APPENDIX 4D (RULE 4.2A.3)

INTERIM REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2016

Expressed in United States Dollars unless otherwise stated

RESULTS FOR ANNOUNCEMENT TO THE MARKET

All comparisons to the half-year ended 30 June 2015

This information should be read in conjunction with the attached Condensed Consolidated Financial Statements for the half-year ended 30 June 2016 of Mineral Deposits Limited.

		Change %		Amount $'000
Revenue from ordinary activities	Up	50.91	to	2,432
Loss from ordinary activities after tax attributable to equity holders of the parent	Up	1.31	to	(16,909)
Loss for the period attributable to equity holders of the parent	Up	1.31	to	(16,909)

Commentary on the results for the half-year ended 30 June 2016

For commentary on the results for the half-year ended 30 June 2016, please refer to the Review of Operations in the Directors' Report.

Net tangible assets per ordinary share

	30 June 2016	30 June 2015
Net tangible asset backing per ordinary share (cents)	246.92	291.12

Controlled entities acquired or disposed of

There were no controlled entities acquired or disposed of during the period ended 30 June 2016.

Details of joint venture entities

		30 June 2016	30 June 2015
Ownership interest held in TiZir Limited	%	50	50
Contribution to net loss (refer Note 8 – Investments in joint venture entities)	$'000	(19,390)	(18,370)

Additional Appendix 4D disclosure requirements and commentary can be found in the accompanying Half-Year Financial Report for the period ended 30 June 2016.

This Appendix 4D report is based on the Condensed Consolidated Financial Statements which have been reviewed by Deloitte Touche Tohmatsu with the Independent Auditor's Review Report included in the Half-Year Financial Report.

HALF YEAR REPORT 2016

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 2015. 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 2016, 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.

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.

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 2016 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 (appointed 8 April 2016)
Martin Ackland
Robert Danchin
Tom Whiting
Charles (Sandy) MacDonald
David Isles (ceased 20 May 2016)

PRINCIPAL ACTIVITIES

The principal activities of MDL for the half-year ended 30 June 2016 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 27 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.

OPERATING RESULTS

The underlying loss for the half-year ended 30 June 2016 was $19.8 million (30 June 2015: underlying loss of $14.3 million) and included the Company's share of TiZir's underlying loss of $18.9 million (30 June 2015: underlying loss of $17.9 million), other income of $2.4 million, administration expenses (including depreciation and amortisation) of $1.8 million, finance costs of $0.2 million and net foreign exchange loss of $1.3 million.

After recognition of a gain on sale of the Company's investment in World Titanium Resources Limited (ASX: WTR) of $3.4 million (30 June 2015: impairment charge of $1.9 million) and the Company's share of TiZir's amortisation of assets recognised on acquisition of $0.5 million (after tax), MDL reported a net loss after tax of $16.9 million (30 June 2015: net loss after tax of $16.7 million).

FINANCIAL POSITION

The statement of financial position at 30 June 2016 comprises net assets of $256.0 million (31 December 2015: $268.2 million), made up of:

- the 50% interest in TiZir carried at $184.9 million (31 December 2015: $200.8 million);
- cash of $6.7 million (31 December 2015: $8.0 million);
- interest-bearing, subordinated loans (including accrued interest) to TiZir of $69.8 million (31 December 2015: $59.4 million);
- disposal of WTR investment in March 2016 (31 December 2015: $1.5 million);
- external borrowings to its joint venture partner, ERAMET, at 30 June 2016 of $7.2 million (31 December 2015: $2.5 million); and
- other assets and liabilities netting to an asset of $1.8 million (31 December 2015: net asset of $1.5 million).

CASH FLOW

Cash balances reduced by $1.4 million during the half-year ended 30 June 2016, as a result of:

- cash used in operating activities of $2.2 million;
- proceeds from sale of investment in WTR of $4.7 million;
- cash flows from interest earned on deposits of $0.1 million; and
- repayment of borrowings to ERAMET of $4.0 million.

REVIEW OF OPERATIONS

Grande Côte Mineral Sands Operation, Senegal

Production

Production levels at GCO in 1H 2016 were significantly higher compared to 1H 2015 due in part to the operations being in ramp up throughout 2015. Following solid performance in 2H 2015, production in 1Q 2016 was constrained by the first 180 degree mine path turnaround and scheduled maintenance shutdowns of the dredge in February and June.

During February and March, the dredge and wet concentrator plant reversed course to move south along the dune system. As this was the first 180 degree turn for the plant since operations commenced, throughput was restricted. However, the manoeuvre provided an opportunity to optimise the dredge automation system, tails deposition procedure and anchor positioning plans which will reduce the impact of future turnarounds.

The scheduled maintenance shutdowns that occurred in 1H 2016 were significant undertakings involving substantial works, including replacement of the dredge cutter shaft for the first time since the commencement of mining in March 2014. Other preventative maintenance activities focused primarily on the dredge and wet concentrator plant.

Despite the above, 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 2Q 2016.

Sales

Sales volumes were significantly higher in 1H 2016 compared to 1H 2015 primarily due to the increase in production levels during the current period. Record quarterly sales of zircon and rutile & leucoxene were achieved in 2Q 2016 as a result of the increasing zircon yields and improving production performance of rutile & leucoxene as outlined above.

Ilmenite sales were impacted early in 2016 due to the ramp up of operations at TTI following completion of the furnace reline and expansion project. Total sales for 1H 2016, however, were 35.1% higher than 1H 2015 despite production only increasing by 6.7% primarily due to the timing of ilmenite shipments to TTI and higher grade ilmenite shipments to external customers.

The following table summarises quarterly sales and production volumes for the half-year ended 30 June 2016:

100% basis		1Q 2016	2Q 2016	1H 2016	1Q 2015	2Q 2015	1H 2015
Mining							
Ore mined	(kt)	9,583	10,291	19,874	8,039	7,522	15,561
Heavy mineral concentrate produced	(t)	140,707	138,856	279,563	131,649	136,648	268,297
MSP production							
Ilmenite	(t)	107,181	92,783	199,964	89,789	97,789	187,578
Zircon	(t)	10,713	13,608	24,321	9,118	11,357	20,475
Rutile & Leucoxene	(t)	1,906	2,524	4,430	1,635	1,247	2,882
Sales volume							
Ilmenite	(t)	65,001	118,649	183,650	71,857	64,051	135,908
Zircon	(t)	9,661	12,758	22,419	6,502	12,196	18,698
Rutile & Leucoxene	(t)	1,740	2,300	4,040	22	1,406	1,428

TiZir Titanium & Iron Ilmenite Upgrading Facility, Norway

Following completion of the furnace reline and capacity expansion project and the successful restart of operations in December 2015, ramp up of operations at TTI has proceeded well during 1H 2016. This ramp up will continue into 2H 2016 with the focus now shifting to achieving operational stability and cost efficiency.

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 half-year 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.

Overall production of titanium slag was 79.0kt in 1H 2016 compared to 80.9kt in 1H 2015 (a decrease of 2.3%). High purity pig iron ('HPPI') production was also lower at 31.9kt compared to 44.2kt in 1H 2015. It is expected that HPPI production will remain lower than production levels achieved prior to the furnace reline and capacity expansion project due to lower levels of iron contained in GCO ilmenite which is now being used as a feedstock in TTI's production process.

Sales volumes of both titanium slag and HPPI were consistent with production levels during 1H 2016, highlighting acceptance of both chloride slag and HPPI products generated using GCO ilmenite in the relined furnace.

TTI has also launched further cost optimisation initiatives in order to reduce operational costs and maintain the competitiveness of its products.

The following table summarises quarterly sales and production volumes for the half-year ended 30 June 2016:

100% basis		1Q 2016	2Q 2016	1H 2016	1Q 2015	2Q 2015	1H 2015
Titanium slag							
Produced	(kt)	34.8	44.2	79.0	43.8	37.1	80.9
Sold	(kt)	31.2	50.2	81.4	30.2	38.8	69.0
High purity pig iron							
Produced	(kt)	14.1	17.8	31.9	24.0	20.2	44.2
Sold	(kt)	9.9	20.5	30.4	19.8	23.5	43.3

Corporate

Board Succession

On 8 April 2016, the Company 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 to become non-executive Chairman at the 2016 Annual General Meeting ('AGM') of the company held on 20 May 2016.

Following the close of business at the 2016 AGM, long serving non-executive director David Isles retired. 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.

Investment in World Titanium Resources Limited

In March, the Company undertook to exit its position in WTR. The proceeds from the sale of the Company's interest in WTR amounted to A$6.45 million.

Performance rights

On 30 June 2016, the Company granted 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 AGM held on 20 May 2016.

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
R Sennitt – Managing Director	30 June 2016	31 January 2019	31 January 2021	-	500,000
J Patarica – Chief Operating Officer	30 June 2016	31 January 2019	31 January 2021	-	320,000
G Bell – Chief Financial Officer	30 June 2016	31 January 2019	31 January 2021	-	200,000
M Evans – Company Secretary	30 June 2016	31 January 2019	31 January 2021	-	150,000
					1,170,000

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

Joint venture funding

As announced (ASX Releases: 11 December 2015, 21 January 2016), a number of amendments to the TiZir Bond Agreement were approved at a meeting of Bondholders in December 2015. One of the conditions in reaching an agreement with Bondholders was that MDL and ERAMET establish a $60 million committed facility in favour of TiZir ($30 million from each of ERAMET and MDL) for the payment of interest and principal under the bond issue. The entire $60 million facility is to be underwritten by ERAMET.

Any funding provided by ERAMET on behalf of MDL in relation to both the abovementioned $60 million committed facility and other funding facilities as required by TiZir in the normal course of business is catered for under the terms of the Shareholders' Agreement entered into by the joint venture partners upon establishment of TiZir in September 2011 and subsequent Deeds of Amendment.

In accordance with the above, ERAMET provided funding of $8.5 million to TiZir on behalf of the Company ($6.2 million under the terms of the $60 million committed facility and $2.3 million under the terms of other operational financing facilities) in order to fund both operational and financing cash flows of the joint venture. In April 2016, MDL repaid $4.0 million (raised through the disposal of its interest in WTR as outlined above) of the outstanding amount. The total outstanding balance (including accrued interest) at 30 June 2016 was $7.2 million.

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.

OUTLOOK

TiZir Limited

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. The primary areas of focus for the second half of the year are:

GCO optimisation

GCO will focus on continued improvements at its operations. These improvements will include implementation of numerous initiatives to reduce overall costs as well as programs to enhance both mining and operational efficiencies. There are a number of minor operational projects to be commissioned in 2H 2016 which will continue the drive to maximise the operation's mining recoveries and processing yields and deliver production consistency.

TTI ramp up

As outlined above, the TTI ramp up is proceeding well with the facility operating for periods during 1H 2016 at production levels close to its expanded nameplate capacity. The focus in 2H 2016 will be to consolidate production at these expanded levels. As at GCO, cost reduction initiatives to ensure product competitiveness and sustainable operations continue and will increase as operations are optimised.

Market

Strong sales in the half-year 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.

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

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 6 of the Condensed Consolidated Financial Statements.

ROUNDING OFF OF ACCOUNTS

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, 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.

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

Robert Danchin
Deputy Chairman

Robert Sennitt
Managing Director

Melbourne, 28 July 2016

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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28 July 2016

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 2016, 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 Touche Tohmatsu
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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 2016, 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 8 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 2016 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.

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 2016 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, 28 July 2016

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

Robert Danchin
Deputy Chairman

Robert Sennitt
Managing Director

Melbourne, 28 July 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 30 June 2016

	Note	Consolidated 30 June 2016 US$'000	Consolidated 30 June 2015 US$'000
Share of net loss of equity accounted joint venture	8	(19,390)	(18,370)
Other income	4	2,432	1,611
Administration expenses	4	(1,794)	(1,745)
Finance costs		(216)	-
Impairment of investment in World Titanium Resources	7	-	(1,906)
Gain on disposal of investment in World Titanium Resources	7	3,432	-
Net foreign exchange (loss)/gain		(1,373)	3,719
Loss before tax		(16,909)	(16,691)
Income tax expense		-	-
Loss for the period		**(16,909)**	**(16,691)**
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		1,294	(4,494)
Share of other comprehensive income/(loss) of equity accounted joint venture	8	3,465	(3,434)
Other comprehensive income/(loss) for the period (net of income tax)		4,759	(7,928)
Total comprehensive loss for the period		**(12,150)**	**(24,619)**

	30 June 2016 US Cents	30 June 2015 US Cents
Earnings per share		
Basic earnings per share (cents)	(16.3)	(16.1)
Diluted earnings per share (cents)	(16.3)	(16.1)

Notes to the Condensed Consolidated Financial Statements are included on pages 13 to 24.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Note	Consolidated 30 June 2016 US$'000	Consolidated 31 Dec 2015 US$'000
Current assets			
Cash and cash equivalents	5	6,715	8,036
Trade and other receivables	6	322	176
Other financial assets	7	-	1,481
Other		99	68
Total current assets		**7,136**	**9,761**
Non-current assets			
Investment in joint venture entity	8	184,890	200,815
Receivables	6	72,026	61,381
Property, plant and equipment	9	324	368
Intangible assets		4	-
Total non-current assets		**257,244**	**262,564**
Total assets		**264,380**	**272,325**
Current liabilities			
Trade and other payables	10	948	938
Borrowings	11	7,216	2,500
Provisions		184	713
Total current liabilities		**8,348**	**4,151**
Non-current liabilities			
Provisions		28	20
Total non-current liabilities		**28**	**20**
Total liabilities		**8,376**	**4,171**
Net assets		**256,004**	**268,154**
Equity			
Issued capital	12	390,255	390,255
Reserves	13	47,354	42,595
Accumulated losses		(181,605)	(164,696)
Total equity		**256,004**	**268,154**

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 2016

		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
Balance at 1 January 2015	**390,255**	**50,507**	**9,711**	**(1,367)**	**(122,665)**	**326,441**
Loss attributable to members of the consolidated entity	-	-	-	-	(16,691)	(16,691)
Exchange difference arising on translation of foreign operations	-	(4,494)	-	-	-	(4,494)
Share of other comprehensive loss of equity accounted joint venture	-	(3,164)	-	(270)	-	(3,434)
Total comprehensive loss for the period	-	(7,658)	-	(270)	(16,691)	(24,619)
Balance at 30 June 2015	**390,255**	**42,849**	**9,711**	**(1,637)**	**(139,356)**	**301,822**
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 (loss)/income 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**

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 2016

	Note	Consolidated 30 June 2016 US$'000	Consolidated 30 June 2015 US$'000
Cash flows from operating activities			
Receipts from customers		198	97
Payments to suppliers and employees		(2,420)	(1,758)
Net cash used in operating activities		**(2,222)**	**(1,661)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2
Payments for property, plant and equipment		(8)	(2)
Payments for other intangible assets		(4)	-
Proceeds from sale of investment in World Titanium Resources Limited		4,737	-
Payment of investment in World Titanium Resources Limited		-	(631)
Interest received		64	148
Net cash provided by/(used in) investing activities		**4,789**	**(483)**
Cash flows from financing activities			
Repayment of borrowings	11	(4,000)	-
Net cash used in financing activities		**(4,000)**	**-**
Net decrease in cash and cash equivalents held		**(1,433)**	**(2,144)**
Cash and cash equivalents at the beginning of the period		8,036	25,302
Effect of exchange rates on cash holdings in foreign currencies		112	(637)
Cash and cash equivalents at the end of the period	5	6,715	22,521

Notes to the Condensed Consolidated Financial Statements are included on pages 13 to 24.

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 holds interests in Norway and Senegal, West Africa through a United Kingdom-based joint venture (TiZir Limited) and comprises the Company and its subsidiaries.

The principal activities of the Company and its subsidiaries (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 Class Order 98/0100, dated 10 July 1998, 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 2015, 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 this 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 2015.

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 2015.

3. SEGMENT INFORMATION

The Company's reportable segments under AASB 8 are mineral sands activities incorporating the Company's joint venture interest in TiZir.

'Other' 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) and the Company's investment in World Titanium Resources Limited (disposed in March 2016). 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 2016 US$'000	31 Dec 2015 US$'000
Assets		
Segment assets – Mineral sands division	256,915	263,677
Other	7,465	8,648
Total assets	**264,380**	**272,325**
Liabilities		
Other	8,376	4,171
Total liabilities	**8,376**	**4,171**

4. RESULTS FOR THE PERIOD

	Half-year ended 30 June 2016 US$'000	Half-year ended 30 June 2015 US$'000
Interest revenue from:		
- bank deposits	59	130
- related party (see Note 6)	1,895	1,111
Other revenue:		
- rental received	58	45
- other	420	325
Total other income	**2,432**	**1,611**
Depreciation of non-current assets:		
- office furniture and equipment	53	57
- computer equipment and software	6	8
	59	65
Amortisation of intangible assets:		
- computer software	-	1
Employee benefits:		
- remuneration expense	1,115	937
- superannuation contributions	116	123
- provision for leave entitlements	(82)	7
	1,149	1,067
Administration and other overheads	586	612
Total administration expenses	**1,794**	**1,745**

5. CASH

	30 June 2016 US$'000	31 Dec 2015 US$'000
Cash and cash equivalents	2,729	4,127
Term deposits(i)	3,986	3,909
	6,715	**8,036**

(i) The Company has $264,452 (31 December 2015: $259,388) 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 2016 US$'000	31 Dec 2015 US$'000
Current		
Other receivables	27	19
Amounts due from other related parties(i)	295	157
	322	**176**
Non-current		
Amounts due from related parties – other(ii)	2,250	2,000
Amounts due from related parties – subordinated loan(iii)	69,776	59,381
	72,026	**61,381**

(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 2015: $0.25 million).

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

At the beginning of the period	59,381	41,927
Amounts advanced during the period	8,500	15,000
Interest accrued during the period	1,895	2,454
At end of the period	**69,776**	**59,381**

During the year ended 31 December 2015, the Company entered into two new subordinated loan agreements with TiZir as follows:

- $12.5 million subordinated loan agreement dated 21 September 2015. This loan is interest bearing at a rate of LIBOR (three month) plus five percent and is repayable by TiZir on or before 29 September 2018; and
- $3.0 million subordinated loan agreement dated 22 December 2015. This loan is interest bearing at a rate of LIBOR (three month) plus seven percent and is repayable by TiZir on or before 29 September 2018. Using loan funding from ERAMET (refer Note 11), the Company advanced $2.5 million to TiZir under the terms of this agreement and the remaining $0.5 million was paid on 4 January 2016.

During the current period, the Company entered into two new subordinated loan agreements with TiZir as follows:

- $1.8 million subordinated loan agreement dated 6 April 2016. This loan is interest bearing at a rate of LIBOR (three month) plus seven percent and is repayable by TiZir on or before 29 September 2018. Using loan funding from ERAMET (refer Note 11), the Company advanced $1.8 million to TiZir under the terms of this agreement during the half-year ended 30 June 2016.
- $30 million subordinated loan agreement dated 6 July 2016. This loan is interest bearing at a rate of LIBOR (three month) plus seven percent and is repayable by TiZir on or before 29 September 2018. Using loan funding from ERAMET (refer Note 11), the Company advanced $6.2 million to TiZir under the terms of this agreement during the half-year ended 30 June 2016.

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. OTHER FINANCIAL ASSETS

	30 June 2016 US$'000	31 Dec 2015 US$'000
Current		
Available for sale investments carried at fair value		
- shares in listed company – World Titanium Resources Limited(i)	-	1,481

On 18 January 2016, African Minerals Exploration & Development Fund II (SICAR) announced its intention to make an on market takeover bid for WTR that valued MDL's investment in the company at A$4.6 million.

Subsequently, in March 2016, the Company undertook to exit its position in WTR. The proceeds from the sale of the Company's interest in WTR amounted to A$6.45 million. This transaction resulted in a gain on disposal of the Company's shareholding of A$4.4 million (US$3.4 million).

In the prior comparative period, the Company revalued its shareholding in WTR to its fair value and, subsequently, recognised an impairment loss of $1.9 million.

8. INVESTMENT IN JOINT VENTURE ENTITY

	30 June 2016 US$'000	31 Dec 2015 US$'000
Investment in TiZir	**184,890**	**200,815**
Movement in investment in joint venture:		
Opening balance	200,815	255,741
Share of net loss of joint venture for the period	(19,390)	(46,325)
Share of other comprehensive income/(loss) of joint venture for the period	3,465	(8,601)
Investment in TiZir	**184,890**	**200,815**

TiZir impairment review

An impairment review was undertaken as at 30 June 2016 in relation to TiZir's two cash generating units ('CGU'), TTI & 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. This assessment is considered to be a Level 3 fair value measurement as it is derived from valuation techniques that include inputs that are not based on observable market data. As a result of this review, it was assessed that no impairment charge was required for either CGU.

Key assumptions and sensitivity analysis

The recoverable amount is particularly sensitive to certain key assumptions, being life of mine, discount rate (11.5% nominal post-tax), commodity prices, production and sales volumes, and operating costs. A life of mine of 27 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 studies undertaken in 2014 to define the optimal dredge mining path.

The following tables set out the financial performance of TiZir for the half-year ended 30 June 2016 by operating segment:

	Half-year ended 30 June 2016 US$'000					Half-year ended 30 June 2015 US$'000
	TTI	GCO	TiZir	Consolidation Adjustments[(i)]	Consolidated TiZir	Consolidated TiZir
Sales	52,309	30,927	-	-	83,236	84,777
Cost of goods sold	(44,499)	(32,291)	-	-	(76,790)	(88,951)
Gross profit/(loss)	**7,810**	**(1,364)**	**-**	**-**	**6,446**	**(4,174)**
Other (expenses)/revenue	(1,621)	384	-	-	(1,237)	(638)
Administration expenses	(228)	(1,742)	(1,489)	-	(3,459)	(2,183)
EBITDA	**5,961**	**(2,722)**	**(1,489)**	**-**	**1,750**	**(6,995)**
Finance costs	(1,269)	(587)	(20,475)	-	(22,331)	(16,651)
Foreign exchange gains/(losses)	781	(536)	(698)	-	(453)	445
Depreciation and amortisation expense	(4,115)	(12,227)	(491)	-	(16,833)	(14,507)
Other operating costs	(88)	-	(932)	-	(1,020)	-
Amortisation of assets recognised on acquisition	-	-	-	(1,360)	(1,360)	(1,360)
Profit/(loss) before tax	**1,270**	**(16,072)**	**(24,085)**	**(1,360)**	**(40,247)**	**(39,068)**
Income tax expense	(657)	-	-	-	(657)	(407)
Amortisation of deferred tax liability	-	-	-	340	340	367
Profit/(loss) for the period	**613**	**(16,072)**	**(24,085)**	**(1,020)**	**(40,564)**	**(39,108)**
Loss attributable to non-controlling interest					1,784	2,368
Loss attributable to joint venture partners					(38,780)	(36,740)
Share of net loss of joint venture attributable to MDL shareholders					**(19,390)**	**(18,370)**

(i) Consolidation adjustments include amortisation of identifiable intangible assets, property, plant and equipment acquired and related deferred tax liabilities recognised on the establishment of TiZir. The amortisation of such assets during the period amounted to $1.36 million ($1.0 million including impact of taxation). These adjustments have been disclosed separately to properly reflect the operating results of TTI and GCO. The comparable prior period amount was $1.36 million ($0.9 million including impact of taxation).

	30 June 2016 US$'000 Consolidated TiZir	30 June 2015 US$'000 Consolidated TiZir
Other comprehensive income directly recognised in equity		
Exchange differences arising on translation of operations	3,914	(5,750)
Change in revaluation reserve for hedging financial instruments	4,022	(1,534)
Income tax on other comprehensive (loss)/income	(1,006)	414
Other comprehensive income/(loss) for the period, net of income tax	6,930	(6,870)
Share of other comprehensive income/(loss) attributable to MDL shareholders	**3,465**	**(3,434)**
Disclosed in statement of changes in equity as:		
– Foreign currency translation reserve	1,957	(3,164)
– Cash flow hedge reserve	1,508	(270)
Share of other comprehensive income/(loss) attributable to MDL shareholders	**3,465**	**(3,434)**

The following tables set out the financial position of TiZir as at 30 June 2016 by operating segment:

	As at 30 June 2016 US$'000					As at 31 Dec 2015 US$'000
	TTI	GCO	TiZir	Other(i)	Consolidated TiZir	Consolidated TiZir
Current assets						
Cash and cash equivalents	-	4,387	738	-	5,125	2,653
Trade and other receivables	30,104	11,976	94	-	42,174	38,400
Deferred tax asset	-	-	-	-	-	1,629
Inventories	18,716	38,390	-	-	57,106	58,935
Total current assets	**48,820**	**54,753**	**832**	**-**	**104,405**	**101,617**
Non-current assets						
Receivables	-	202	-	-	202	200
Other financial assets – investments	84	-	-	-	84	91
Property, plant and equipment	71,649	707,452	64	33,146	812,311	813,843
Mine development expenditure	-	49,101	-	(28,600)	20,501	20,742
Capitalised mining convention and concession costs	-	2,390	-	-	2,390	2,425
Intangible assets recognised on acquisition	-	-	-	15,396	15,396	16,302
Other intangible assets	-	-	-	-	-	1,809
Total non-current assets	**71,733**	**759,145**	**64**	**19,942**	**850,884**	**855,412**
Total assets	**120,553**	**813,898**	**896**	**19,942**	**955,289**	**957,029**
Current liabilities						
Trade and other payables	14,169	21,098	4,787	-	40,054	53,781
Borrowings	49,442	30,959	535	-	80,936	64,104
Current tax liabilities	-	-	-	-	-	97
Derivative financial liabilities	3,225	-	-	-	3,225	7,427
Total current liabilities	**66,836**	**52,057**	**5,322**	**-**	**124,215**	**125,409**
Non-current liabilities						
Deferred tax liabilities	39	-	-	5,098	5,137	5,438
Borrowings	-	8,333	464,904	-	473,237	439,882
Total non-current liabilities	**39**	**8,333**	**464,904**	**5,098**	**478,374**	**445,320**
Total liabilities	**66,875**	**60,390**	**470,226**	**5,098**	**602,589**	**570,729**
Net assets	**53,678**	**753,508**	**(469,330)**	**14,844**	**352,700**	**386,300**
Equity						
Issued capital					621,741	621,741
Reserves					(39,378)	(46,308)
Accumulated losses					(212,583)	(173,803)
					369,780	401,630
Non-controlling interest					(17,080)	(15,330)
Total equity					**352,700**	**386,300**

(i) 'Other' represents applicable consolidation elimination entries relating to purchase price allocation, capitalised borrowing costs and impairment losses recognised during the respective periods.

	30 June 2016 US$'000	31 Dec 2015 US$'000
Reconciliation of financial information to carrying amount of TiZir		
Equity attributable to equity holders of TiZir	369,780	401,630
Percentage of equity held by the Group	50%	50%
Total carrying amount of TiZir	**184,890**	**200,815**

The following table sets out the cash flows of TiZir for the period ended 30 June 2016 by operating segment:

	Half-year ended 30 June 2016 US$'000				Half-year ended 30 June 2015 US$'000
	TTI	GCO	Other(i)	Consolidated TiZir	Consolidated TiZir
Cash flows from operating activities					
Profit/(Loss) for the period	838	(16,297)	(25,105)	(40,564)	(39,108)
Elimination of non-cash income and expenses					
- Depreciation and amortisation	4,115	12,227	1,851	18,193	15,867
- Deferred tax	658	-	(340)	318	(21)
- Loss on disposal of non-current assets	88	-	-	88	-
- Foreign exchange losses	-	456	697	1,153	(3,768)
Cash generated by operating activities	**5,699**	**(3,614)**	**(22,897)**	**(20,812)**	**(26,638)**
Decrease/(increase) in inventories	3,275	(330)	-	2,945	(6,887)
(Increase)/decrease in trade receivables	(21,635)	6,383	(495)	(15,747)	6,677
(Decrease)/increase in trade payables	(8,753)	(2,301)	1,017	(10,037)	1,798
Change in other assets and liabilities	9,245	1,282	6,147	16,674	6,330
Amortisation of borrowing costs	-	-	2,898	2,898	392
Interest received	-	(6)	(2)	(8)	(325)
Tax paid	(101)	-	-	(101)	(1,677)
Net change in current operating assets and liabilities	(17,969)	5,028	9,565	(3,376)	5,916
Net cash (used in)/generated by operating activities	**(12,270)**	**1,414**	**(13,332)**	**(24,188)**	**(20,722)**
Cash flows from investing activities					
Payments for non-current assets	(8,133)	(3,914)	-	(12,047)	(16,984)
Proceeds from disposal of non-current assets	1,800	-	-	1,800	-
Interest received	-	6	2	8	-
Net proceeds from/(payments to) related parties	12,000	(8,500)	(3,500)	-	-
Net cash (used in)/provided by investing activities	**5,667**	**(12,048)**	**(3,498)**	**(10,239)**	**(16,984)**
Cash flows from financing activities					
Proceeds of borrowings	8,711	14,334	17,000	40,045	36,416
Payment of borrowing costs	-	-	(898)	(898)	-
Net change in current financial assets and liabilities	11	-	-	11	-
Net cash provided by financing activities	**8,722**	**14,334**	**16,102**	**39,158**	**36,416**
Net increase/(decrease) in cash held	2,119	3,340	(728)	4,731	(1,290)
Cash and cash equivalents at beginning of the period	-	1,164	1,489	2,653	8,402
Effect of exchange rates on cash holdings in foreign currencies	(2,119)	(117)	(23)	(2,259)	527
Cash and cash equivalents at end of the period	**-**	**4,387**	**738**	**5,125**	**7,639**

(i) 'Other' represents TiZir parent entity results and applicable consolidation elimination entries.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2016 US$'000	31 Dec 2015 US$'000
Carrying amounts of each class:		
– Land, buildings and property improvement	268	309
– Office equipment	56	59
	324	368

10. TRADE AND OTHER PAYABLES

	30 June 2016 US$'000	31 Dec 2015 US$'000
Trade payables	-	63
Sundry creditors and accrued expenses(i)	948	875
	948	**938**

(i) Includes an amount of $744,250 (A$1.0 million) recognised in relation to previously disclosed contingent liabilities arising from the Company's establishment of Grande Côte Operations SA.

11. BORROWINGS

	30 June 2016 US$'000	31 Dec 2015 US$'000
Loans payable (secured) – Eralloys Holdings AS (ERAMET SA subsidiary)	**7,216**	**2,500**
Movement in borrowing:		
Opening balance	2,500	-
Advanced during the period	8,500	2,500
Repayments during the period	(4,000)	-
Accrued interest payable	216	-
	7,216	**2,500**

TiZir is primarily funded by senior secured corporate bonds issued on 29 September 2012 and 23 May 2014 with a face value of $275 million maturing in September 2017. As announced in December 2015 (ASX release: 11 December 2015), amendments to the terms of these bonds 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 $275 million; and
- introduction of a $60 million committed facility made available to TiZir for the payment of interest and principal up until maturity of the bond, underwritten by ERAMET.

Any funding provided by ERAMET on behalf of MDL in relation to both the abovementioned $60 million committed facility and other funding facilities as required by TiZir in the normal course of business is catered for under the terms of the Shareholders' Agreement entered into by the joint venture partners upon establishment of TiZir in September 2011 and subsequent Deeds of Amendment.

In accordance with the above, ERAMET provided funding of $8.5 million to TiZir on behalf of the Company ($6.2 million under the terms of the $60 million committed facility and $2.3 million under the terms of other operational financing facilities) in order to fund both operational and financing cash flows of the joint venture. In April 2016, the Company repaid $4.0 million (raised through the disposal of its interest in WTR as outlined above) of the outstanding amount. The total outstanding balance (including accrued interest) at 30 June 2016 is $7.2 million.

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.

Shares pledged as security

The relevant number of shares (based on the dilution equation outlined above) 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.

12. ISSUED CAPITAL

Share Capital

There were no movements in the ordinary share capital of the Company in the current reporting period.

	30 June 2016 US$'000	31 Dec 2015 US$'000	30 June 2016 No.	31 Dec 2015 No.
Fully paid ordinary shares	**390,255**	**390,255**	**103,676,341**	**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.

Performance rights

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 AGM held on 20 May 2016. Each performance right entitles the holder to one share upon vesting and exercise. There is no exercise price pertaining to the performance rights. Performance rights carry no voting or dividend rights.

The following performance rights were on issue at 30 June 2016:

	Grant date	Expiry date	No. of performance rights issued	Exercise price A$	Fair value at date of grant A$
Unlisted performance rights	30 June 2016	31 Jan 2021	1,170,000	-	132,795

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

Performance rights vesting conditions

Absolute total shareholder return

50% of the Performance Rights are subject to an absolute total shareholder return 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

50% of the Performance Rights are subject to a relative total shareholder return 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	75th Percentile or above	100%	50%	50%
	Between 50th Percentile and 75th Percentile	Pro rata vesting from 50%-100%	Between 25% and 50%	50%
	At 50th Percentile	50%	25%	25%
	Below 50th Percentile	0%	0%	0%

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 preceding 1 February 2016 being **A$0.23** (23 cents).

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

- 31 January 2019, being three years from date of grant;
- the date of a Change of Control Event 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 for the purposes of the PRP (the relevant date in both cases being, the Determined Change of Control Date). In these circumstances, if the Determined Change of Control Date occurs during the vesting period, the amount of 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 Determined Change of Control Date:

  - 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); and
  - the price for MDL Shares as at the Determined Change of Control Date 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 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 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' (a portion will vest in accordance with the plan);
- where a participant is a 'Bad Leaver' as defined in the Plan, 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

Performance rights issued 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 2016 US$'000	31 Dec 2015 US$'000
Reserves (net of income tax)		
Foreign currency translation	38,558	35,307
Equity-settled employee benefits	9,711	9,711
Cash flow hedge	(915)	(2,423)
	47,354	42,595

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 (ASX Releases: 11 December 2015, 21 January 2016), a number of amendments to the TiZir Bond Agreement were approved at a meeting of Bondholders in December 2015. One of the conditions in reaching an agreement with Bondholders was that MDL and ERAMET establish a $60 million committed facility in favour of TiZir ($30 million from each of ERAMET and MDL) for the payment of interest and principal under the bond issue. The entire $60 million facility is to be underwritten by ERAMET.

Any funding provided by ERAMET on behalf of MDL in relation to both the abovementioned $60 million committed facility and other funding facilities as required by TiZir in the normal course of business is catered for under the terms of the Shareholders' Agreement entered into by the joint venture partners upon establishment of TiZir in September 2011 and subsequent Deeds of Amendment.

In accordance with the above, ERAMET provided funding of $6.2 million to TiZir on behalf of the Company under the terms of the committed facility in order to fund interest payments of the joint venture. As such, the remaining commitment of the Company to the $60 million committed facility at 30 June 2016 is $23.8 million. The Company is committed to meeting its obligations in relation to this facility.

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 the outstanding balance of funding provided by ERAMET (disclosed in Note 11) 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.

Other than the above, there are no further outstanding commitments to TiZir as at 30 June 2016.

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 therefore continued at Mineral Deposits (Operations) Pty Ltd's former mining sites in NSW, Australia. No adverse situations were reported and required work was performed; 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 the Company's share of these potential liabilities.

TiZir faces potential liabilities in respect of the Grande Côte mineral sands operation 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 2016.

17. SUBSEQUENT EVENTS

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

During the period 1,170,000 unlisted performance rights were granted to an executive director and three officers as long-term incentives. Refer to Note 12 for full disclosure.

On 8 April 2016, the Company announced the appointment of Robert Sennitt as Managing Director, effective from that date. Further to this appointment, Executive Chairman Nic Limb relinquished his executive role to become non-executive Chairman at the AGM held on 20 May 2016. As a result, employee benefits amounting to A$591,568 representing annual leave and long service leave were paid in respect of Mr Limb's services accumulated from his date of appointment up until 31 May 2016.

Effective 20 May 2016, Mr Limb was appointed to the Board of the Company as non-executive and the board has determined he will receive an annual director's fee of A$150,000 (inclusive of superannuation) commensurate with his position and experience and benchmarked against peer companies. Separately, Mr Limb will be remunerated by the Company for services performed in his capacity as Chairman of TiZir based on a pro-rata amount of A$298,000 per annum (to be reviewed at 31 December 2016) on the basis that he will dedicate appropriate time to effectively discharge the duties of this position.

Following the close of business at the 2016 AGM, long serving non-executive director David Isles retired.

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 2015.

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.

Other financial assets, disclosed in Note 7, are measured at fair value (representing the Company's investment in WTR) and are categorised as Level 1 financial assets as the fair value is derived from quoted market prices in active markets.

CORPORATE DIRECTORY

DIRECTORS

Nicholas Limb (Non-executive Chairman)
Robert Sennitt (Managing Director)
Martin Ackland (Executive)
Robert Danchin (Non-executive/Deputy Chairman)
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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