

Fourth Quarter 2013 Operations Review

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

Overview

Grande Côte

- Construction is now essentially FINISHED – a huge effort over two and a quarter years involving approximately 11 million man hours
- Flooding of the start-up pond containing the dredge and wet concentrator plant (WCP) will occur in the next few days, to be followed by water and electrical commissioning before the mining of sand begins
- Commissioning of the remainder of the project is very much underway or completed:
 - approximately 600 tonnes of heavy mineral concentrate (sourced using a pilot plant) will be fed through the wet mill at the mineral separation plant (MSP) later this week, followed by the dry mill in a few weeks' time
 - the power station is operational
 - the rail system to the port is operational
 - the conveyor and ship loading system at the port has been fully commissioned with sand

Tyssedal

- Titanium slag production for 2013 was 190.3kt, 5% higher than 2012
- Full year titanium slag sales were 197.1kt, 26% ahead of 2012 levels, however, average pricing for 2013 was 33% lower than 2012 levels, leading to 16% lower revenue
- Revenue from high purity pig iron was 10% lower for 2013 compared to 2012, reflecting 10% higher sales volumes offset by 20% lower pricing

Corporate

- On 1 November 2013, MDL increased its interest in World Titanium Resources Limited (“WTR”) from 15.0% to 19.1% through the injection of A\$2.3 million by way of a placement. WTR owns the Toliara mineral sands project in Madagascar
- On 13 December 2013, MDL announced the completion of a A\$40 million equity raising through a placement, mainly to existing institutional shareholders of the company. It is expected the proceeds will be contributed to TiZir Limited to assist with Grande Côte’s construction completion and, more particularly, operational working capital requirements. The placement comprised two tranches, the second of which (amounting to A\$15 million) is subject to shareholder approval at a general meeting of shareholders on 28 January 2014
- On 15 January 2014, MDL announced that it had disposed of its shareholding in Teranga Gold Corporation (“TGZ”) for proceeds of approximately US\$20 million
- MDL’s pro forma cash position at 31 December 2013 was US\$65.3 million – comprising cash on hand (US\$32.0 million), the net proceeds from the disposal of the Teranga shareholding in January 2014 (US\$20.0 million), and the second tranche of the equity placement to be voted upon by shareholders on 28 January 2014 (A\$15.0 million / US\$13.3 million). In addition, US\$5.0 million was injected into TiZir just prior to 31 December 2013.

Tyssedal production and sales volumes

100% basis		4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	12Mths 2012	12Mths 2013
Titanium Slag								
Produced	(kt)	50.5	50.7	48.6	46.5	44.5	181.1	190.3
Sold	(kt)	48.8	37.2	43.3	70.7	45.9	156.9	197.1
High Purity Pig Iron								
Produced	(kt)	28.1	28.6	27.1	25.8	25.4	101.3	106.9
Sold	(kt)	32.7	29.7	36.6	26.5	21.8	104.5	114.5

Titanium Slag

- **Production:** 12% lower in 4Q compared to 4Q 2012 due to unplanned maintenance on the pre-reduction rotary kiln in early October which resulted in limited slag production during an 18 day period from late September. Full year production of 190.3kt was 5% higher than 2012
- **Sales:** a solid quarter with 45.9kt sold, following a very strong 3Q with 70.7kt sold. Full year sales of 197.1kt were 26% ahead of 2012 levels, and reflected a particularly strong second half (116.5kt in 2H v 80.6kt in 1H) as regular European pigment customers were back to more normal buying patterns following a weak first half when they were pursuing significantly reduced pigment production to lower the highly elevated pigment inventory levels with which they entered the 2013 year
- **Pricing:** weakened a further 3% in the fourth quarter relative to the third quarter. Average pricing for the full year was 33% lower than 2012 levels

High Purity Pig Iron

- **Volumes:** production was slightly down in 4Q, consistent with the lower slag production. Full year sales volumes were 10% higher than 2012
- **Pricing:** 4Q was marginally higher than 3Q. Average pricing for the full year was 20% lower than 2012 levels





Dredge and Wet Concentrator Plant (WCP)



Surge bin on WCP



Tails densification module



Top of spiral module



Spirals



Mineral Separation Plant (MSP)



Wet Mill



Dry Mill



Zircon and rutile storage



Electrostatic separators



Bulk loading system for ilmenite



Ilmenite storage at port



Conveyor system at port



Commissioning conveyor / loading system with sand

Corporate

At 31 December 2013:

- issued shares were 96,038,786;
- zero options;
- cash was US\$32 million;
- zero debt;
- investments:
 - 12.6% of Teranga Gold Corporation (ASX: TGZ, TSX: TGZ) valued at US\$20million
 - 19.1% of World Titanium Resources (ASX: WTR) valued at US\$5 million

About MDL

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

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

Grande Côte, with production expected to commence in March 2014, is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucosene) when in full production over an expected mine life of at least 20 years.

The Tyssedal ilmenite upgrading facility smelts ilmenite to produce a high-TiO₂ titanium slag which is sold to pigment producers and a high purity pig iron which is sold as a valuable co-product to ductile iron foundries. The facility currently produces approximately 200ktpa of titanium slag and 110ktpa of high-purity pig iron.

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

Forward Looking Statements

Certain information contained in this report, including any information on MDL's plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute forward-looking statements. Such statements are based on a number of estimates and assumptions that, while considered reasonable by management at the time, are subject to significant business, economic and competitive uncertainties. MDL cautions that such statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of MDL to be materially different from the company's estimated future results, performance or achievements expressed or implied by those forward-looking statements. These factors include the inherent risks involved in exploration and development of mineral properties, changes in economic conditions, changes in the worldwide price of zircon, ilmenite and other key inputs, changes in mine plans and other factors, such as project execution delays, many of which are beyond the control of MDL. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell MDL securities.

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