2Q 2016 OPERATIONS REVIEW

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.

KEY POINTS

- Record sales of zircon, rutile and leucoxene
- GCO mining operations achieved a record average throughput in June of 7,350tph
- Sustained ramp up progress at TTI
- Improving high grade titanium feedstock markets
- Exited position in World Titanium Resources, realising proceeds of A$6.45 million in April

GCO

Mining operations at GCO continued to demonstrate the ability to deliver nameplate targets (with the dredge, for example, averaging a throughput rate of 7,350tph for the month of June). Efforts focused on ongoing optimisation projects and achieving operational consistency. A new mine manager is being appointed to assist in the timely delivery of these objectives.

In the mineral separation plant ('MSP'), zircon yields were back on par with the record production levels achieved in 4Q 2015 and rutile & leucoxene production also increased throughout the quarter. These improving yields follow the completion of a number of optimisation projects successfully commissioned during the quarter, including an up-current classifier in the feed prep circuit and middling circuit upgrade in the primary dry mill circuit at the MSP. Quarterly MSP activity also focused on optimising the product specification of GCO ilmenite consumed by TTI which, in turn, will enhance titanium slag quality at TTI. Implementation of these modifications is partly responsible for the decrease in ilmenite production during the quarter.

Record sales volumes for zircon and rutile & leucoxene were achieved during the quarter. The sales team continued its initiatives to take advantage of the high quality zircon produced at GCO. Sales volumes of ilmenite in 2Q 2016 were significantly higher than 1Q 2016 sales, due largely to timing of shipments.

GCO production volumes

100% basis		2Q 2015	3Q 2015	4Q 2015	1Q 2016	**2Q 2016**	1H 2015	**1H 2016**
Mining								
Ore mined	(kt)	7,522	8,165	11,033	9,583	**10,291**	15,562	**19,874**
Heavy mineral concentrate produced	(kt)	136.6	176.0	188.7	140.7	**138.9**	268.3	**279.6**
Finished goods production								
Ilmenite	(t)	97,789	113,679	126,433	107,181	**92,783**	187,578	**199,964**
Zircon	(t)	11,357	11,159	13,614	10,713	**13,608**	20,475	**24,321**
Rutile & Leucoxene	(t)	1,247	1,076	1,353	1,906	**2,524**	2,882	**4,430**

GCO sales volumes

100% basis		2Q 2015	3Q 2015	4Q 2015	1Q 2016	**2Q 2016**	1H 2015	**1H 2016**
Sales volume								
Ilmenite	(t)	64,051	145,551	138,958	65,001	**118,649**	135,908	**183,650**
Zircon	(t)	12,196	11,415	11,742	9,661	**12,758**	18,698	**22,419**
Rutile & Leucoxene	(t)	1,406	1,804	1,379	1,740	**2,300**	1,428	**4,040**

Grande Côte Operations, Senegal, West Africa

TTI

The ramp up of operations at TTI continues to proceed well, with the operation of the furnace in particular exceeding expectations.

Performance in 1H 2016 was impacted by the ramp up of production following the reline and capacity expansion project undertaken at the end of 2015. However, titanium slag production reached levels close to those achieved in 1H 2015, reflecting the continued success of TTI's ramp up program. There were periods during the quarter when the furnace was operating close to its expanded nameplate capacity. Optimisation projects aimed at maintaining the performance of the operations at its expected capacity will continue throughout 2016.

Despite the ramp up of operations, TTI achieved a positive EBITDA of US$6.0 million for the first half of the year, on the back of a strong sales performance. The new products from TTI have been well received by the market. This result is a significant achievement given the commencement of chloride slag production in January and the prevailing market conditions throughout 1H 2016.

TTI physical volumes

100% basis		2Q 2015	3Q 2015	4Q 2015	1Q 2016	**2Q 2016**	1H 2015	**1H 2016**
Titanium Slag								
Produced	(kt)	37.1	25.9	-	34.8	**44.2**	80.9	**79.0**
Sold	(kt)	38.8	36.7	26.0	31.2	**50.2**	69.0	**81.4**
High Purity Pig Iron								
Produced	(kt)	20.2	15.0	-	14.1	**17.8**	44.2	**31.9**
Sold	(kt)	23.5	17.0	4.3	9.9	**20.5**	43.3	**30.4**

TiZir Titanium & Iron ilmenite upgrading facility, Tyssedal, Norway

MARKETS

Strong sales in the quarter from both GCO and TTI demonstrate improving market conditions in the mineral sands sector.

In respect of high grade titanium feedstocks, the sector has benefited from a strong supply side response among other developments in recent times. These included:

- plant closures, idled capacity and inventory destocking particularly by major producers
- a lack of available capital which has undermined the development of both greenfield and brownfield projects
- closure of mining operations due to ore body depletion
- financial pressures encouraging consolidation and rationalisation

Titanium dioxide inventories have also been reported by several producers to have reached normal levels for the first time in four years.

This supply side response is finally being recognised on the demand side with price rises being achieved by pigment producers in recent pricing negotiations. Strong margins are currently being enjoyed by downstream pigment users, providing a further indication that a demand recovery is underway.

While the demand for zircon remained steady and GCO benefited from the high quality of its zircon product, the price decreases announced by some major producers for standard and lower grade zircon products negatively impacted 2Q 2016 prices. While North American and European markets have slowed, they are showing signs of stabilising; in particular, positive signs are appearing in the European tile market.

A strong increase in HPPI prices occurred in April followed by a correction in May. June prices appear to have stabilised.

TIZIR

At 30 June 2016, external borrowings (excluding shareholder loans) by TiZir amounted to US$362.7 million, comprising the senior secured bonds (including accrued interest) due September 2017 and amounts drawn under TTI's and GCO's working capital facilities.

TiZir's cash and cash equivalents at 30 June 2016 were US$5.1 million, giving external net debt of US$357.6 million.

OUTLOOK

The joint venture will continue to focus on maximising production at GCO and ramp up activities at TTI in order to consolidate the benefits of integrating the two assets. A number of optimisation projects are expected to come to fruition in 3Q 2016. Cost reduction initiatives, to ensure product competitiveness and operational sustainability, will also remain ongoing at both operations.

MDL CORPORATE

As announced (ASX Releases: 4 March 2016 and 26 April 2016), the Company exited its position in World Titanium Resources Limited ('WTR'), with the proceeds from the sale amounting to A$6.45 million, and contributed US$4 million to ERAMET in part repayment of the US$11 million in funding that ERAMET has provided to TiZir on behalf of MDL.

On 8 April 2016, MDL announced the appointment of Robert Sennitt as Managing Director, effective from that date. In association with this appointment, Executive Chairman Nic Limb relinquished his executive role and became non-executive Chairman at the Annual General Meeting ('AGM') of the Company held 20 May 2016. Nic will continue in his role as Chairman of TiZir.

Long-serving director David Isles also retired at the AGM and, as a consequence, Bobby Danchin has assumed the role of Audit & Risk Committee Chairman and Nic Limb has been appointed as a member of the Nomination & Remuneration Committee.

As announced on 20 May 2016, all AGM resolutions were passed by the requisite majority of the Company's Shareholders on a poll. Subsequently, the Company granted a total of 1,170,000 unlisted performance rights to members of its Executive team as long-term incentives.

MDL corporate position as at 30 June 2016:

- issued shares were 103,676,341
- unlisted unvested performance rights totalled 1,170,000
- cash was US$6.7million (approx. A$9.0 million)
- secured debt of US$7.2 million

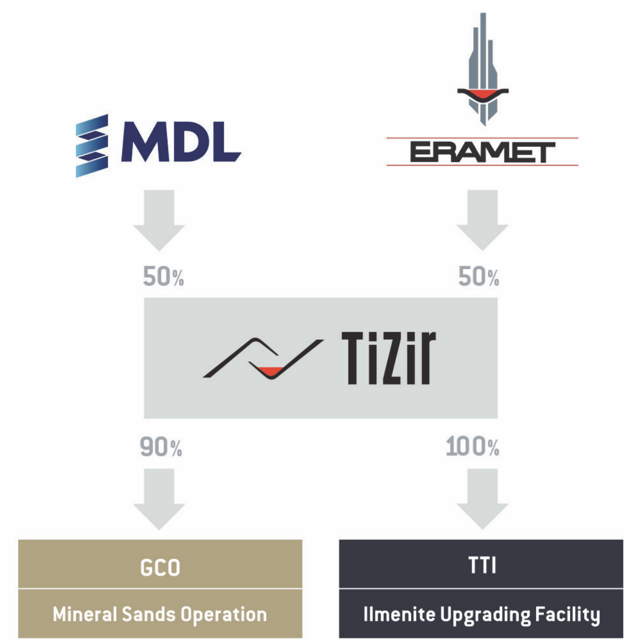
ABOUT MDL

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



Forward looking statements

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

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

Contact details

Level 17 530 Collins Street
Melbourne Victoria 3000 Australia
T +61 3 9618 2500
F +61 3 9621 1460
E mdlmail@mineraldeposits.com.au
W mineraldeposits.com.au

For further information please contact:

Rob Sennitt
Managing Director
T +61 3 9618 2500
E rob.sennitt@mineraldeposits.com.au

Greg Bell
Chief Financial Officer
T +61 3 9618 2500
E greg.bell@mineraldeposits.com.au