

# ASX ANNOUNCEMENT

## OPERATIONS UPDATE & TIZIR FUNDING

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

- GCO is on track to produce in the order of 170,000t of Heavy Mineral Concentrate ('HMC') for 3Q 2015
- Furnace reline and capacity expansion project at TTI progressing on schedule following a successful shutdown in September
- Appointment of MDL Chief Operating Officer
- Additional financial contribution of US\$25 million (US\$12.5 million being MDL's 50% share) to TiZir

### GCO

Following a period of unplanned downtime in July due to a series of unrelated events, the mining operations at GCO have begun to perform at levels approaching nameplate capacity. During August 2015, the operations produced over 80,000t of HMC compared to the previous best month of 55,000t of HMC in May 2015. The operations are on track to produce in the order of 170,000t of HMC for the quarter ending 30 September 2015, a marked improvement on the performance of 1Q and 2Q 2015.

The strong recent performance is in part due to the actioning of a number of discrete commissioning projects foreshadowed in MDL's 2Q Operations Review (ASX release: 23 July 2015). A key objective of these projects is to get the mining operations consistently producing at and above the level achieved in August. These projects also extend to the Mineral Separation Plant where a number of initiatives have been designed to improve efficiencies as increased use of the plant results from improvements in the mining operations.

To assist the effective implementation of these commissioning projects, MDL has seconded its new Chief Operating Officer to the operations. He will continue to work directly with GCO management until both MDL and ERAMET are satisfied that the operations are performing to expectations.

Despite continued soft commodity prices, the operations generated a positive EBITDA for the month of August.

### TTI

The furnace reline and expansion project continues on schedule. The shutdown of the pre-reduction kiln and the furnace was successfully completed in the first week of September. Drainage of the iron and titanium has been completed and demolition work has commenced on the furnace lining and pot. As such, the project remains on track from both a timing and financial perspective.

Prior to the shutdown, a batch of 100% GCO ilmenite was successfully processed in the kiln to ensure that a sufficient supply of intermediate stock is available for the restart of operations, currently anticipated in December this year.

### APPOINTMENT OF CHIEF OPERATING OFFICER

MDL is pleased to announce the appointment of Jozsef Patarica as Chief Operating Officer of the Company.

Jozsef is a mining professional with a strong track record spanning some 24 years in the mining industry. He has been involved in a variety of management, project evaluation and operational roles in various operations across Australia and internationally with companies such as Newcrest Mining Limited, Placer Dome Asia Pacific and Bassari Resources Limited.

Prior to joining MDL, Jozsef spent eight years as a Director of Bassari Resources Limited which has been focused on discovering and developing multi-million ounce gold deposits in the Birimian Gold Belt in Senegal.

Jozsef's appointment and secondment to GCO, where he has assumed responsibility for final commissioning of the operations, has been an important contribution to the success of the current GCO management team in achieving the recent strong results.

#### **FINANCIAL CONTRIBUTION TO TIZIR**

MDL and ERAMET have committed US\$25 million (US\$12.5 million from each party) to TiZir in the form of an additional subordinated loan.

Production issues recently experienced at GCO (including disappointing HMC production in July which has had flow-on effects for finished goods production and shipments in August and September) and TTI (as mentioned in MDL's 2Q Operations Review) has contributed to the funding requirement. This situation has been exacerbated by continued pressure being exerted on revenues as commodity prices remain soft.

In addition to the impact on cash flow, the production performance has also served to limit the borrowing base available to TiZir under GCO and TTI's working capital facilities in September and October. In order to optimise the availability of finance under these facilities, a rebalancing of the intercompany cash arrangements between GCO and TTI was required.

Finally, as announced on 3 March 2015, TTI continues to await final approval by the European Free Trade Association Surveillance Authority to enable it to receive funding of NOK122 million from Enova, a Norwegian government agency.

#### **OUTLOOK**

For the remainder of 2015, MDL will continue to focus on completing all development activities at TiZir, namely the final commissioning of GCO and the reline and expansion project at TTI, such that TiZir enters 2016 best positioned to maximise its cash flow and financial returns.

The recent strong performance at GCO as well as the current status of the furnace reline and expansion project at TTI provide confidence that the Company is on track to meet its objectives.

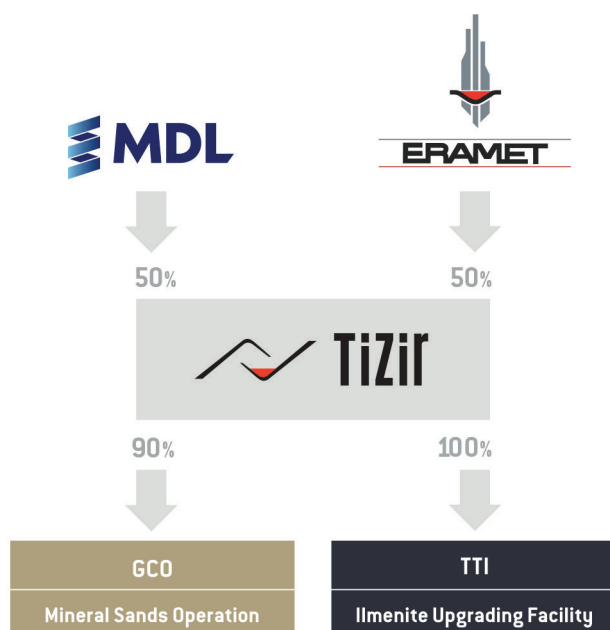
**ABOUT MDL**

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 Tysseidal, Norway.

GCO commenced mining activities in March 2014 and is in the process of ramping up to full capacity. Over an expected mine life of at least 25 years, GCO will primarily produce high quality zircon and ilmenite. A majority of ilmenite production will be sold to TTI, thereby vertically integrating the operations. GCO also produces small amounts of rutile and leucoxene.

TTI smelts ilmenite to produce a high TiO<sub>2</sub> titanium slag which is sold to pigment producers and a high purity pig iron (a valuable co-product) which is sold to ductile iron foundries.



**Forward looking statements**

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

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

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

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

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