

Second Quarter 2014 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.

Highlights

- Significant advancement in the ramp-up of mining operations at Grande Côte
- Processing through the Mineral Separation Plant (“MSP”) commenced in June
- First ilmenite produced in June
- Nameplate throughput achieved within the Wet Plant and Ilmenite Circuit of the MSP
- Solid production and sales volumes for Tyssedal during the quarter

Grande Côte

Following construction completion in the March quarter, mining at Grande Côte commenced in late-March, with sand being processed through the Wet Concentrator Plant (“WCP”). In mid-April, the failure of mechanical seals on two major pumps on the WCP brought a halt to mining for almost a month. Since recommencing mining in early-May, significant progress has been made, with the WCP consistently improving in reliability and production. Whilst it is expected to take up to 12 months to reach full production rates on a steady state basis, the progress achieved in the first effective two months of mining has been pleasing. Feed rates through the WCP will remain restricted over the next couple of months as tails are pumped through land-based lines off the mine path to enable the size of the dredge pond to be increased.

Processing through the Mineral Separation Plant (“MSP”) commenced in June. The MSP comprises the Wet Plant, which separates the mined Heavy Mineral Concentrate (“HMC”) into magnetic and non-magnetic concentrates, and a Dry Plant, which has a Primary Circuit to separate out the zircon, rutile and leucoxene from within the non-magnetic concentrate and an Ilmenite Circuit to process the ilmenite within the magnetic concentrate.

During June, more than 30,000 tonnes of HMC was processed through the Wet Plant for the production of over 21,000 tonnes of magnetic concentrate and nearly 3,000 tonnes of non-magnetic concentrate, with the Wet Plant operating at design for throughput and yield. More than 12,000 tonnes of magnetic concentrate was also processed through the Ilmenite Circuit of the Dry Plant, with 11,463 tonnes of ilmenite produced. Following a further two week campaign in early July, the Ilmenite Circuit is now fully operational at nameplate throughput, producing both 54% TiO₂ and 58% TiO₂ ilmenite to specification. The first non-magnetic concentrate was processed through the Primary Circuit of the Dry Plant in mid-July, leading to the first production of zircon.

The ilmenite load-out facility at the MSP is fully operational, with ilmenite now regularly being dispatched by rail to the Dakar Port storage shed. The first ilmenite shipment is expected in September.

Grande Côte physical volumes

100% basis		Apr 2014	May 2014	Jun 2014	2Q 2014
Mining:					
Ore mined	(kt)	38	1,156	1,414	2,609
HMC produced	(t)	863	15,553	20,824	37,240
MSP production:					
Ilmenite	(t)			11,463	11,463

Tyssedal

Titanium slag production of 48.4kt for the second quarter was back on budget following a weaker 1Q due to maintenance on the pre-reduction rotary kiln in March. Sales of 48.1kt for the quarter were in-line with production levels. Pricing was marginally weaker in 2Q relative to 1Q.

High Purity Pig Iron production and sales volumes for 2Q were at normal levels of 27.4kt and 28.3kt respectively. Pricing was marginally higher in 2Q relative to 1Q.

Tyssedal physical volumes

100% basis		2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	1H 2013	1H 2014
Titanium Slag								
Produced	(kt)	48.6	46.5	44.5	42.0	48.4	99.3	90.4
Sold	(kt)	43.3	70.7	45.9	38.4	48.1	80.6	86.5
High Purity Pig Iron								
Produced	(kt)	27.1	25.8	25.4	23.5	27.4	55.7	50.9
Sold	(kt)	36.6	26.5	21.8	29.9	28.3	66.3	58.2

Corporate

In May 2014, TiZir Limited (50% owned by Mineral Deposits) completed a US\$125 million tap issue of the existing US\$150 million 9.00% senior secured callable bond due 2017. The new bonds were priced at 102.9% of par, representing a yield to maturity of approximately 8.0%. The net proceeds from the offering are intended to be used to finance an expansion of the capacity of the Tyssedal Plant from 200,000tpa of TiO₂ slag to 230,000tpa as part of a scheduled maintenance programme in 3Q 2015 (as previously announced), and to fund the build-up of working capital at the Grande Côte Mine.

Corporate

At 30 June 2014:

- issued shares were 103,538,786;
- zero options;
- cash was US\$29.2 million;
- zero debt;
- investments comprise 19.1% of World Titanium Resources (ASX: WTR) valued at US\$3.1 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 construction complete, will ramp up its mining and production during 2014. Once in full production it is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucosene) 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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