FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2016

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.

(Denominated in United States Dollars unless otherwise stated)

KEY POINTS

- MDL underlying net loss of $19.8 million
- MDL's share of TiZir's underlying loss totalled $18.9 million
- MDL cash position of $6.7 million (A$8.4 million) and secured debt of $7.2 million
- TiZir achieved its first positive EBITDA since completion of construction at GCO
- TTI returned EBITDA of $6.0 million despite ramp up of operations following furnace reline and capacity expansion project completion
- GCO achieved its first half-year of positive cash flows since mining commenced in March 2014
- Improvement in GCO EBITDA as a result of increased sales and production volumes
- TiZir operations funded by cash of $5.2 million along with working capital facilities at TTI and GCO

FINANCIAL SUMMARY

$m	1H 2016	1H 2015
MDL		
50% share of TiZir's underlying loss	**(18.9)**	(17.9)
Underlying loss	**(19.8)**	(14.3)
Underlying earnings per share (cents)	**(19.1)**	(13.8)
Reported loss	**(16.9)**	(16.7)
TiZir (100% basis)		
TTI EBITDA	**6.0**	7.4
GCO EBITDA	**(2.7)**	(12.6)
Total underlying EBITDA	**1.8**	(7.0)
Underlying loss	**(37.8)**	(35.7)
Cash flow used in operations	**(24.2)**	(20.7)
Capital expenditure	**10.2**	17.0

Mineral Deposits Limited (ASX: MDL) has today announced an underlying net loss of $19.8 million for the half-year ended 30 June 2016, compared to an underlying net loss of $14.3 million in 1H 2015.

TiZir achieved its first positive EBITDA of $1.8 million since completion of construction at GCO – a sound achievement given the ramp up status of operations at TTI following the completion of the furnace reline and capacity expansion project in December 2015 and the conditions that prevailed during 1H 2016 in commodity markets.

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).

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Commenting on the results, non-executive Chairman Nic Limb noted that "achieving a positive EBITDA on a consolidated basis in the prevailing market conditions is a significant step in TiZir's development and confirmation that the strategic benefits of integrating GCO and TTI are being realised."

TIZIR

MDL's 50% share of TiZir's underlying loss in 1H 2016 was $18.9 million, largely attributable to operating losses recorded at GCO along with an increase in finance costs resulting from additional shareholder contributions to the joint venture.

TTI's EBITDA (on a 100% basis) for 1H 2016 was $6.0 million, 19.1% lower than 1H 2015. This reduction stemmed from the ramp up status of operations, a change in product mix, reduction in high purity pig iron ('HPPI') sales prices and volumes, and slightly weaker prices in the titanium feedstock market.

Following completion of the furnace reline and capacity expansion project, production ramp up at TTI began in earnest in 1Q 2016, achieving first production of chloride titanium slag in early January with iron tapping occurring shortly thereafter. TTI's new product suite of high-value chloride titanium slag, chloride fines and HPPI is produced using GCO ilmenite.

All sulphate titanium slag produced prior to the furnace reline and capacity expansion project was sold during 1Q 2016 at prices closely correlated to the market price.

HPPI sales volumes were 30.4kt in 1H 2016, 30% lower than 1H 2015, primarily as a result of a decrease in production caused by the scheduled shutdown in 2015 and lower levels of iron contained in GCO ilmenite now being used as feedstock in TTI's production process.

During 1H 2016, TTI launched further cost optimisation initiatives to reduce operational costs and maintain the competitiveness of its products.

GCO recorded an EBITDA loss of $2.9 million in 1H 2016 compared to an EBITDA loss of $12.6 million in 1H 2015 as a consequence of increased production performance due, in part, to the operations being in ramp up throughout 2015. Despite the EBITDA result, GCO recorded its first half-year of positive cash flow of $1.4 million since mining commenced in March 2014.

Following solid operational performance in 2H 2015, 1H 2016 production performance 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). First half production was constrained by GCO's first 180 degree mine path turnaround and scheduled maintenance shutdowns of the dredge in February and June.

Activities at GCO during 1H 2016 focused on optimisation projects to drive recoveries, improve availability, enhance utilisation and increase runtime. A number of these projects have been successfully completed and have already led to improved mining and processing conditions.

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 increasing zircon yields and improving production performance of the mineral separation plant. In line with zircon price decreases announced by major producers during 1H 2016, average zircon sales prices decreased during 2Q 2016 by around $100 per tonne compared to 1Q 2016 and FY2015. Whilst TiZir's key North American and European markets have slowed, these markets are now showing signs of stabilising and positive signs are appearing in the European tile market.

Ilmenite sales were impacted early in 2016 due to the ramp up of operations at TTI. 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.

GCO shipped a majority of its ilmenite to TTI during 1H 2016, resulting in $11.0 million of revenue being eliminated from its revenue for consolidation purposes. There was no impact on GCO's EBITDA.

During 1H 2016, GCO initiated a wide-ranging and comprehensive cost-cutting project to identify both cost and operational efficiencies aimed at maximising sustainable operations and increasing the cost competitiveness of the operations.

TiZir's cash flow from operations in 1H 2016 was negative $24.2 million compared to negative $20.7 million in 1H 2015. The primary reason for the decrease in operating cash flow, despite the increase in EBITDA, was the significant build-up of working capital (particularly in receivables) at TTI owing to the operation's ramp up status. The negative impact of the increase in TTI's working capital was offset by positive working capital increases at GCO (mainly through receipts from customers) along with realised exchange gains.

TiZir's capital expenditure reduced in 1H 2016 to $10.2 million (1H 2015: $17.0 million), primarily due to residual payables relating to the furnace reline and capacity expansion project along with sustaining capital expenditure at GCO in relation to plant optimisation projects.

TIZIR LIMITED – FUNDING

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

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

The $60 million committed facility in favour of TiZir ($30 million from each of ERAMET and MDL), agreed to by MDL and ERAMET and approved at a meeting of Bondholders in December 2015 for the payment of interest and principal under the bond issue, has now been established. The facility has, in its entirety, been underwritten by ERAMET.

MDL – FUNDING

MDL's cash and cash equivalents at 30 June 2016 were $6.7 million. The decrease in cash balances of $1.4 million during the period primarily relate to corporate administration expenditure of $2.2 million and repayment of funding provided by ERAMET of $4.0 million. This was offset by proceeds from the disposal of the Company's interest in WTR of $4.7 million and other cash inflows including interest received and realised foreign exchange gains of $0.1 million.

ERAMET provided funding of $8.5 million to TiZir Limited on behalf of MDL ($6.2 million under the terms of the $60 million committed facility mentioned above 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 amount outstanding. The total outstanding balance (including accrued interest) at 30 June 2016 is $7.2 million (31 December 2015: $2.5 million).

OUTLOOK

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

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.

MDL financial summary

$m	1H 2016	1H 2015
50% share of TiZir's underlying loss	**(18.9)**	(17.9)
Interest and other revenue	**2.4**	1.6
Administration expenses	**(1.8)**	(1.7)
Foreign exchange (losses)/gains	**(1.3)**	3.7
Finance costs	**(0.2)**	-
Income tax	**-**	-
Underlying loss	**(19.8)**	(14.3)
Share of TiZir's items excluded from underlying loss	**(0.5)**	(0.5)
Gain on sale / (impairment) of WTR shareholding	**3.4**	(1.9)
MDL Reported loss	**(16.9)**	(16.7)

TiZir financial summary (100% basis)

	Revenue		EBITDA		EBIT	
$m	**1H 2016**	1H 2015	**1H 2016**	1H 2015	**1H 2016**	1H 2015
TTI	52.3	52.3	6.0	7.4	1.8	4.6
GCO	(i)30.9	32.5	(2.7)	(12.6)	(15.0)	(23.9)
Corporate	-	-	(1.5)	(1.8)	(2.9)	(2.2)
Total	**83.2**	**84.8**	**1.8**	**(7.0)**	**(16.1)**	**(21.5)**
Foreign exchange (losses)/gains					(0.5)	0.5
Net finance costs(ii)					(22.3)	(16.7)
Loss before tax					**(38.9)**	**(37.7)**
Income tax					(0.7)	(0.4)
Minority interest					1.8	2.4
TiZir underlying NPAT					**(37.8)**	**(35.7)**
MDL 50% share					**(18.9)**	**(17.9)**
Amortisation of assets recognised on acquisition(iii)					(1.0)	(1.0)
TiZir reported NPAT					**(38.8)**	**(36.7)**
MDL 50% share					**(19.4)**	**(18.4)**

Notes to the financial information

(i) Ilmenite sales from GCO to TTI totalling $11.0 million have been eliminated from GCO's revenue disclosed above. The remaining revenue of $30.9 million represents revenue earned from sales to external customers.

(ii) Net finance costs comprise:

$m	1H 2016	1H 2015
Interest charged on TiZir bond	**(12.3)**	(12.3)
Interest charged on subordinated loans from joint venture partners	**(5.2)**	(3.5)
Interest on working capital facilities	**(1.8)**	(0.5)
Other net interest, borrowing and other finance costs	**(3.0)**	(0.4)
Total net finance costs	**(22.3)**	(16.7)

Other net interest, borrowing costs and other finance costs includes amortisation of borrowing costs incurred in obtaining and amending terms of senior, secured corporate bonds maturing in September 2017.

(iii) As part of the establishment of TiZir in October 2011, specifically identified intangible assets, property, plant & equipment and related deferred tax liabilities are recognised on consolidation and amortised over the useful lives of these assets. The amortisation of such assets during the period amounted to $1.3 million pre-tax and $1.0 million on an after-tax basis and has been excluded from underlying NPAT.

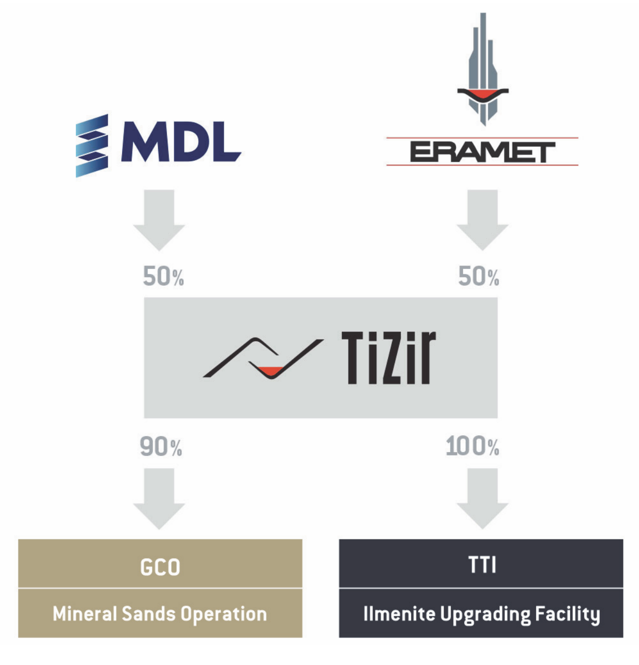
ABOUT MDL

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

MDL owns 50% of the TiZir joint venture in partnership with ERAMET of France. The TiZir joint venture comprises two integrated, operating assets – the Grande Côte mineral sands operation ('GCO') in Senegal, West Africa and the TiZir Titanium & Iron ilmenite upgrading facility ('TTI') in Tyssedal, Norway.

GCO is a large-scale, cost competitive mineral sands operation located in Senegal that is fully integrated from mine-to-ship, using owned or controlled infrastructure. GCO commenced mining activities in March 2014 and, over an expected mine life of at least 25 years, will primarily produce high quality zircon and ilmenite. A majority of GCO's ilmenite is sold to TTI. GCO also produces small amounts of rutile and leucoxene.

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



Forward looking statements

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

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

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

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

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