Mineral Deposits

ASX Announcement **18 August 2014**

Financial results for the half-year ended 30 June 2014

MDL owns 50% of TiZir Limited which owns the Grande Côte mineral sands mine in Senegal, West Africa and an ilmenite upgrading facility in Tyssedal, Norway.

Highlights

- Tyssedal, despite tough market conditions, remains profitable delivering EBITDA of $11.3 million
- Grande Côte's ramp-up is progressing well – first ilmenite shipment is expected in September
- TiZir is well-funded with $74 million of cash, $48 million undrawn on the Tyssedal working capital facility, and discussions regarding a further $50 million facility tied to Grande Côte well advanced
- MDL has cash of $29 million and no debt

Financial Summary **US$ million**	**1H** **2014**	**1H** **2013**
MDL		
50% share of TiZir's underlying earnings	**1.8**	11.2
Underlying earnings	**0.3**	8.4
Underlying EPS (cents)	**0.3**	10.1
Reported earnings	**(5.8)**	(8.1)
TiZir		
Tyssedal EBITDA	**11.3**	28.0
Total underlying EBITDA	**12.5**	26.3
Underlying earnings	**3.6**	22.4
Cash flow from operations	**(13.2)**	75.7
Capital expenditure	**84.7**	196.0

MDL's 50% share of TiZir's underlying profit in 1H 2014 was $1.8 million, compared to $11.2 million in 1H 2013, attributable to a reduced contribution from Tyssedal, as well as receipt of an $11.4 million (pre-tax) insurance claim by Tyssedal in 1H 2013.

Tyssedal's EBITDA (on a 100% basis) for 1H 2014 was US$11.3 million, 60% lower than 1H 2013, a result of lower prices for titanium slag (partly offset by higher titanium slag sales volumes) and lower sales volumes of high purity pig iron (combined with marginally lower pricing).

TiZir's cash flow from operations in 1H 2014 was negative $13.2 million, attributable to the lower earnings from Tyssedal as well as tax payments related to Tyssedal's 2013 earnings; compared to positive $75.7 million in 1H 2013 which comprised higher earnings and a substantial reduction in working capital.

TiZir's capital expenditure moderated in 1H 2014 with the completion of construction of Grande Côte in the first quarter. All expenditure associated with Grande Côte continued to be capitalised during 1H 2014.

MDL financial summary

US$ million	1H 2014	1H 2013
50% share of TiZir's underlying earnings	**1.8**	11.2
Interest revenue	**1.1**	0.4
Administration expenses	**(2.6)**	(3.2)
Income tax	**-**	-
Underlying earnings	**0.3**	8.4
Share of TiZir's items excluded from underlying earnings	**(0.6)**	(3.4)
Foreign exchange gains/(losses)	**(3.3)**	0.2
Impairment of Teranga shareholding (1)	**-**	(13.3)
Impairment of World Titanium Resources shareholding (2)	**(2.2)**	-
Reported earnings	**(5.8)**	(8.1)

TiZir financial summary

Financial Summary US$ million	Revenue 1H 2014	Revenue 1H 2013	EBITDA 1H 2014	EBITDA 1H 2013	EBIT 1H 2014	EBIT 1H 2013
Tyssedal	**77.8**	96.2	**11.3**	28.0	**6.8**	24.1
Grande Côte	**-**	-	**2.9**	(1.0)	**(0.5)**	(3.9)
Corporate	**-**	-	**(1.7)**	(0.7)	**(1.7)**	(0.8)
Total	**77.8**	96.2	**12.5**	26.3	**4.6**	19.4
Insurance claim					**-**	11.4
Foreign exchange gains/(losses)					**0.4**	2.0
Net finance costs (3)					**0.0**	0.1
Profit before tax					**5.0**	32.8
Income tax					**(1.8)**	(10.9)
Minority interests					**0.4**	0.5
Underlying earnings					**3.6**	22.4
MDL 50% share					**1.8**	11.2
Amortisation of assets recognised on acquisition (after tax) (4)					**(1.2)**	(6.9)
Reported NPAT					**2.4**	15.5
MDL 50% share					**1.2**	7.8

TiZir net debt

Total external borrowings (excluding shareholder loans) by TiZir at 30 June 2014 were $281 million, comprising $279 million of bonds (including accrued interest) due September 2017 and $2 million outstanding of a $50 million working capital facility tied to Tyssedal. During 1H 2014, TiZir completed a US$125 million tap issue of the existing US$150 million 9.0% senior secured callable bond. Discussions regarding a further $50 million facility tied to Grande Côte are also well advanced.

Cash and cash equivalents at 30 June 2014 were $74 million, giving net external debt of $207 million.

MDL cash

MDL's cash and cash equivalents at 30 June 2014 were $29 million. During 1H 2014, $32 million of additional cash was received from the disposal of the Company's Teranga shareholding for US$20 million and $12 million from the second tranche of the December 2013 share placement, while $35 million was advanced to TiZir as a subordinated loan.

Review of Operations

Tyssedal

		1H 2014	1H 2013	Change
Titanium slag produced	(kt)	90.4	99.3	-9%
Titanium slag sold	(kt)	86.5	80.6	+7%
High purity pig iron produced	(kt)	50.9	55.7	-9%
High purity pig iron sold	(kt)	58.2	66.3	-12%
Revenue	(US$m)	77.8	96.2	-19%
Underlying EBITDA	(US$m)	11.3	28.0	-60%

Tyssedal's revenue of $77.8 million in 1H 2014 was 19% lower than 1H 2013, attributable to 28% lower prices for titanium slag (partly offset by higher titanium slag sales volumes) and 12% lower sales volumes of high purity pig iron (combined with marginally lower pricing). Underlying EBITDA of $11.3 million in 1H 2014 was 60% lower than 1H 2013, due to the lower revenue, partly offset by a slight reduction in costs.

Grande Côte

		1H 2014	1H 2013	Change
Ilmenite produced	(kt)	11.5	-	n/a
Revenue	(US$m)	-	-	n/a
Underlying EBITDA	(US$m)		(1.0)	n/a

Following construction completion in 1Q 2014, significant advancement in the ramp-up of mining operations at Grande Côte has been made since the effective commencement in early-May. Whilst it is expected to take up to 12 months to reach full production rates on a steady state basis, the progress achieved in the first few months of mining has been pleasing. Feed rates through the Wet Concentrator Plant ("WCP") will remain restricted during 3Q 2014 as tails are pumped through land-based lines off the mine path to enable the size of the dredge pond to be increased.

Processing through the Mineral Separation Plant ("MSP") commenced in June, with more than 30,000 tonnes of mined Heavy Mineral Concentrate ("HMC") being processed through the Wet Plant for the production of over 21,000 tonnes of magnetic concentrate and nearly 3,000 tonnes of non-magnetic concentrate. More than 12,000 tonnes of magnetic concentrate was also processed through the Ilmenite Circuit of the Dry Plant, with 11,463 tonnes of ilmenite produced. Following a further two week campaign in early July, the Ilmenite Circuit is now fully operational at nameplate throughput, producing both 54% TiO_2 and 58% TiO_2 ilmenite to specification. The first non-magnetic concentrate was processed through the Primary Circuit of the Dry Plant in mid-July, giving rise to the first production of zircon.

The first ilmenite shipment is expected in September, giving rise to the commencement of revenue from Grande Côte.

Notes to financial information

(1) The Company disposed of its shareholding in Teranga Gold Corporation in January 2014 for net proceeds of US$20.0 million.

(2) The shareholding in World Titanium Resources Limited was revalued to US$3.1 million at 30 June 2014, resulting in a non-cash impairment charge of US$2.2 million during the half year.

(3) Interest charged on US$275 million of corporate bonds issued by TiZir is capitalised to property, plant and equipment until such time as Grande Côte reaches a commercial level of production.

(4) 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 half-year amounted to US$1.4 million pre-tax and US$1.2 million on an after-tax basis and has been excluded from underlying NPAT.

About MDL

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

MDL owns 50% of TiZir Limited which owns the Grande Côte mineral sands mine in Senegal, West Africa and an ilmenite upgrading facility in Tyssedal, Norway.

Mining and production at Grande Côte will ramp up into 2015. Once in full production it is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucoxene) over an expected mine life of at least 20 years.

The Tyssedal ilmenite upgrading facility smelts ilmenite to produce a high-TiO_2 titanium slag which is sold to pigment producers and a high purity pig iron which is sold as a valuable co-product to ductile iron foundries. The facility currently produces approximately 200ktpa of titanium slag and 110ktpa of high-purity pig iron.

Once Grande Côte reaches expected average production rates, TiZir will be producing approximately 7% of both global zircon and titanium feedstock supply.

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 exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of zircon, ilmenite and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of MDL. 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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