27 July 2017

ASX ANNOUNCEMENT

MDL

APPENDIX 4D (RULE 4.2A.3)

INTERIM REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2017

Expressed in United States dollars unless otherwise stated

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All comparisons to the half-year ended 30 June 2016

This information should be read in conjunction with the attached condensed consolidated financial statements for the half-year ended 30 June 2017 of Mineral Deposits Limited.

		Change %		Amount $'000
Revenue from ordinary activities	Up	24.9	to	3,038
Loss from ordinary activities after tax attributable to equity holders of the parent	Down	(22.79)	to	(13,056)
Loss for the period attributable to equity holders of the parent	Down	(22.79)	to	(13,056)

Commentary on the results for the half-year ended 30 June 2017

For commentary on the results for the half-year ended 30 June 2017, please refer to the review of operations in the directors' report.

Net tangible assets per ordinary share

	30 June 2017	30 June 2016
Net tangible asset backing per ordinary share (cents)	134.55	246.92

Controlled entities acquired or disposed of

There were no controlled entities acquired or disposed of during the period ended 30 June 2017.

Details of joint venture entities

		30 June 2017	30 June 2016
Ownership interest held in TiZir Limited		50%	50%
Contribution to net loss (refer note 7 – Investments in joint venture entities)	$'000	(8,988)	(19,390)

Additional Appendix 4D disclosure requirements and commentary can be found in the accompanying half-year financial statements for the period ended 30 June 2017.

This Appendix 4D report is based on the condensed consolidated financial statements which have been reviewed by Deloitte Touche Tohmatsu.

HALF YEAR REPORT 2017

MINE > INTEGRATE > TRANSFORM

MDL

This report does not include all the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report should be read in conjunction with the annual report of Mineral Deposits Limited for the year ended 31 December 2016. It is also recommended that this financial report be considered together with any public announcement made by Mineral Deposits Limited and its controlled entities during the half-year ended 30 June 2017, in accordance with the continuous disclosure requirements of the Corporations Act 2001, including its quarterly reports lodged with the Australian Securities Exchange.

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 risk, 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.

CONTENTS

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 half-year ended 30 June 2017 and the auditor's review report thereon.

DIRECTORS

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

Nicholas Limb
Robert Sennitt
Martin Ackland
Tom Whiting
Charles (Sandy) MacDonald
Robert Danchin (ceased 30 June 2017)

PRINCIPAL ACTIVITIES

The principal activities of MDL for the half-year ended 30 June 2017 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.

OPERATING RESULTS

The Company reported a loss for the half-year ended 30 June 2017 of $13.1 million (30 June 2016 – loss of $16.9 million) which included the Company's share of TiZir's reported loss of $9.0 million (30 June 2016 – $19.4 million), other income of $3.0 million, administration expenses (including depreciation and amortisation) of $1.8 million, finance costs of $0.3 million and net foreign exchange losses of $5.0 million.

FINANCIAL POSITION

The statement of financial position at 30 June 2017 comprises net assets of $265.0 million (31 December 2016 – $243.2 million), made up of:

- 50% equity interest in TiZir carried at $164.5 million (31 December 2016 – $172.1 million);
- cash of $13.9 million (31 December 2016 – $4.9 million);
- an interest-bearing, subordinated loan (including accrued interest) to TiZir of $84.4 million (31 December 2016 – $78.2 million);
- other assets and liabilities netting to an asset of $2.2 million (31 December 2016 – net asset of $1.8 million).
- zero debt following repayment of an interest-bearing, subordinated loan (including accrued interest) to ERAMET in April 2017 (31 December 2016 – $13.8 million)

CASH FLOW

Cash balances increased by $9.0 million during the half-year ended 30 June 2017 as a result of:

- net proceeds from the Company's capital raising of A$37.6 million ($28.5 million);
- repayment of an interest-bearing subordinated loan facility provided by ERAMET of $14.1 million (including accrued interest of $0.9 million);
- an advance of $3.5 million to TiZir to help fund its obligations with respect to TiZir's senior secured corporate bond;
- cash used in other operating activities of $2.0 million; and
- cash flows from interest earned on deposits of $0.1 million.

REVIEW OF OPERATIONS

Grande Côte mineral sands operation, Senegal

Production

Production levels at GCO in 1H 2017 were significantly higher compared to 1H 2016 as mining operations sustained higher runtime and throughput rates resulting in new quarterly and half-yearly records for ore mined and heavy mineral concentrate (**HMC**) produced.

The continued focus on mine optimisation initiatives throughout 1H 2017 has had a direct positive impact on mine performance. Average runtime for 1H 2017 of 81.2% represented a new half-year record for operational runtime, being 12% higher than 1H 2016 and 11% higher than the 2016 average. Throughput for 1H 2017 of 6,648tph was 6% higher than the rate achieved in 1H 2016.

Despite a necessary mine path crossover through lower grade tailings in 1Q 2017, sustained higher runtime and throughput generated at the mine increased HMC production by 23% to 344.7kt in 1H2017 compared to 1H 2016 and generated a quarterly record of 204.2kt in 2Q 2017.

The mineral separation plant (**MSP**) continued to operate near design capacity with high plant availability throughout 1H 2017. The increased production of HMC in 2Q 2017 generated record half-year production of finished goods, in particular ilmenite (13% higher than 1H 2016) and zircon (15% increase compared to 1H 2016). The introduction of medium grade zircon sands in 1Q 2017 – which has been well received by global customers – has broadened GCO's capacity to take advantage of improving zircon prices.

Sales

GCO sales volumes were stronger in 1H 2017 in line with the increase in production of finished goods. Compared to 1H 2016, overall sales volumes were 21% higher in 1H 2017, driven by a 19% increase in zircon sales, a 15% increase in ilmenite sales and the sale of 10,754 tonnes of medium grade zircon sands.

With respect to ilmenite pricing conditions, positive trends evidenced in 2016 continue in 2017 due to increasing pressure on the availability of titanium dioxide feedstock and pigment. Notably, due to strong ilmenite production at GCO, a number of ilmenite shipments budgeted for TTI were sold to external customers to take advantage of higher prevailing prices.

Following stabilisation at the end of 2016, the zircon market also experienced positive developments in 1H 2017, which, on a month to month basis, has positively impacted GCO's profitability.

The following table summarises quarterly sales and production volumes for the half-year ended 30 June 2017:

100% basis		1Q 2017	2Q 2017	1H 2017	1Q 2016	2Q 2016	1H 2016
Mining							
Ore mined	(kt)	11,661	11,793	23,454	9,583	10,291	19,874
HMC produced	(t)	140.5	204.2	344.7	140.7	138.9	279.6
MSP production							
Ilmenite	(t)	99,400	126,030	225,430	107,181	92,783	199,964
Zircon	(t)	11,688	16,203	27,891	10,713	13,608	24,321
Medium grade zircon sands	(t)	7,179	2,927	10,106	-	-	-
Rutile & leucoxene	(t)	2,152	2,384	4,536	1,906	2,524	4,430
Sales volume							
Ilmenite	(t)	81,636	129,713	211,349	65,001	118,649	183,650
Zircon	(t)	13,030	13,722	26,752	9,661	12,758	22,419
Medium grade zircon sands	(t)	2,711	8,043	10,754	-	-	-
Rutile & leucoxene	(t)	2,588	3,208	5,796	1,740	2,300	4,040

TiZir Titanium & Iron ilmenite upgrading facility, Norway

Production for 1H 2017 was slightly below that achieved in 1H 2016, with both titanium slag and high-purity pig iron (**HPPI**) production 2% lower. Both periods were impacted by furnace restarts and production ramp up. Encouragingly, the operation is consuming less coal and energy to achieve targeted production levels, which is enhancing the cost efficiencies of the operation. Further, optimisation of the crushing plant has resulted in higher chloride slag yields.

Titanium slag sales volumes for 1H 2017 were significantly lower than 1H 2016 largely due to shipments of residual sulphate-process titanium slag inventory during 1Q 2016 following the conversion to chloride slag in December 2015. These residual shipments account for the decrease of $10.1 million in TTI revenue for 1H 2017 compared to the prior corresponding period.

Sales of HPPI were consistent with production in 1H 2017, reflecting market acceptance of TTI's high-quality pig iron following the furnace restart at the beginning of the year.

Pricing for titanium slag continued to be stable in 1H 2017. However, pricing for HPPI was stronger due to the persistence of geopolitical instability in Eastern Europe which has impacted the supply of pig iron.

The following table summarises quarterly sales and production volumes for the half-year ended 30 June 2017:

100% basis		1Q 2017	2Q 2017	1H 2017	1Q 2016	2Q 2016	1H 2016
Titanium slag							
Produced	(kt)	27.8	49.5	77.3	34.8	44.2	79.0
Sold	(kt)	11.5	47.1	58.6	31.2	50.2	81.4
High-purity pig iron							
Produced	(kt)	11.2	20.1	31.3	14.1	17.8	31.9
Sold	(kt)	7.0	20.0	27.0	9.9	20.5	30.4

Corporate

Capital raising

A fully underwritten placement and accelerated non-renounceable entitlement offer to raise approximately A$39.2 million was successfully completed in March 2017. A total of 93,309,308 shares were issued at a price of $0.42 per share.

Following settlement of the capital raising, the Company:

- repaid the total debt of $14.1 million owing to its joint venture partner ERAMET; and
- advanced $3.5 million to TiZir to help fund its obligations with respect to TiZir's senior secured corporate bond for the relevant period. It had been anticipated that MDL may need to contribute up to $6.2 million but the strong operational performance by TiZir in 1Q 2017 limited this payment to $3.5 million.

TiZir funding

As announced on 5 July 2017, TiZir successfully completed a new 9.5%, US$300 million senior secured bond issue with maturity scheduled in July 2022. The proceeds will primarily be used to refinance the US$275 million senior secured bonds maturing in September 2017. The successful refinancing of TiZir's senior debt is a major milestone for TiZir and has been well received in the investment community.

Board succession and retirement

As announced on 4 May 2017, long-serving director and Deputy Chairman Dr Robert Danchin retired effective 30 June 2017. As a consequence, Tom Whiting has assumed the role of audit & risk committee chairman.

Further, as announced on 30 June 2017, Executive Director Martin Ackland relinquished his executive role to become a non-executive director of the Company. Mr Ackland continues as a board member of TiZir and TTI.

Performance rights

On 30 June 2017, the Company granted 1,168,209 (30 June 2016 – 1,170,000) 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 4 May 2017.

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
MDLAA	30 June 2016	31 January 2019	31 January 2021	-	1,170,000
MDLAB	30 June 2017	31 January 2020	31 January 2022	-	1,168,209
					2,338,209

Further details of unlisted performance rights including vesting conditions, vesting schedule and valuation methodology are contained in note 12.

OUTLOOK

TiZir Limited

With GCO continuing to optimise operations and TTI hitting production targets, TiZir expects the positive momentum evidenced in 1H 2017 to continue into the second half of the year.

Core operational 3Q 2017 activities will include:

- advancement and completion of certain mine optimisation initiatives at GCO in order to continue to improve runtime, throughput and recovery of the wet concentrator plant;
- detailed studies related to inclusion of areas of supplementary feed adjacent to the dredge path at GCO;
- the furnace at TTI is expected to operate at or above levels achieved in 2Q 2017 while maintaining volume consistency between production and shipments; and
- implementation of further cost reduction initiatives at both operations.

Market

Market conditions with respect to TiZir's product suite evidenced ongoing improvements throughout 1H 2017.

Titanium dioxide feedstocks: Continuing 1Q 2017 trends, 2Q 2017 was a positive quarter for titanium dioxide feedstock prices with higher utilisation of pigment plants supporting additional price increases. While improved inventory levels are expected to stabilise ilmenite prices, the outlook for high-grade titanium feedstock continues to strengthen. The elimination of excess capacity, together with improving spot prices for rutile, is a strong indicator of strengthening market conditions in the sector in which TiZir's titanium feedstock production is focused.

Zircon: Conditions continue to improve in TiZir's key markets of Europe and North America with demand remaining strong. Supply is tightening with limited inventory availability and signs of lower than anticipated production. These conditions are contributing to upward pressure on prices with price increases expected throughout the remainder of 2017. Heading into 3Q 2017, a number of major producers have already announced price rises between $130 and $150 per tonne.

HPPI: Pricing remained stable in 1H 2017. Whilst geopolitical issues in Eastern Europe persist, demand is anticipated to endure with pricing expected to remain stable.

DIVIDENDS

During the half-year, no dividends were paid. The directors have not recommended the payment of a dividend.

CHANGE IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

Other than the successful completion of a new 9.5%, US$300 million senior secured bond issue with maturity scheduled in July 2022 to primarily refinance TiZir's existing $275 million senior secured bond (as outlined above and in note 15 to the financial statements), there has not been any matter or circumstance occurring subsequent to the end of the reporting period 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.

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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence statement is included on page 5 of the condensed consolidated financial statements.

ROUNDING OFF OF ACCOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporation Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

This directors' report is signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the directors

Nic Limb
Chairman

Robert Sennitt
Managing Director

Melbourne, 27 July 2017

Deloitte.

Deloitte Touche Tohmatsu
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27 July 2017

The Board of Directors
Mineral Deposits Limited
Level 17
530 Collins Street
MELBOURNE VIC 3000

Dear Board Members,

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 review of the financial statements of Mineral Deposits Limited for the financial half-year ended 30 June 2017, 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 review; and

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report
to the members of Mineral Deposits Limited

We have reviewed the accompanying half-year financial report of Mineral Deposits Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2017, and the condensed consolidated statement of profit of loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 24.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Mineral Deposits Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Mineral Deposits Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mineral Deposits Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 27 July 2017

DIRECTORS' DECLARATION

The directors of the Company declare that, in the directors' opinion:

1. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

2. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Nic Limb
Chairman

Robert Sennitt
Managing Director

Melbourne, 27 July 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2017

	Note	Consolidated 30 June 2017 US$'000	30 June 2016 US$'000
Share of net loss of equity accounted joint venture	7	(8,988)	(19,390)
Other income	4	3,038	2,432
Administration expenses	4	(1,848)	(1,794)
Finance costs		(261)	(216)
Gain on disposal of investment in World Titanium Resources		-	3,432
Net foreign exchange loss		(4,997)	(1,373)
Loss before tax		(13,056)	(16,909)
Income tax expense		-	-
Loss for the period		**(13,056)**	**(16,909)**
Other comprehensive income/(loss), net of income tax:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		4,977	1,294
Share of other comprehensive income of equity accounted joint venture	7	1,377	3,465
Other comprehensive income for the period (net of income tax)		6,354	4,759
Total comprehensive loss for the period		**(6,702)**	**(12,150)**

	30 June 2017 US Cents	30 June 2016 US Cents
Earnings per share (EPS)		
Basic EPS (cents)	(8.4)	(16.3)
Diluted EPS (cents)	(8.4)	(16.3)

Notes to the condensed consolidated financial statements are included on pages 13 to 24.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	Consolidated 30 June 2017 US$'000	Consolidated 31 Dec 2016 US$'000
Current assets			
Cash and cash equivalents	5	13,879	4,893
Trade and other receivables	6	466	418
Other		154	92
Total current assets		**14,499**	**5,403**
Non-current assets			
Investment in joint venture	7	164,455	172,066
Receivables	6	87,124	80,727
Property, plant and equipment	8	271	260
Intangible assets		3	3
Total non-current assets		**251,853**	**253,056**
Total assets		**266,352**	**258,459**
Current liabilities			
Trade and other payables	9	1,080	1,213
Borrowings	10	-	13,813
Provisions		195	200
Total current liabilities		**1,275**	**15,226**
Non-current liabilities			
Provisions		34	31
Total non-current liabilities		**34**	**31**
Total liabilities		**1,309**	**15,257**
Net assets		**265,043**	**243,202**
Equity			
Issued capital	11	418,785	390,255
Reserves	13	51,133	44,766
Accumulated losses		(204,875)	(191,819)
Total equity		**265,043**	**243,202**

Notes to the condensed consolidated financial statements are included on pages 13 to 24

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 30 June 2017

		Reserves				
	Issued capital US$'000	Foreign currency translation reserve US$'000	Equity-settled employee benefits reserve US$'000	Cash flow hedge reserve US$'000	Accumulated losses US$'000	Attributable to equity holders of the parent US$'000
Consolidated						
Balance at 1 January 2016	**390,255**	**35,307**	**9,711**	**(2,423)**	**(164,696)**	**268,154**
Loss attributable to members of the consolidated entity	-	-	-	-	(16,909)	(16,909)
Exchange difference arising on translation of foreign operations	-	1,294	-	-	-	1,294
Share of other comprehensive income of equity accounted joint venture	-	1,957	-	1,508	-	3,465
Total comprehensive income/(loss) for the period	-	3,251	-	1,508	(16,909)	(12,150)
Balance at 30 June 2016	**390,255**	**38,558**	**9,711**	**(915)**	**(181,605)**	**256,004**
Balance at 1 January 2017	**390,255**	**35,456**	**9,730**	**(420)**	**(191,819)**	**243,202**
Loss attributable to members of the consolidated entity	-	-	-	-	(13,056)	(13,056)
Exchange difference arising on translation of foreign operations	-	4,977	-	-	-	4,977
Share of other comprehensive income of equity accounted joint venture	-	1,131	-	246	-	1,377
Total comprehensive income/(loss) for the period	-	6,108	-	246	(13,056)	(6,702)
Issue of ordinary shares	29,725	-	-	-	-	29,725
Share issue costs	(1,195)	-	-	-	-	(1,195)
Recognition of share based payments	-	-	13	-	-	13
Balance at 30 June 2017	**418,785**	**41,564**	**9,743**	**(174)**	**(204,875)**	**265,043**

Notes to the condensed consolidated financial statements are included on pages 13 to 24.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 30 June 2017

	Note	Consolidated 30 June 2017 US$'000	 30 June 2016 US$'000
Cash flows from operating activities			
Receipts from customers		82	198
Payments to suppliers and employees		(2,096)	(2,420)
Interest paid	10	(886)	-
Net cash used in operating activities		**(2,900)**	**(2,222)**
Cash flows from investing activities			
Payments for property, plant and equipment		(3)	(8)
Payments for other intangible assets		-	(4)
Proceeds from sale of investment in World Titanium Resources Limited		-	4,737
Loans to joint venture – TiZir	6	(3,500)	-
Interest received		46	64
Net cash (used in)/provided by investing activities		**(3,457)**	**4,789**
Cash flows from financing activities			
Repayment of borrowings	10	(13,187)	(4,000)
Proceeds from issue of equity securities	11	29,725	-
Payments for share issue costs	11	(1,195)	-
Net cash provided by/(used in) financing activities		**15,343**	**(4,000)**
Net increase/(decrease) in cash and cash equivalents held		**8,986**	**(1,433)**
Cash and cash equivalents at the beginning of the period		4,893	8,036
Effect of exchange rates on cash holdings in foreign currencies		-	112
Cash and cash equivalents at the end of the period	5	13,879	6,715

Notes to the condensed consolidated financial statements are included on pages 13 to 24.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 30 June 2017

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards Board AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standards IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual report of the Company.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in United States dollars unless otherwise noted.

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are consistent with those adopted and disclosed in the Company's annual report for the year ended 31 December 2016, except for the adoption of new standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to AASBs and new interpretations that are mandatorily effective for the current reporting period

In the current year, 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 its operations and effective for the current half-year.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for current or prior periods. The new and revised Standards and Interpretations have not had a material impact and have not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial report.

Estimates

The preparation of half-year financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2016.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial report as at and for the year ended 31 December 2016.

3. SEGMENT INFORMATION

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 reportable segments are the same as the Company's accounting policies.

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 or loss 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.

Segment assets and liabilities

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

	30 June 2017 US$'000	31 Dec 2016 US$'000
Assets		
Segment assets – mineral sands division	251,579	252,793
Other	14,773	5,666
Total assets	**266,352**	**258,459**
Liabilities		
Segment liabilities – mineral sands division	-	13,937
Other	1,309	1,320
Total liabilities	**1,309**	**15,257**

4. RESULTS FOR THE PERIOD

	Half-year ended 30 June 2017 US$'000	30 June 2016 US$'000
Interest revenue from:		
- bank deposits	59	59
- related party (see note 6)	2,647	1,895
Other revenue:		
- rental received	76	58
- other	256	420
Total other income	**3,038**	**2,432**
Depreciation of non-current assets:		
- office furniture and equipment	6	53
- computer equipment and software	4	6
	10	59
Employee benefits:		
- amortisation of performance rights	19	-
- remuneration expense	1,138	1,115
- superannuation contributions	102	116
- provision for leave entitlements	(17)	(82)
	1,242	1,149
Administration and other overheads	596	586
Total administration expenses	**1,848**	**1,794**

5. CASH

	30 June 2017 US$'000	31 Dec 2016 US$'000
Cash and cash equivalents	3,557	2,813
Term deposits(i)	10,322	2,080
	13,879	**4,893**

(i) The Company has $297,129 (31 December 2016 – $256,077) 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 and held in favour of bank guarantees.

6. TRADE AND OTHER RECEIVABLES

	30 June 2017 US$'000	31 Dec 2016 US$'000
Current		
Other receivables	43	14
Amounts due from other related parties(i)	423	404
	466	**418**
Non-current		
Amounts due from related parties – other(ii)	2,750	2,500
Amounts due from related parties – subordinated loan(iii)	84,374	78,227
	87,124	**80,727**

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

(ii) During the period, the Company charged a management fee of $0.25 million to TiZir for corporate, accounting and administrative support (30 June 2016 – 0.25 million).

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

At the beginning of the period	78,227	59,381
Amounts advanced during the period	3,500	14,687
Interest accrued during the period	2,647	4,159
At end of the period	**84,374**	**78,227**

During the year ended 31 December 2016, the Company made the following advances to TiZir under various subordinated loan agreements:

- Using loan funding from ERAMET (refer note 10), the Company advanced $0.5 million to TiZir under the terms of a $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 by TiZir on or before 29 September 2018.
- Using loan funding from ERAMET (refer note 10), the Company advanced $1.8 million to TiZir under the terms of a $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.
- Using loan funding from ERAMET (refer note 10), the Company advanced $12.4 million to TiZir under the terms of a $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.

During the current period, the Company made the following advance to TiZir under a subordinated loan agreement:

- The Company advanced $3.5 million to TiZir under the terms of a $30 million subordinated loan agreement dated 6 July 2016. As outlined above, 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.

At reporting date, the Company had no receivables which were past due and therefore there are no provision or credit issues in relation to these receivables.

7. INVESTMENT IN JOINT VENTURE

	30 June 2017 US$'000	31 Dec 2016 US$'000
Investment in TiZir	**164,455**	**172,066**
Movement in investment in joint venture:		
Opening balance	172,066	200,815
Share of net loss of joint venture for the period	(8,988)	(31,893)
Share of other comprehensive income of joint venture for the period	1,377	3,144
Investment in TiZir	**164,455**	**172,066**

TiZir impairment review

An impairment review was undertaken as at 30 June 2017 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.

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 half-year ended 30 June 2017, 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 30 June 2017.

The following tables set out the financial performance of TiZir for the half-year ended 30 June 2017:

	Consolidated	
	30 June 2017 US$'000	30 June 2016 US$'000
Sales	93,492	83,236
Cost of goods sold	(72,555)	(76,790)
Gross profit	**20,937**	**6,446**
Other revenue/(expenses)	8,911	(1,237)
Administration expenses	(1,487)	(3,459)
EBITDA	**28,361**	**1,750**
Finance costs	(24,102)	(22,331)
Foreign exchange losses	(351)	(453)
Depreciation and amortisation expense	(19,109)	(16,833)
Other operating costs	(4)	(1,020)
Amortisation of assets recognised on acquisition	(1,360)	(1,360)
Loss before tax	**(16,565)**	**(40,247)**
Income tax expense	(1,280)	(657)
Amortisation of deferred tax liability	326	340
Loss for the period	**(17,519)**	**(40,564)**
Loss attributable to non-controlling interest	457	1,784
Loss attributable to joint venture partners	(17,976)	(38,780)
Share of net loss of joint venture attributable to MDL shareholders	**(8,988)**	**(18,370)**

	Consolidated	
	30 June 2017 US$'000	30 June 2016 US$'000
Other comprehensive income directly recognised in equity		
Exchange differences arising on translation of operations	2,264	3,914
Change in revaluation reserve for hedging financial instruments	647	4,022
Income tax on other comprehensive loss	(157)	(1,006)
Other comprehensive income for the period, net of income tax	2,754	6,930
Share of other comprehensive income attributable to MDL shareholders	**1,377**	**3,465**
Disclosed in statement of changes in equity as:		
- Foreign currency translation reserve	1,131	1,957
- Cash flow hedge reserve	246	1,508
Share of other comprehensive income attributable to MDL shareholders	**1,377**	**3,465**

The following tables set out the financial position of TiZir as at 30 June 2017:

	Consolidated	
	30 June 2017 US$'000	31 Dec 2016 US$'000
Current assets		
Cash and cash equivalents	15,811	10,411
Trade and other receivables	47,856	25,811
Deferred tax asset	71	-
Inventories	58,289	47,738
Total current assets	**122,027**	**83,960**
Non-current assets		
Receivables	412	364
Other financial assets – investments	83	81
Property, plant and equipment	783,039	797,000
Mine development expenditure	19,961	20,360
Capitalised mining convention and concession costs	2,311	2,354
Intangible assets recognised on acquisition	13,585	14,490
Other intangible assets	882	858
Total non-current assets	**820,273**	**835,507**
Total assets	**942,300**	**919,467**
Current liabilities		
Trade and other payables	39,398	53,193
Borrowings	370,029	314,684
Derivative financial liabilities	446	1,633
Total current liabilities	**409,872**	**369,510**
Non-current liabilities		
Provisions	105	105
Deferred tax liabilities	6,769	5,637
Borrowings	213,724	217,640
Total non-current liabilities	**220,599**	**223,382**
Total liabilities	**630,471**	**592,892**
Net assets	**311,829**	**326,575**
Equity		
Issued capital	621,741	621,741
Reserves	(37,266)	(40,020)
Accumulated losses	(255,565)	(237,589)
	328,910	**344,132**
Non-controlling interest	(17,081)	(17,557)
Total equity	**311,829**	**326,575**

	30 Jun 2017 US$'000	31 Dec 2016 US$'000
Reconciliation of financial information to carrying amount of TiZir		
Equity attributable to equity holders of TiZir	328,910	344,132
Percentage of equity held by the Group	50%	50%
Total carrying amount of TiZir	**164,455**	**172,066**

The following table sets out the cash flows of TiZir for the period ended 30 June 2017:

	Consolidated 30 June 2017 US$'000	Consolidated 30 June 2016 US$'000
Cash flows from operating activities		
Loss for the period	(17,519)	(40,564)
Elimination of non-cash income and expenses:		
- Depreciation and amortisation	20,469	18,193
- Deferred tax	895	318
- Loss on disposal of non-current assets	-	88
- Foreign exchange losses	2,368	1,153
Cash generated by/(used in) operating activities	**6,213**	**(20,812)**
(Increase)/decrease in inventories	(10,015)	2,945
Increase in trade receivables	(20,280)	(15,747)
Decrease in trade payables	(4,959)	(10,037)
Change in other assets and liabilities	(4,962)	16,674
Amortisation of borrowing costs	2,934	2,898
Interest received	(4)	(8)
Tax paid	(59)	(101)
Net change in current operating assets and liabilities	(37,345)	(3,376)
Net cash used in operating activities	**(31,132)**	**(24,188)**
Cash flows from investing activities		
Payments for non-current assets	(3,350)	(12,047)
Proceeds from disposal of non-current assets	-	1,800
Interest received	4	8
Net cash used in investing activities	**(3,346)**	**(10,239)**
Cash flows from financing activities		
Proceeds of borrowings	40,186	40,045
Payment of borrowing costs	(942)	(898)
Net change in current financial assets and liabilities	(9)	11
Net cash provided by financing activities	**39,235**	**39,158**
Net increase in cash held	4,757	4,731
Cash and cash equivalents at beginning of the period	10,411	2,653
Effect of exchange rates on cash holdings in foreign currencies	643	(2,259)
Cash and cash equivalents at end of the period	**15,811**	**5,125**

8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2017 US$'000	31 Dec 2016 US$'000
Carrying amounts of each class:		
- Land, buildings and property improvement	231	216
- Office equipment	40	44
	271	260

9. TRADE AND OTHER PAYABLES

	30 June 2017 US$'000	31 Dec 2016 US$'000
Trade payables	2	32
Sundry creditors and accrued expenses[(i)]	1,078	1,181
	1,080	**1,213**

(i) Includes an amount of $768,690 (A$1.0 million) recognised in relation to previously disclosed contingent liabilities arising from the Company's establishment of Grande Côte Operations SA.

10. BORROWINGS

	30 June 2017 US$'000	31 Dec 2016 US$'000
Loans payable (secured) – Eralloys Holdings AS (ERAMET SA subsidiary)	-	**13,813**
Movement in borrowing:		
Opening balance	13,813	2,500
Advanced during the period	-	14,687
Repayments during the period	(14,073)	(4,000)
Accrued interest payable	260	626
	-	**13,813**

Following successful completion of a capital raising in March 2017, the Company repaid all outstanding principal and accrued interest owing to ERAMET in March 2017.

Shares pledged as security

A number of shares held in TiZir by MDL subsidiary, MDL (Mining) Limited, have been pledged as security to Eralloys Holdings AS for the payment of all monies due and payable pursuant to the Shareholders' Agreement and subsequent Deeds of Amendment. The Company is currently in the process of unwinding the security following the repayment of outstanding debts in April 2017.

11. ISSUED CAPITAL

Share capital

	30 June 2017 US$'000	31 Dec 2016 US$'000	30 June 2017 No.	31 Dec 2016 No.
Fully paid ordinary shares	**418,785**	**390,255**	**196,985,649**	**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.

Movement in ordinary share capital for the reporting period:

	30 June 2017 US$'000	31 Dec 2016 US$'000	30 June 2017 No.	31 Dec 2016 No.
Opening balance	**390,255**	**390,255**	**103,676,341**	**103,676,341**
- Shares issued on 10 March 2017	11,310	-	35,784,663	-
- Shares issued on 28 March 2017	18,415	-	57,524,645	-
Costs associated with share issue	(1,195)	-	-	-
Closing balance	**418,785**	**390,255**	**196,985,649**	**103,676,341**

12. SHARE-BASED PAYMENTS

The following share based payment arrangements were on issue as at 30 June 2017:

Unlisted performance rights	Grant date	Vesting date	Expiry date	Exercise price A$	No. of performance rights issued	Fair value at date of grant A$
MDLAA	30 Jun 2016	31 Jan 2019	31 Jan 2021	-	1,170,000	$132,795
MDLAB	30 Jun 2017	31 Jan 2020	31 Jan 2022	-	1,168,209	$531,535
					2,338,209	**664,330**

Performance rights - MDLAA

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

The MDLAA performance rights were granted on 30 June 2016 subject to the following conditions:

Performance rights vesting conditions

Absolute total shareholder return

Fifty percent of the MDLAA performance rights are subject to an absolute total shareholder return (**TSR**) hurdle over the three year performance period (being 1 February 2016 to 31 January 2019) and will be tested at the end of this 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 has set the base price for MDL shares as at 1 February 2016 at A$0.50 (50 cents) 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 MDLAA 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 this 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	75P or above	100%	50%	50%
	Between 50P and 75P	Pro rata vesting from 50%-100%	Between 25% and 50%	50%
	At 50P	50%	25%	25%
	Below 50P	0%	0%	0%

*P = percentile

Note that for the purposes of calculating the relative TSR performance over the duration of the performance period, the board has determined that the price for MDL shares will be calculated on the basis of the 20 day volume weighted average price (**VWAP**) preceding 1 February 2016 being A$0.23 (23 cents) per share.

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

- 31 January 2019, being the end of the three year performance period;
- the date of a change of control event (as defined in the PRP) 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 (the relevant date in both cases being the determined change of control date (**DCCD**)). In these circumstances, if the DCCD occurs during the vesting period, the amount of MDLAA 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 DCCD:

- the board has determined that the price for MDL shares as at 1 February 2016 will be calculated on the basis of the 20 day VWAP preceding 1 February 2016 being A$0.23 (23 cents) per share; and
- the price for MDL shares as at the DCCD will 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 these circumstances, the vested MDLAA performance rights 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 MDLAA performance rights will expire in these circumstances at least five business days prior to the determined date for expiry).

- termination of employment of the relevant executive being a ‘good leaver’, as defined in the PRP, 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.

Performance rights - MDLAB

On 30 June 2017, the Company granted 1,168,209 unlisted MDLAB performance rights as a long-term incentive to nominated members of its executive team under the amended PRP. The issue of these rights, their vesting conditions, participants, and the amended PRP were approved by shareholders at the annual general meeting held on 4 May 2017. Each MDLAB performance right entitles the holder to one share upon vesting and exercise. There is no exercise price pertaining to the MDLAB performance rights. MDLAB performance rights carry no voting or dividend rights.

For the purposes of calculating the CAGR and relative TSR performance over the duration of the performance period, the board has determined that the price for MDL shares will be calculated on the basis of the 20 day VWAP preceding 1 February 2017 being A$0.501 (50.1 cents) per share.

Performance rights vesting conditions

Absolute Total Shareholder Return

Fifty percent of the MDLAB performance rights are subject to an absolute TSR hurdle over the three year performance period (being 1 February 2017 to 31 January 2020).

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%

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 MDLAB performance rights will be subject to a relative TSR hurdle over the three year performance period (being 1 February 2017 to 31 January 2020) and will be tested at the end of this period.

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	75P or above	100%	50%	50%
	Between 50P and 75P	Pro rata vesting from 50%-100%	Between 25% and 50%	50%
	At 50P	50%	25%	25%
	Below 50P	0%	0%	0%

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 MDLAB performance rights expire on 31 January 2022 and vest on the earliest to occur of:

- 31 January 2020, being the end of the three year performance period;
- the date of a change of control event (as defined in the PRP) 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 (the relevant date in both cases being the determined change of control date (**DCCD**)). In these circumstances, if the DCCD occurs during the vesting period, the amount of MDLAB 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 2017 to the DCCD:

  - the board has determined that the price for MDL shares as at 1 February 2017 will be calculated on the basis of the 20 day VWAP preceding 1 February 2017 being A$0.501 (50.1 cents) per share; and
  - the price for MDL shares as at the DCCD will 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 these circumstances, the vested MDLAB performance rights 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 MDLAB performance rights will expire in these circumstances at least five business days prior to the determined date for expiry).
- termination of employment of the relevant executive being a 'good leaver', as defined in the PRP, a portion will vest in accordance with the plan;
- 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

The MDLAA and MDLAB performance rights 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.

13. RESERVES

	30 June 2017 US$'000	31 Dec 2016 US$'000
Reserves (net of income tax)		
Foreign currency translation	41,564	35,456
Equity-settled employee benefits	9,743	9,730
Cash flow hedge	(174)	(420)
	51,133	**44,766**

14. DIVIDENDS

During the period, no dividends were paid. The directors have not recommended the payment of a dividend.

15. COMMITMENTS

Commitment to joint venture

As announced on 5 July 2017, TiZir successfully completed a new 9.5%, $300 million senior secured bond issue with maturity scheduled in July 2022. The proceeds will primarily be used to refinance the existing $275 million senior secured bonds maturing in September 2017. As a condition of the new issue, the remaining $28 million ($14 million from each of MDL and ERAMET) of the $60 million committed facility established by the joint venture partners in favour of TiZir in December 2015 is to remain in place until January 2020 (unless certain financial conditions arise allowing for earlier release). This facility remains available to TiZir for the payment of interest and principal only under the new bond issue.

Other than the above, there are no further outstanding commitments to TiZir as at 30 June 2017.

16. CONTINGENT LIABILITIES

Mineral Deposits Limited and controlled entities

The Company:

(a) has a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited;

(b) has 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;

(c) faces potential contingent liabilities in relation to its rehabilitation obligations on its New South Wales (**NSW**) exploration and mining tenements. The nature of these rehabilitation obligations includes revegetation. Some aspects of the rehabilitation obligations extend for a period in excess of 10 years after the cessation of previous mining activities. Ongoing rehabilitation work and stakeholder liaison therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW, Australia. No adverse situations were reported; and

(d) has no outstanding native title claims against it which could or would have a financial impact.

TiZir Limited

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

TiZir faces potential liabilities in respect of GCO and has agreed that the following amounts will be payable:

(a) during the term of the Mining Concession and the entire period of validity of the Mining Convention an amount of $250,000 in total 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

(b) $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.

The directors are not aware of any other contingent liabilities at 30 June 2017.

17. SUBSEQUENT EVENTS

Other than the successful completion of a new 9.5%, US$300 million senior secured bond issue with maturity scheduled in July 2022 to primarily refinance TiZir's existing $275 million senior secured bond (in note 15), there has not been any matter or circumstance occurring subsequent to the end of the reporting period 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.

18. KEY MANAGEMENT PERSONNEL

On 30 June 2017, 1,168,209 unlisted performance rights (MDLAB) were granted to an executive director and three officers as long-term incentives. Refer to note 12 for full disclosure.

As announced on 4 May 2017, long-serving director and Deputy Chairman Dr Robert Danchin retired effective 30 June 2017.

On 30 June 2017, the Company announced Executive Director Martin Ackland had relinquished his executive role to become a non-executive director of the Company. Mr Ackland continues as a board member of TiZir and TTI.

Effective from 30 June 2017, the board has determined that Mr Ackland will receive an annual director's fee of A$75,000 (inclusive of superannuation) commensurate with other non-executive directors of the Company. Separately, Mr Ackland will be remunerated by the Company for services performed outside the scope of his duties as a non-executive director with a special exertion fee of A$150,000 per annum (to be reviewed at 30 June 2018). Amongst others, these duties include his responsibilities in relation to directorships at TiZir and TTI.

As foreshadowed in the 2016 annual report, Chief Operating Officer Jozsef Patarica's total fixed remuneration was revised from A$450,000 to A$400,000 per annum following the cessation of his secondment to GCO in January 2017. Subsequently, upon re-secondment to GCO in June 2017 and consistent with the terms of his employment, Mr Patarica's total fixed remuneration has reverted to A$450,000 and will remain at this level until cessation of this secondment or by mutual agreement.

Other than the above, remuneration arrangements of key management personnel remain unchanged as disclosed in the annual financial report for the year ended 31 December 2016.

19. FINANCIAL INSTRUMENTS

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

CORPORATE DIRECTORY

DIRECTORS

Nicholas Limb (non-executive chairman)
Robert Sennitt (managing director)
Martin Ackland (non-executive)
Tom Whiting (non-executive)
Charles (Sandy) MacDonald (non-executive)

EXECUTIVE MANAGEMENT

Jozsef Patarica (chief operating officer)
Greg Bell (chief financial officer)
Michaela Evans (company secretary)

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