FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

- Underlying net loss of $27.2 million
- MDL's share of TiZir's underlying loss totalled $33.5 million
- GCO recorded an EBITDA loss of $7.4 million – final five months of the year were EBITDA positive
- TTI recorded an EBITDA of $3.9 million – a strong result given a three month shutdown for the furnace reline and capacity expansion project
- As a consequence of the prevailing market environment and declining commodity prices, MDL has recognised an impairment loss related to its investment in TiZir of $26.7 million during the year – MDL's share amounted to $12.0 million

FINANCIAL SUMMARY

$m	FY 2015	FY 2014
MDL		
50% share of TiZir's underlying loss	**(33.5)**	(21.2)
Underlying loss	**(27.2)**	(18.5)
Underlying EPS (cents)	**(26.0)**	(18.0)
Reported loss	**(42.0)**	(71.7)
TiZir		
TTI EBITDA	**3.9**	24.5
GCO EBITDA	**(7.4)**	(24.2)
Underlying loss	**(67.0)**	(42.4)
Cash flow from operations	**(38.5)**	(75.3)
Capital expenditure	**51.8**	94.6

Mineral Deposits Limited (ASX: MDL) today announced an underlying net loss of $27.2 million for the year ended 31 December 2015, compared to an underlying net loss of $18.5 million in 2014. The result reflects the current commodity price environment and the status of operations – in particular, a lower contribution from TTI due to the approximate three month shutdown for the furnace reline and capacity expansion project, and operating losses from GCO as mining and production ramp-up continued.

After recognition of the Company's share of a non-cash impairment charge of $12.0 million against MDL's investment in TiZir, a non-cash impairment charge of $2.0 million against the investment in World Titanium Resources Limited, and the Company's share of TiZir's amortisation of assets recognised on acquisition of $0.8 million (after tax), MDL reported a net loss after tax of $42.0 million (2014 – net loss after tax of $71.7 million).

Executive Chairman Nic Limb commented: "There is no doubt that 2015 was a tough year for those of us invested in the resources sector, however, a number of key milestones were achieved, enabling us to realise the original strategic vision of the TiZir joint venture by integrating GCO and TTI. Shareholders will now realise the benefits of synergies generated by the integration of these two producing assets."

TIZIR

A key focus for TiZir in the year ended 31 December 2015 was the ramp-up of GCO and its integration with TTI. This strategy impacted financial performance due to the approximate three month shutdown for the furnace reline and capacity expansion project, and operating losses incurred at GCO as mining and production ramp-up continued. This, together with the prevailing commodity price environment, saw TiZir incur an underlying loss in 2015 of which MDL's share was $33.5 million, compared to an underlying profit of $21.2 million in 2014.

TTI's EBITDA (on a 100% basis) for 2015 was $3.9 million, 84% lower than 2014, primarily as a result of lower production volumes as outlined above.

Despite a concerted effort late in 2014 and during 2015 to build-up inventory for the shutdown, titanium slag sales volumes were lower than expected, exacerbated by titanium feedstock market conditions which saw pigment producers delaying or cancelling some purchases in 4Q 2015.

In conjunction with the decrease in sales volumes, average pricing for titanium slag remained under pressure and declined during the year.

Consistent with titanium slag trends, high-purity pig iron sales volumes were lower due to restricted production capacity. Pricing for high-purity pig iron was strong during 1H 2015, reflecting tighter supply due to geopolitical tensions in Eastern Europe and a weakening of the Euro against the United States Dollar. However, reduction in demand from both local European foundries and factories in China, together with increased competition from Eastern European producers during 4Q 2015, saw prices decrease towards year-end.

GCO recorded an EBITDA loss of $7.4 million in 2015 as ramp-up of mining and processing operations continued throughout the year. After a disappointing first half of the year, which was characterised by unplanned electrical outages, tailings management and other commissioning issues, a focus on ensuring consistent throughput from the Wet Concentrator Plant ('WCP') and improved efficiencies and recoveries at both the WCP and Mineral Separation Plant ('MSP') resulted in a significant turnaround in operational results in the second half of the year. Improved production at GCO saw sales volumes increase throughout the reporting period.

Despite weakening market conditions, GCO was able to negotiate sales contracts with external customers for the majority of its ilmenite production for 2015. GCO also completed two shipments to TTI in 2015 to ensure there was adequate feedstock available for the restart of the furnace in December 2015. Ilmenite prices were under pressure throughout the year as markets remained supply driven, creating downward pressure on prices.

Zircon sales continued to rise throughout 2015 as production increased. GCO has a number of initiatives in place to further increase production in 2016. Customer feedback on product quality remained positive, illustrating the acceptance of GCO zircon in the market. Zircon pricing was relatively stable throughout the year.

TiZir's cash flow from operations in 2015 was negative $38.5 million compared to negative $75.3 million in 2014. The primary reasons for the substantial decrease in cash outflows were a decrease in working capital following sales of TTI inventory during the furnace shutdown period and a lower than expected working capital build-up at GCO. While cash flow from operations remain under pressure due to near-record low commodity prices, confidence in operational performance continues to improve. GCO broke numerous production records in the second half of 2015 and recorded five consecutive months of positive EBITDA, while the successful restart of operations at TTI in December 2015 represented the on budget culmination of the furnace reline and capacity expansion project.

TiZir's capital expenditure moderated in 2015, mainly as a result of the completion of construction activities at GCO in 2014. Capital expenditure in 2015 primarily related to the furnace reline and capacity expansion project at TTI, which was partially offset by funding received from ENOVA (ASX Release: 12 November 2015). Going forward, capital expenditure is anticipated to be limited to that required for the maintenance of GCO and TTI.

TIZIR FUNDING

At 31 December 2015, external borrowings (excluding shareholder loans) by TiZir amounted to $334.8 million, comprising $281.3 million of senior secured bonds (including accrued interest) due September 2017, $38.6 million outstanding of a $50 million working capital facility tied to TTI and $25.0 million outstanding of a $50 million working capital facility tied to GCO, offset by $10.1 million of capitalised borrowing costs including fees paid in association with the bond covenant waiver negotiated in December 2015 (as outlined below).

MDL FUNDING

MDL's cash and cash equivalents at 31 December 2015 were $8.0 million. During the year, $12.5 million was advanced to TiZir as a subordinated loan, whilst a further $0.6 million was invested in World Titanium Resources as part of a 1 for 3 non-renounceable entitlement offer.

TIZIR BOND AMENDMENTS

TiZir is funded by shareholder loans, senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a face value of $275 million maturing in September 2017 and working capital facilities at each of its operations at GCO and TTI.

As announced in November and December 2015 (ASX releases: 27 November 2015 and 11 December 2015), TiZir entered into discussions with its bondholders in respect of potential amendments to the terms of the abovementioned bonds. These amendments were approved at a meeting of bondholders held on 10 December 2015.

The primary amendments to the bond agreement were:

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

In addition, TiZir agreed to pay an 'early bird' fee of 2.75% of the face value of the bond to those bondholders who provided their approval prior to the date of the meeting. This fee was subsequently extended to all bondholders on acceptance of the amendments. In order to assist TiZir in meeting this payment and other costs associated with securing the approval, ERAMET and MDL contributed $6 million ($3 million from each party) to TiZir in the form of an additional subordinated loan.

ERAMET has agreed to fund this payment on behalf of MDL. This funding is catered for under the terms of the Shareholders' Agreement entered into by the joint venture partners upon establishment of TiZir in September 2011. Should MDL not repay this amount by 31 December 2016, ERAMET will have the option to increase its share of the joint venture. Any dilution of MDL, if applicable, would take place based on a formula that calculates the equity value of TiZir using valuations contained in the most recent TiZir balance sheet.

TIZIR IMPAIRMENT REVIEW

Impairment reviews were undertaken as at 30 June 2015 and 31 December 2015 in relation to TiZir's two cash-generating units ('CGU'), TTI and GCO. The basis on which the recoverable amount of each CGU is assessed is its fair value less costs of disposal using a discounted cash flow financial model. No impairment was recognised at 30 June 2015. However, due to the impact of softening market conditions, an impairment loss of $26.7 million (100% basis) was attributed to GCO at 31 December 2015. No impairment was recognised for TTI. GCO's impairment loss has been recognised against mine development expenditure capitalised in accordance with the Company's accounting policies between 2005 and 2010.

OUTLOOK

Completion of the reline and capacity expansion of the TTI furnace was a key part in the strategic vision of TiZir and represents the final step in the integration of the joint venture. Shareholders will now realise the benefits of synergies generated by the integration of GCO and TTI.

Based on expectations that 2016 will be another challenging year for mineral sands feedstock markets, the strategy for MDL and the joint venture will be to focus on production efficiencies and cost reduction initiatives to ensure the competitiveness of the operations at all stages of the commodity price cycle.

GCO production optimisation

GCO will continue to build on the commissioning successes of 2015 by focusing on operational utilisation and sustainable throughput rates, whilst also increasing efficiencies with respect to mining recoveries and processing yields to bolster its capacity to operate as a Tier 1 asset.

Furthermore, cost reduction initiatives to enhance GCO's competitiveness are underway and will continue during 2016.

TTI ilmenite upgrading facility

Following the successful completion of the furnace reline and capacity expansion project in December 2015 and the consequent restart of operations, TTI's primary focus is the ramp-up of operations. It is anticipated that the upgraded furnace and water-cooled copper-ceramic roof will increase smelting capacity by approximately 15% and improve maintenance performance by lengthening periods between scheduled shutdowns.

Strategic flexibility

The integration of GCO and TTI and completion of the refurbishment and capacity expansion project have created the flexibility for TiZir to produce chloride and sulphate titanium slag, providing the ability to alternate between products as dictated by market supply and demand dynamics. Also, chloride titanium slag production will use ilmenite produced by GCO, which will both secure supply of ilmenite from within the group and reduce exposure to the lower value, more volatile ilmenite market, thereby mitigating the risk profile of the business.

The TiZir joint venture now has the ability to supply a range of titanium feedstocks to customers and the flexibility to produce different feedstocks depending on market demand.

Market outlook

As previously mentioned, titanium feedstock markets remain supply driven with increased pressure on prices. Overcapacity persists in both the mineral sands and pigment production industries, mainly due to weak demand and Chinese oversupply. Continued overproduction of pigment in China has seen price deflation exported to TiZir's key markets in Europe and North America, resulting in customers cutting production and thereby putting pressure on feedstock prices and volumes. On the positive side, this situation has resulted in investment in new feedstock capacity being largely delayed or abandoned, while some US and Australian mining operations are closing due to orebody depletion. Furthermore, some pigment production capacity has also been temporarily or permanently shut down, all of which bodes well for the future recovery of the sector.

Whilst the zircon market has remained relatively stable, towards the end of 2015 there were some indications of slight weakening in the lower grade markets.

At this stage, it is anticipated that product pricing will remain under pressure until such time as the supply/demand relationship regains some level of equilibrium which is likely to have a positive impact on prices.

MDL financial summary

$m	FY 2015	FY 2014
50% share of TiZir's underlying loss	**(33.5)**	(21.2)
Interest and other revenue	**3.5**	3.2
Administration expenses	**(3.6)**	(5.4)
Foreign exchange gains	**6.4**	4.9
Income tax	**-**	-
Underlying loss	**(27.2)**	(18.5)
Share of TiZir's items excluded from underlying loss	**(12.8)**	(51.4)
Impairment of WTR shareholding	**(2.0)**	(1.8)
Reported loss	**(42.0)**	(71.7)

TiZir financial summary

	Revenue		EBITDA		EBIT	
$m	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
TTI	87.0	147.7	3.9	24.4	(3.0)	16.2
GCO	82.0	14.2	(7.4)	(24.2)	(31.4)	(37.9)
Corporate	-	-	(3.2)	(2.2)	(4.1)	(2.6)
Total	**169.0**	**161.9**	**(6.7)**	**(2.0)**	**(38.5)**	**(24.3)**
Foreign exchange gains					1.0	6.3
Net finance costs[(i)]					(34.6)	(27.3)
Loss before tax					**(72.1)**	**(45.3)**
Income tax benefit/(expense)					1.9	(1.4)
Minority interest					3.2	4.3
TiZir underlying loss					**(67.0)**	**(42.4)**
MDL 50% share					**(33.5)**	**(21.2)**
Impairment of assets[(ii)]					(26.7)	(110.8)
Minority interest share of impairment[(ii)]					2.7	11.0
Amortisation of acquisition assets[(iii)]					(1.6)	(3.1)
TiZir reported loss					**(92.6)**	**(145.3)**
MDL 50% share					**(46.3)**	**(72.7)**

Notes to the financial information

(i) Net finance costs comprise:

$m	FY 2015	FY 2014
Realised loss on cash flow hedges terminated by TTI	-	(10.6)
Interest charged on TiZir bond	**(24.6)**	(12.5)
Interest charged on subordinate loans from joint venture partners	**(7.5)**	(2.9)
Interest on working capital facilities	**(1.4)**	(0.6)
Other net interest, borrowing and other finance costs	**(1.1)**	(0.7)
Total net finance costs	**(34.6)**	(27.3)

Interest and borrowing costs charged on the TiZir bond and subordinated loans were previously capitalised as part of the construction costs of GCO up to 30 June 2014. From 1 July 2014, these costs have been recognised within the income statement.

(ii) See description of impairment review outlined above. Minority interest reflects 10% ownership of GCO by the Government of the Republic of Senegal.

(iii) 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 $1.6 million on an after-tax basis and has been excluded from underlying NPAT.

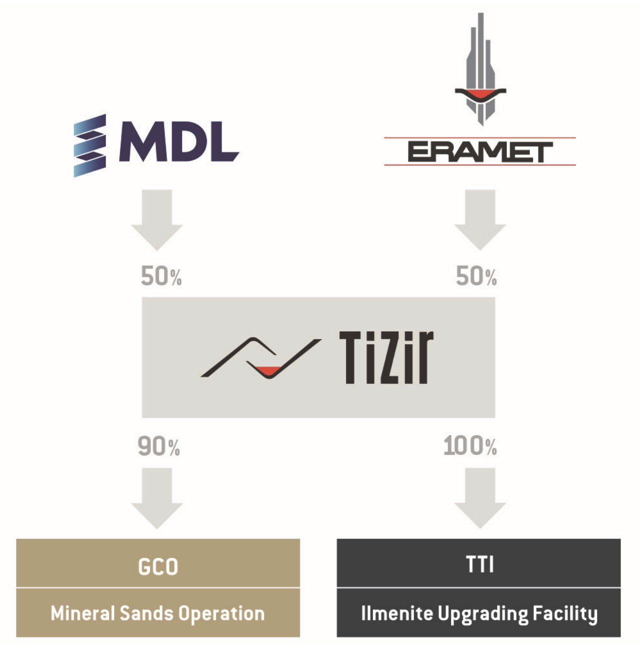
ABOUT MDL

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

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

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

TTI upgrades GCO ilmenite to produce high-quality titanium feedstocks 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 excellent logistics with respect to cheap and clean power access, year-round shipping capacity and customer proximity.



Forward looking statements

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

Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. MDL cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of MDL to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in mining and mineral processing operations, exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of zircon, ilmenite and other key inputs, changes in the regulatory environment and other government actions, changes in mine plans and other factors, such as business and operational risk management, many of which are beyond the control of MDL.

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

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

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