingdom comprise: the investment in the joint venture company TiZir which beneficially holds operations in Senegal, Mauritius and Norway; subordinated loans advanced to TiZir; and management fees receivable from TiZir.

(g) Information about major customers

As the Group's operating segment incorporates the Company's joint venture interest in TiZir, there are no major customers of MDL.

30. SHARE-BASED PAYMENTS

The following share-based payment arrangements were on issue as at 31 December 2016:

Performance rights issued to KMP under the PRP as an LTI

Unlisted performance rights	Grant date	Expiry date	No. of performance rights issued	Exercise price A$	Vesting date
MDLAA	30 June 2016	31 Jan 2021	1,170,000	-	31 Jan 2019

The above performance rights were granted on 30 June 2016 and are subject to the following conditions:

(a) Performance rights vesting conditions

Absolute total shareholder return

Fifty percent of the performance rights are subject to an Absolute TSR hurdle over the three year performance period (being 1 February 2016 to 31 January 2019) and will be tested at the end of that period (31 January 2019).

Absolute TSR rights will vest according to the following schedule:

Measure	Performance level to be achieved	Performance vesting outcome	Percentage of total grant that will vest	Maximum percentage of total grant
	Above 25% CAGR	100%	50%	50%
	Above 15% CAGR	Pro rata vesting	Between 25%	50%
Absolute TSR	and up to 25% CAGR	from 50% -100%	and 50%	25%
	At 15% CAGR	50%	25%	0%
	Less than 15% CAGR	0%	0%	

*CAGR = Compound Annual Growth Rate

Note that for the purposes of calculating the CAGR over the duration of the performance period, the board set the base price for MDL shares as at 1 February 2016 at A$0.50 per share.

Vesting will occur on a proportionate straight-line basis from 50% to 100% for performance between 15% CAGR and 25% CAGR.

Relative total shareholder return

Fifty percent of the performance rights are subject to a Relative TSR hurdle over the three year performance period (being 1 February 2016 to 31 January 2019) and will be tested at the end of that period (31 January 2019).

Relative TSR rights will vest according to the following schedule:

Measure	Performance level to be achieved	Performance vesting outcome	Percentage of total grant that will vest	Maximum percentage of total grant
	75th Percentile or above	100%	50%	50%
	Between 50th Percentile	Pro rata vesting	Between 25%	
Relative TSR	and 75th Percentile	from 50%-100%	and 50%	50%
	At 50th Percentile	50%	25%	25%
	Below 50th Percentile	0%	0%	0%

Note that for the purposes of calculating the Relative TSR performance over the duration of the performance period, the board determined that the price for MDL shares would be calculated on the basis of the 20 day VWAP preceding 1 February 2016, being A$0.23.

Vesting will occur on a proportionate straight-line basis from 50% to 100% where the TSR performance is between 50% and 75% of the comparator group. The comparator group is the S&P/ASX Resources 300 Index. The comparator group is intended to reflect any competitors, companies and sectors where investors may choose to invest their money if not in MDL with particular regard to those companies of similar industry and market capitalisation.

In its absolute discretion, the board may determine that no Relative TSR performance rights will vest if the Company's TSR performance is negative.

(b) Performance rights vesting schedule

The performance rights issued expire on 31 January 2021 and vest on the earliest to occur of:

- 31 January 2019, being three years from date of grant;
- the date of a change of control event in respect of the Company or where the board determines that it expects a change of control to occur, the date determined by the board for the purposes of the PRP (the relevant date in both cases being the determined change of control date). In those circumstances, if the determined change of control date occurs during the vesting period, the amount of performance rights that will vest will be calculated in accordance with the following schedule:

Measure	Performance level to be achieved	Performance vesting outcome	Percentage of total grant that will vest
Absolute TSR	Above 25% CAGR	100%	100%
	Above 15% CAGR and up to 25% CAGR	Pro rata vesting from 50%-100%	Between 50% and 100%
	At 15% CAGR	50%	50%
	Less than 15% CAGR	0%	0%

  Vesting will occur on a proportionate straight-line basis from 50% to 100% for performance between 15% CAGR and 25% CAGR. For the purposes of calculating the CAGR over the duration of the relevant performance period, being, in these circumstances, from 1 February 2016 to the determined change of control date:

  - the board determined that the price for MDL shares as at 1 February 2016 would be calculated on the basis of the 20 day VWAP preceding 1 February 2016, being A$0.23; and
  - the price for MDL shares as at the determined change of control date would be the price per MDL share (as applicable) approved by MDL shareholders, or paid by the acquirer of the MDL shares obtaining the relevant control, the subject of the change of control event.

  In those circumstances, the vested performance rights will expire on the earlier of:

  - five business days after the occurrence of a change of control event; and
  - if the board determines that it expects a change of control event to occur, the date determined by the board (in which case the Company must give the participant notice that the board has determined the performance rights will expire in those circumstances at least five business days prior to the determined date for expiry).

- termination of employment of the relevant executive being a 'Good Leaver' (a portion will vest in accordance with the PRP);
- where a participant is a 'Bad Leaver' as defined in the PRP, all unvested incentives held by that participant will immediately lapse and all vested rights will expire within five days after employment ceases.

(c) Valuation of performance rights

Performance rights issued are measured at fair value at the date of grant and are expensed where there are no vesting conditions and in cases where a vesting restriction exists, amortised over the vesting period. In accordance with Accounting Standards, fair value is determined using a generally accepted valuation model.

Fair value of performance rights granted under the PRP during the year

All performance rights are granted for nil consideration.

The fair value of the performance rights granted during the year has been estimated at the date of grant adopting a Monte Carlo simulation model using the following assumptions:

Absolute TSR fair value assumptions

		Value
Share price as at 1 February 2016		$0.23
Strike price		Nil
Total life of performance rights		2.6 years
Share price volatility		65%
Risk free rate		1.63%
Dividend yield		0%
Exercise multiple		Nil
Share price targets	Target Minimum – $0.76 (50% vested)	Target Maximum – $0.98 (100% vested)
Iterations		50,000

Under the MDL PRP, the board set the base price for MDL shares as at 1 February 2016 at A$0.50. The minimum share price target at which 50% of the performance rights will vest is $0.76, which equates to a CAGR of 15% over three years from the base price of $0.50. The maximum share price target at which 100% of the performance rights will vest is $0.98, which equates to a CAGR of 25% over three years from the base price of $0.50.

Relative TSR fair value assumptions

The value of the performance rights subject to Relative TSR has been estimated using a correlated simulation analysis to simultaneously calculate returns from MDL and the companies within a peer group as at the test date based on each company's volatility and correlation. The peer group is the S&P/ASX Resources 300 index which, at the grant date, contained 44 companies. Other than volatilities of each of the other companies and the calculated correlation between MDL and the peer group, all other assumptions in this simulation such as stock price, strike price, option life, risk free rate, dividend are the same as those used in testing the Absolute TSR above.

Therefore, the fair value of the performance rights as at grant date are summarised as follows:

Performance measure	Grant date	Expiry date	No. of performance rights	Exercise price A$	Price per performance right A$	Fair value at date of grant A$
Absolute TSR	30 June 2016	31 Jan 2021	585,000	-	$0.058	33,930
Relative TSR	30 June 2016	31 Jan 2021	585,000	-	$0.169	98,865
			1,170,000	**-**	**-**	**132,795**

Share based payment expense

Share based payment expenses are included under administration expenses in the statement of profit or loss and other comprehensive income and relate to the performance rights component of equity-settled share-based payment transactions issued to a director and executives amortised over the vesting period.

	31 Dec 2016 US$'000
Employee benefits – amortisation of performance rights	**19,494**

(d) Movement in performance rights issued under the PRP

The following reconciles the outstanding performance rights on issue at the end of the financial year:

Unlisted performance rights	Grant date	Expiry date	Movement during the year: No. at beginning of year	Granted	Exercised, lapsed, forfeited	No. at end of year	No. exercisable at end of year
MDLAA	30 June 2016	31 Jan 2021	-	1,170,000	-	1,170,000	-

The performance rights outstanding at the end of the financial period have a weighted average remaining contractual life of 2.08 years

No performance rights lapsed, were forfeited or were exercised during the period.

31. AUDITORS' REMUNERATION

	Consolidated 31 Dec 2016 US$	Consolidated 31 Dec 2015 US$
Auditor of the parent entity		
Audit or review of financial reports of the entity	129,025	144,196
Advice and other related assurance services	37,905	-
Assistance with the tax return	19,671	29,607
Total remuneration – Deloitte Touche Tohmatsu	**186,601**	**173,803**
Network firm of parent entity auditor		
Audit or review of financial reports of the entity	3,240	3,565
Assistance with the tax return	2,038	1,868
Total remuneration – related practice of parent entity auditor	**5,278**	**5,433**

The auditors did not receive any other benefits. The auditor of the Company is Deloitte Touche Tohmatsu.

32. SUBSEQUENT EVENTS

There has been no matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

33. KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Short-term employee benefits	1,972	1,428
Post-employment benefits	181	183
Other employee benefits (incl. leave entitlements paid on termination)	11	15
Equity-settled share-based payments	19	-
	2,183	**1,626**

34. RELATED PARTY TRANSACTIONS

Equity interests in related parties

Details of percentages of ordinary shares held in subsidiaries are disclosed in note 24 to the financial statements.

Transactions between MDL and its related parties

Balances and transactions between the Company and its related parties have been eliminated on consolidation.

The following balances existed between the Company and its related parties at year-end:

	31 Dec 2016 US$	31 Dec 2015 US$
MDL (Mining) Limited	233,819,174	232,969,953
HNFL (Holdings) Pty Ltd	236,923	236,526
ZTF Investments Pty Ltd	7,297,286	1,480,478
MDL Gold Limited	3,247	2,441
Mineral Deposits (Operations) Pty Ltd	(41,169)	(41,701)
Mineral Deposits International Pty Ltd	(180,759)	(183,276)
	241,134,702	**234,464,421**

The above receivables and loans were non-interest bearing with no fixed repayment terms and payable on demand.

Transactions between the Group and its related parties

During the year ended 31 December 2016, there were no transactions between the Group and its related parties.

(a) Transactions with TiZir

During the financial year ended 31 December 2016, the following transaction occurred between the Group and the TiZir joint venture:

- the Group charged TiZir a management fee of $0.5 million (2015 – $0.5 million) for office, accounting, administrative and management support provided;
- the Company advanced $0.5 million (2015 – $2.5 million) to TiZir as part of a subordinated loan agreement. Interest accrues on this loan at LIBOR (three months) plus seven percent and is repayable on 29 September 2018. No repayment of this loan is allowed until the corporate bonds issued on 29 September 2012 and 23 May 2014 are fully repaid. This subordinated loan was funded by ERAMET under the terms and conditions set out in the Shareholders' Agreement as outlined in note 15;
- the Company advanced $1.8 million to TiZir as part of a subordinated loan agreement. Interest accrues on this loan at LIBOR (three months) plus seven percent and is repayable on 29 September 2018. No repayment of this loan is allowed until the corporate bonds issued on 29 September 2012 and 23 May 2014 are fully repaid. This subordinated loan was funded by ERAMET under the terms and conditions set out in the Shareholders' Agreement as outlined in note 15;
- the Company advanced $12.4 million to TiZir as part of a subordinated loan agreement. Interest accrues on this loan at LIBOR (three months) plus seven percent and is repayable on 29 September 2018. No repayment of this loan is allowed until the corporate bonds issued on 29 September 2012 and 23 May 2014 are fully repaid. This subordinated loan was funded by ERAMET under the terms and conditions set out in the Shareholders' Agreement as outlined in note 15; and
- the Company charged $4,158,748 (2015 – $2,454,738) interest on the above listed subordinated loans.

Amounts due from TiZir are disclosed as amounts due from other related parties in note 8. None are considered to be impaired.

(b) Transactions with ERAMET

On 4 January 2016, Eralloys Holding AS advanced $0.5 million to TiZir on behalf of MDL as part of a subordinated loan agreement between the Company and TiZir (as outlined in note 34(a)). This loan is secured and interest is accrued at LIBOR (three months) plus seven percent.

On 6 April 2016, MDL (Mining) Limited entered into a subordinated loan agreement with Eralloys Holding AS (a subsidiary of ERAMET) in order to provide funding to its joint venture entity, TiZir. As part of this loan agreement, Eralloys Holding AS advanced $1.8 million to TiZir on behalf of MDL as part of a subordinated loan agreement between the Company and TiZir (as outlined in note 34(a)). This loan is secured and interest is accrued at LIBOR (three months) plus seven percent.

During the year ended 31 December 2016, ERAMET advanced two tranches of $6.2 million on 22 March 2016 and 26 September 2016 to TiZir on behalf of MDL as part of ERAMET's underwriting obligations to the $60 million committed facility established in accordance with the amendments to the terms of senior secured corporate bonds issued by TiZir (as outlined in note 15). The terms applicable to funds advanced by ERAMET to TiZir on behalf of the Company are disclosed in note 15.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 24 February 2017.

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 25 to the financial statements, will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Robert Danchin
Deputy Chairman

Robert Sennitt
Director

Melbourne, 24 February 2017

Deloitte.

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Independent Auditor's Report to the members of Mineral Deposits Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mineral Deposits Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, and the directors' declaration as set out on pages 39 to 77.

In our opinion, the accompanying financial report of Mineral Deposits Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the entity, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value of Investment in Joint Venture and Amounts Receivable from Joint Venture As at 31 December 2016 the Group’s Consolidated Statement of Financial Position includes ‘Investment in joint venture’ and ‘Amounts due from related parties’ which both relate to its TiZir joint venture and amount to US$172.1 million and US$80.7 million respectively. Refer to note 11 ‘Investment in joint venture’ and note 8 ‘Trade and other receivables’ for details of these balances. The Group equity accounts its investment in the TiZir joint venture and within these results there are several accounting estimates and judgements. These estimates and judgements have a direct impact on the results reported by the Group as it recognises its share of profits or losses and movements in equity from the date of acquisition. The key estimates and judgements involved in determining the results of the TiZir joint venture, the Group’s investment in TiZir and amounts receivable from TiZir are as follows:	
1. Impairment of GCO Assets	
Each of the two operations owned by the Group’s TiZir joint venture, being the Grande Côte mineral sands operation (‘GCO’) and the TiZir Titanium & Iron ilmenite upgrading facility (‘TTI’), is regarded as a separate cash generating unit (CGU) for the purposes of impairment testing. An indicator of impairment relating to the GCO CGU was identified by TiZir and MDL management. Accordingly, TiZir management prepared a fair value less cost of disposal valuation model which was obtained and refined by MDL management, who formed their own view on certain key assumptions. The fair value less cost of disposal model is based on the discounted cash flow forecast for GCO and is used to confirm that the carrying value of GCO’s assets does not exceed the recoverable value. The assessment of the recoverable value of GCO’s assets involves the exercise of judgement in determining the assumptions to be used in the discounted cash flow model, including future commodity prices, life of mine, future operating performance (including production and utilisation rates), operating expenses and discount rate. Refer to note 4 ‘Critical accounting judgements and key sources of estimation uncertainty’.	In conjunction with Deloitte valuation specialists, our procedures included but were not limited to: • understanding management’s process and controls with respect to the preparation and review of forecasts underpinning the GCO impairment model; • directing the component auditors to perform specific procedures, including, but not limited to, reviewing underlying sales contracts, analysis of operating expenses and obtaining support for certain key assumptions within the impairment model, holding discussions with and reviewing the work of component auditors; • evaluating the discounted cash flow model developed by MDL management to assess the recoverable value of the GCO CGU assets, including critically assessing the following key assumptions: ➢ future commodity prices ➢ life of mine ➢ production and utilisation rates ➢ operating expenses ➢ discount rate with reference to relevant evidence including external data and reports; • performing sensitivity analysis on a number of key assumptions, including commodity prices, utilisation rates and operating expenses;

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We focused on this area as a key audit matter due to the significant judgement involved in the forecasting of future GCO cash flows and the selection of key assumptions.

- on a sample basis testing the mathematical accuracy of the discounted cash flow model; and
- evaluating the adequacy of disclosures in the financial report.

2. Refinancing of TiZir Limited

As outlined in note 11 to the financial report, the TiZir joint venture is primarily funded by senior secured corporate bonds with a total face value of US$275 million maturing in September 2017. The Group's management, in conjunction with its joint venture partner and TiZir management, is currently working on its refinancing options.

We focused on this area as a key audit matter due to the inherent uncertainty concerning TiZir's ability to refinance its borrowings, which may have a material impact on the recoverable amount of the Group's investment in TiZir and amounts receivable from TiZir.

Our procedures included but were not limited to:

- obtaining an understanding of the status of TiZir's refinancing negotiations, through:
  - Inquiries of the directors and management of the entity; and
  - Understanding work completed to date on TiZir's refinancing options;
- holding discussions with and reviewing the work of component auditors in relation to specific procedures undertaken by them on TiZir's refinancing process;
- reviewing TiZir's financial forecast to the maturity of the bond in September 2017, including its forecast compliance with the financial covenants in the existing bond agreement; and
- having regard to the matters outlined above, evaluating the adequacy of disclosures in the financial report.

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Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. The other information also includes the following documents which will be included in the annual report (but does not include the financial report and our auditor's report thereon): 2016 Highlights, Chairman's report, MDL at a glance, Production & Sales, Financial Summary & Strategic Outlook, Sustainability Report and Corporate Governance Statement, which we obtained prior to the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

In preparing the financial report, directors are responsible for assessing the ability of the entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report of Mineral Deposits Limited included in pages 26 to 37 of the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of the entity, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Entity are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 24 February 2017

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange in respect of listed public companies only.

1. SHAREHOLDING

The issued capital of the Company as at 22 February 2017 was 103,676,341 ordinary shares fully paid.

(a) Distribution of shareholder numbers

Size of Holding	Number of shareholders	Number of shares held	%
1 – 1,000	1,484	416,621	0.40
1,001 – 5,000	509	1,249,825	1.21
5,001 – 10,000	154	1,244,605	1.20
10,001 – 100,000	344	11,615,927	11.20
100,001 and over	69	89,149,363	85.99
	2,560	**103,676,341**	**100.00**

(b) There were 1411 shareholders who held less than a marketable parcel (944 shares) based on the market price of A$0.53

(c) The names of the substantial shareholders of the Company as disclosed in substantial holding notices given to the Company are:

Name	Number of shares held
Allan Gray Australia Pty Ltd	18,081,358
Farjoy Pty Ltd	8,797,613
Ellerston Capital Limited	8,496,081
H.E.S.T Australia Limited (as Trustee for Health Employees Superannuation Trust Australia)	6,201,738
Munro Family Super Fund (MFSF)	5,217,500
	46,794,290

(d) 20 Largest shareholders – ordinary shares

Name	Number of shares held	%
HSBC Custody Nominees (Australia) Limited	21,763,843	20.99
JP Morgan Nominees Australia Limited	16,275,656	15.70
Citicorp Nominees Pty Limited	8,816,956	8.50
Farjoy Pty Ltd	8,797,613	8.49
Mr Raymond Edward Munro & Mrs Susan Roberta Munro <Munro Family Super Fund A/C>	5,628,700	5.43
UBS Nominees Pty Ltd	3,375,000	3.26
National Nominees Limited	2,858,325	2.76
New Guinea Energy Ltd	1,996,989	1.93
One Managed Invt Funds Ltd <Sandon Capital Inv Ltd A/C>	1,451,186	1.40
BNP Paribas Noms (NZ) Ltd <DRP>	1,410,940	1.36
Majestic Travel Pty Limited	1,300,000	1.25
BNP Paribas Noms Pty Ltd <DRP>	1,182,121	1.14
Fountain Oaks Pty Ltd <Limbs Family Super Fund A/C>	968,553	0.93
HSBC Custody Nominees (Australia) Limited-GSCO ECA	706,944	0.68
Dr Martin James Grehan & Dr Penelope Jane Spring	550,000	0.53
Mr Christopher Stuart King <The King Super Fund A/C>	549,265	0.53
Mr Paul Dostal	500,000	0.48
Inkese Pty Ltd	500,000	0.48
Piama Pty Ltd <Fena Superannuation Plan A/C>	500,000	0.48
National Nominees Limited <DB A/C>	482,000	0.46
	79,614,091	**76.78**

(e) Voting rights

Voting rights of members are governed by the Company's Constitution. In summary, on a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, every such attending member shall be entitled to one vote for every share held.

(f) Performance rights

A total of 1,170,000 performance rights are held by four MDL executives. Performance rights do not carry a right to vote.

2. TENEMENT SCHEDULE

Project	Tenement Number	Interest %
Australia		
Hawks Nest	Special Lease 400	100
Hawks Nest	Mining Purposes Lease 217	100
Hawks Nest	Mining Purposes Lease 1398	100

CORPORATE DIRECTORY

Directors

Nicholas Limb (non-executive chairman)
Robert Sennitt (managing director)
Martin Ackland (executive)
Robert Danchin (non-executive/deputy chairman)
Tom Whiting (non-executive)
Charles (Sandy) MacDonald (non-executive)

Executive

Jozsef Patarica (chief operating officer)
Greg Bell (chief financial officer)
Michaela Evans (company secretary)

Registered office

Level 17 530 Collins Street
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Australia
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F +61 3 9621 1460
E mdlmail@mineraldeposits.com.au
W mineraldeposits.com.au

Share registry

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford VIC 3067
Australia
T 1300 850 505
F +61 3 9473 2500

Auditor

Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000
Australia

Tax agents and advisers

Deloitte Lawyers
550 Bourke Street
Melbourne VIC 3000
Australia

Solicitors

Minter Ellison
Level 23 525 Collins Street
Melbourne VIC 3000
Australia

Bankers

Westpac Banking Corporation
420 Collins Street
Melbourne VIC 3000
Australia

Home exchange

Australian Securities Exchange (ASX)
Level 4 North Tower Rialto
525 Collins Street
Melbourne VIC 3000
Australia

Trading Code: MDL

Mineral Deposits Limited ABN 19 064 377 420

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