FULL YEAR RESULTS

MDL

FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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

*(Denominated in **United States Dollars** unless otherwise stated)*

HIGHLIGHTS

- MDL net loss of $27.1 million
- MDL share of TiZir loss totalled $31.9 million
- MDL cash position of $4.9 million (A$6.7 million) and secured debt of $13.8 million
- Both GCO and TTI recorded positive EBITDA and positive cash flow for the year
- Improved TiZir profitability resulting from increased GCO production and cost efficiencies at both operations
- TiZir operations funded by $10.4 million cash and working capital facilities at TTI and GCO

FINANCIAL SUMMARY

$m	FY 2016	FY 2015	$ Change	% Change
MDL				
50% share of TiZir's reported loss	**(31.9)**	(46.3)	**14.4**	31.1
Reported loss	**(27.1)**	(42.0)	**14.9**	35.5
Basic EPS (cents)	**(26.2)**	(40.5)	**14.3**	35.3
Cash and cash equivalents	**4.9**	8.0	**(3.1)**	(39.1)
TiZir				
TTI EBITDA	**21.0**	3.9	**17.1**	438.5
GCO EBITDA	**6.0**	(7.4)	**13.4**	181.1
Reported loss	**(63.8)**	(92.6)	**28.8**	31.1
Cash flow from operations	**18.5**	(38.5)	**57.0**	148.0
Capital expenditure	**20.2**	51.8	**31.6**	61.0

Mineral Deposits Limited (ASX: MDL) today announced a net loss of $27.1 million for the year ended 31 December 2016, compared to a net loss of $42.0 million in 2015. The result reflects a decrease in the Company's share of TiZir's reported loss arising from stronger profitability at GCO and TTI, with both operations recording positive EBITDA for the reporting period. Further, GCO recorded its first year of positive cash flows since commencement of production in March 2014.

Chairman Nic Limb commented: "The 2016 financial results represent the achievement of significant operational milestones at GCO and TTI which were directly related to the dedicated efforts of management and staff of both TiZir and MDL. These results provide a platform from which your Company can leverage off improving market conditions and grow future profitability through increasing cost efficiencies and realisation of synergistic benefits between GCO and TTI."

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TIZIR

The key focus areas for TiZir in 2016 were the continued optimisation of the mining operations at GCO and the ramp up of the furnace following the completion of the furnace reline and capacity expansion project at TTI.

GCO had a good year in 2016 both operationally and financially. It recorded numerous production records as well as positive EBITDA and cash flow. Contributing to these results was the establishment of an executive committee at the start of the year whereby MDL personnel worked closely with GCO and TiZir management to achieve a number of key objectives. Focus was placed on safety performance, optimisation of operations, cost reduction initiatives as well as a management restructure. These initiatives were all instrumental in the strong results at GCO. In particular:

- GCO has now operated for over 3.2 million man hours without a lost time incident ('LTI'), with the last LTI occurring on 17 December 2015;
- mine optimisation projects delivered record utilisation across the mine in 4Q 2016 with further improvements expected as continuing initiatives centred on utilisation, throughput and recovery are realised;
- cost saving efforts reduced the cost base at GCO by 10.6%; and
- strengthening the mine management team and implementing a mine optimisation team contributed to the operational results achieved in 4Q 2016.

Up until the operational incident in August, which resulted in a production shutdown and subsequent furnace reline, TTI had been performing strongly as the ramp up of production continued to exceed expectations. While the operational incident was disappointing, insurance funds were received before the end of 2016 and ramp up resumed ahead of schedule in January 2017. Shipments of chloride slag are expected to recommence in early April.

The synergistic benefits of GCO and TTI's integration are reflected in the fact that both operations recorded positive EBITDA for the year ended 31 December 2016 whilst TiZir recorded positive cash flow from its operations, despite low prevailing commodity prices. Despite these achievements, however, the impact of depreciation and finance costs resulted in TiZir recording a net loss for the year of $63.8 million (on a 100% basis), compared to a net loss of $92.6 million in 2015.

GCO sales volumes were consistent with production volumes in 2016 across all product groups. Ilmenite sales volumes were slightly lower due to reduced ilmenite production; however ilmenite that had been set aside for TTI was sold to external customers in 4Q 2016 following the shutdown at TTI in August. Ilmenite pricing was slightly stronger in 2016 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 continued to secure price increases.

Zircon sales volumes rose by 26.7% in 2016, primarily due to increased production and further recognition of the quality of GCO zircon by the market. Sales in the second half of the year were particularly strong, accounting for 57.7% of annual zircon sales volumes. Despite the strong sales volume growth, pricing came under significant pressure 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, with some producers securing small price increases towards year-end.

Despite low commodity pricing, GCO produced positive EBITDA and cash flow in 2016. This result reflected GCO's improving operating performance and successful cost reduction initiatives, particularly in respect of energy and contract service costs. Further cost efficiencies are planned for 2017.

TTI's EBITDA (on a 100% basis) for 2016 was $21.0 million. The ramp up of operations in the first half of the year exceeded expectations post completion of the furnace reline and capacity expansion project. Titanium slag production reached levels close to those achieved in 1H 2015. There were periods during 3Q 2016 when the furnace was operating close to its expanded nameplate capacity. Following the incident in August, 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 with funds received during December 2016.

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 with TTI securing contracts for the sale of a significant majority of its 2016 chloride titanium slag production.

Sales of high-purity pig iron ('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 titanium slag was relatively stable throughout the year, largely due to the offtake contracts entered into by TTI. However, pricing for HPPI was volatile, 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 in Eastern Europe, significantly impacted pricing stability.

TiZir's cash flow from operations in 2016 was positive \$18.5 million compared to negative \$38.5 million in 2015, driven by the profitability of TiZir along with a decrease in working capital following the operational incident at TTI. While cash flow from operations was positive during the reporting period, it is expected that cash flows will remain under pressure during 1Q 2017 as TTI builds working capital following the successful restart of the furnace in January 2017.

TiZir's capital expenditure moderated further in 2016 as a result of the completion of the furnace reline and capacity expansion project in December 2015. Capital expenditure in 2016 related to residual payables associated with the furnace reline and capacity expansion project, payment for repairs to the furnace surrounds following the operational incident at TTI and sustaining capital expenditure at GCO in relation to optimisation projects. Going forward, capital expenditure is anticipated to be limited to that required for the maintenance of each operation.

TIZIR FUNDING

At 31 December 2016, external borrowings (excluding shareholder loans) by TiZir amounted to \$322.4 million, comprising \$281.4 million of senior secured bonds (including accrued interest and borrowing costs) due September 2017, \$1.4 million outstanding of a \$50 million working capital facility tied to TTI and \$44.1 million outstanding of a \$50 million working capital facility tied to GCO, offset by \$4.6 million of capitalised borrowing costs.

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

MDL FUNDING

MDL's cash and cash equivalents at 31 December 2016 were \$4.9 million. The decrease in cash balances of \$3.1 million during the period primarily related to corporate administration expenditure of \$3.9 million, repayment of funding provided by ERAMET of \$4.0 million and other net cash outflows including interest received and realised foreign exchange losses of \$0.1 million. These outflows were offset by proceeds from the disposal of the Company's interest in World Titanium Resources Limited of \$4.9 million.

ERAMET LOAN FUNDING

The Company has a loan agreement with ERAMET in relation to 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 TiZir. 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 TiZir 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 under the Shareholders' Agreement including an effective interest rate of USD 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.

OUTLOOK

GCO

Mine operating levels, particularly with regard to utilisation, throughput and recovery are expected to continue to improve as mine optimisation initiatives are delivered. 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

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

TTI

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% to 230ktpa 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 keep capacity idled, 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.

MDL financial summary

$m	FY 2016	FY 2015
50% share of TiZir's reported loss	(31.9)	(46.3)
Interest and other revenue	5.2	3.5
Administration expenses	(4.0)	(3.6)
Finance costs	(0.7)	-
Foreign exchange gains	0.9	6.4
Gain on disposal/(Impairment) of WTR shareholding	3.4	(2.0)
Income tax	-	-
Reported loss	**(27.1)**	**(42.0)**

TiZir financial summary

	Revenue		**EBITDA**		**EBIT**	
$m	**FY 2016**	FY 2015	**FY 2016**	FY 2015	**FY 2016**	FY 2015
TTI	75.8	87.0	21.0	3.9	6.8	(3.0)
GCO	84.8	82.0	6.0	(7.4)	(18.6)	(31.4)
Corporate	-	-	(2.9)	(3.2)	(4.8)	(4.1)
Total	**160.6**	**169.0**	**24.1**	**(6.7)**	**(16.6)**	**(38.5)**
Foreign exchange (loss)/gains					(0.4)	1.0
Net finance costs[(i)]					(45.9)	(34.6)
Impairment of assets					-	(26.7)
Amortisation of acquisition assets[(ii)]					(2.7)	(2.7)
Loss before tax					**(65.6)**	**(101.5)**
Income tax benefit/(expense)					(0.5)	3.0
Minority interest[(iii)]					2.3	5.9
TiZir reported loss					**(63.8)**	**(92.6)**
MDL 50% share					**(31.9)**	**(46.3)**

Notes to the financial information

(i) Net finance costs comprise:

$m	FY 2016	FY 2015
Interest charged on TiZir bond	(24.9)	(24.6)
Interest charged on subordinate loans from joint venture partners	(11.3)	(7.5)
Interest on working capital facilities	(3.9)	(1.4)
Other net interest, borrowing and other finance costs	(5.8)	(1.1)
Total net finance costs	**(45.9)**	**(34.6)**

Note: Other net interest, borrowing and other finance costs primarily relates to amortisation of capitalised borrowing costs in relation to the senior secured bond issue in September 2012 and May 2014 and costs incurred in securing amendments to the senior secured bond agreement in December 2015.

(ii) As part of the establishment of TiZir in October 2011, specifically identified intangible assets, property, plant & equipment and related deferred tax liabilities are recognised on consolidation and amortised over the useful lives of these assets. The amortisation of such assets during the year amounted to $2.7 million pre-tax and $1.8 million on an after-tax basis.

(iii) Minority interest reflects 10% ownership of GCO by the Government of the Republic of Senegal.

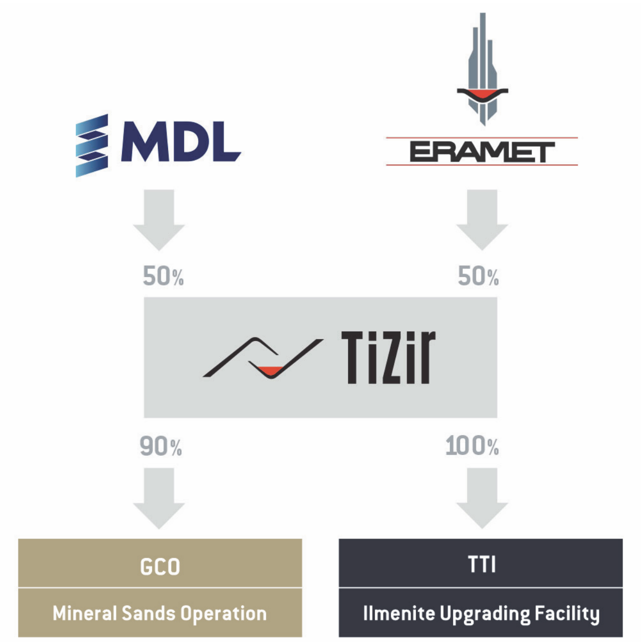
ABOUT MDL

Mineral Deposits Limited (ASX: MDL) is an established, ASX-listed, integrated mining company with a 50% equity interest in TiZir Limited ('TiZir') in partnership with ERAMET of France.

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

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

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



FORWARD LOOKING STATEMENTS

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

Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. MDL cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of MDL to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in mining and mineral processing operations, exploration and development of mineral properties, 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.

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

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

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