

2Q 2018 OPERATIONS REVIEW

MDL jointly owns and manages the TiZir joint venture (**TiZir**), which owns 90% of the Grande Côte mineral sands operation (**GCO**) in Senegal, West Africa and 100% of the TiZir Titanium & Iron ilmenite upgrading facility (**TTI**) in Tyssedal, Norway. ERAMET SA (**ERAMET**) of France is MDL's 50% joint venture partner in TiZir. As at 23 July 2018 ERAMET owns 98.02% of MDL shares.

KEY POINTS

GCO

- Mining operations produced 185.0kt of heavy mineral concentrate (**HMC**) in 2Q 2018
- Finished goods production of 158.6kt reflected a 7% increase on 2Q 2017 and 23% increase on 1Q 2018 performance

TTI

- TTI produced 51.3kt of titanium slag and 21.2kt of high-purity pig iron (**HPPI**), continuing its ramp up to full production
- May and June production run-rates consistent with expanded capacity of 230,000 tonnes per annum

Corporate

- Takeover bid launched by Eramet on 27 April 2018 for all of MDL's shares at A\$1.46, subsequently increased to a last and final offer of A\$1.75. The bid was declared unconditional on 5 July 2018
- As at 23 July 2018, Eramet owns 98.02% of MDL shares and has control of MDL and, by extension, TiZir

GCO

Ore mined in the second quarter was 12% (1,352kt) higher than volumes in the first quarter. HMC production was 2% (4.5kt) lower than the first quarter. Total heavy mineral recoveries remained steady at 81%.

On an overall basis, HMC production was 8.6% higher in 1H 2018 compared to 1H 2017.

Total finished goods production was 25% (32.3kt) higher than the first quarter. Production of non-magnetic products was broadly consistent with 1Q 2018 performance. Zircon production was 3% (0.4kt) higher, whilst combined rutile and leucoxene production was 20% (0.5kt) lower than production achieved in 1Q 2018.

Total finished goods production was 8.5% higher in 1H 2018 compared to 1H 2017, consistent with increased HMC production. In particular, zircon production of 32.0kt was 14.7% higher than 1H 2017, while ilmenite production increased by 6.9% (240.9kt).

GCO production volumes

100% basis		2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	1H 2017	1H 2018
Mining								
Ore mined	(kt)	11,793	11,234	10,374	10,900	12,251	23,454	23,151
HMC produced	(kt)	204.2	196.4	183.7	189.5	185.0	344.6	374.4
Finished goods production								
Ilmenite	(t)	126,030	140,713	126,298	104,104	136,837	225,430	240,941
Zircon	(t)	16,203	17,271	16,400	15,805	16,200	27,892	32,005
Medium grade zircon sands	(t)	2,927	5,235	4,846	6,599	6,358	10,106	12,956
Rutile & leucoxene	(t)	2,384	3,047	2,392	2,737	2,190	4,536	4,927

GCO sales volumes

100% basis		2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	1H 2017	1H 2018
Sales volume								
Ilmenite	(t)	129,713	123,474	129,053	85,147	144,692	211,350	229,839
Zircon	(t)	13,722	16,331	17,614	17,906	16,229	26,752	34,135
Medium grade zircon sands	(t)	8,043	3,549	4,010	4,801	6,939	10,754	11,740
Rutile & leucoxene	(t)	3,208	2,398	2,064	3,224	2,044	5,796	5,268

Ilmenite sales volumes were 70% (59.5kt) higher than 1Q 2018. Zircon sales were 9% (1.7kt) lower and rutile and leucoxene sales were 37% (1.2kt) lower than 1Q 2018, however, sales volumes were consistent with 2Q 2018 production. Medium grade zircon sands sales were 45% (2.1kt) higher than volumes sold in the first quarter.

Sales volumes for all products were 10.3% higher in 1H 2018 compared to 1H 2017, consistent with increased production during the period. In particular, zircon sales volumes of 34.1kt were 27.6% higher in 1H 2018, while ilmenite sales increased by 8.7% (229.8kt).

TTI

Production at TTI ramped up from mid-April following a gear box failure in the pre-reduction kiln in February. Operations for the quarter achieved production of 51.3kt of titanium slag and 21.2kt of HPPI. Production during May and June exhibited run rates in line with the facility's expanded production capacity of 230,000t of chloride slag.

Consistent with the ramped-up production volumes, titanium slag sales were 21% (7.6kt) and HPPI sales were 5% (0.9kt) higher than first quarter levels.

Production and sales volumes for TTI were both higher in 1H 2018 compared to 1H 2017. Specifically, titanium slag sales were 37.6% higher in 1H 2018 due to inventory build in 1H 2017 and subsequent inventory drawdown experienced in 1H 2018.

TTI physical volumes

100% basis		2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	1H 2017	1H 2018
Titanium slag								
Produced	(kt)	49.5	53.2	50.7	34.0	51.3	77.3	85.2
Sold	(kt)	47.1	39.0	62.1	36.6	44.2	58.7	80.8
HPPI								
Produced	(kt)	20.1	21.6	20.8	14.2	21.2	31.4	35.2
Sold	(kt)	20.0	15.2	23.3	17.1	18.0	27.0	35.2

TIZIR

At 30 June 2018, external borrowings (excluding shareholder loans) by TiZir amounted to US\$359.7 million, comprising the US\$300 million senior secured bonds (including accrued interest) and amounts drawn under TTI's and GCO's working capital facilities.

TiZir's cash and cash equivalents at 30 June 2018 were US\$50.5 million, giving external net debt of US\$309.2million.

TiZir's sales revenue for the quarter was approximately US\$79.8 million.

MDL CORPORATE

On 27 April 2018, ERAMET launched a takeover of MDL and, on 10 July 2018, MDL's board of directors unanimously recommended shareholders accept the ERAMET offer.

As announced in ERAMET's 10th supplementary bidder's statement released to the ASX on 24 July 2018, ERAMET currently holds a relevant interest in more than 90% of MDL shares and is exercising its right to compulsorily acquire all the remaining MDL shares. The offer period has been extended for the last time and will now close at 7:00pm (Sydney time) on Friday, 3 August 2018.

As a consequence of the takeover bid, MDL's representative directors of the TiZir board resigned on 18 July 2018. Further, on 20 July 2018, the Company's board was reconstituted resulting in the resignations of Martin Ackland, Tom Whiting and Charles (Sandy) MacDonald and the appointment of Sébastien Roquejeoffre, Charles Nouel and Jean-Michel Fourcade. The Company would like to take this opportunity to thank Mr Ackland, Dr Whiting and Mr MacDonald for their outstanding service to the Company and wish them well in their future endeavours.

As announced on 25 May 2018, all AGM resolutions were passed by the requisite majority of the Company's shareholders on a poll. Subsequently, the Company granted a total of 702,689 unlisted performance rights to MDL personnel, including members of its executive team.

At 30 June 2018:

- issued shares were 196,985,649 and unlisted, unvested performance rights were 3,040,898. Following the change of control of the Company on 10 July 2018, the unlisted performance rights vested and were exercised by participants of the shareholder approved MDL Performance Rights Plan. Consequently, as at the date of this operations review, the Company has 200,026,547 shares and nil performance rights on issue.
- cash was US\$9.6 million (approx. A\$13.0 million)
- zero debt

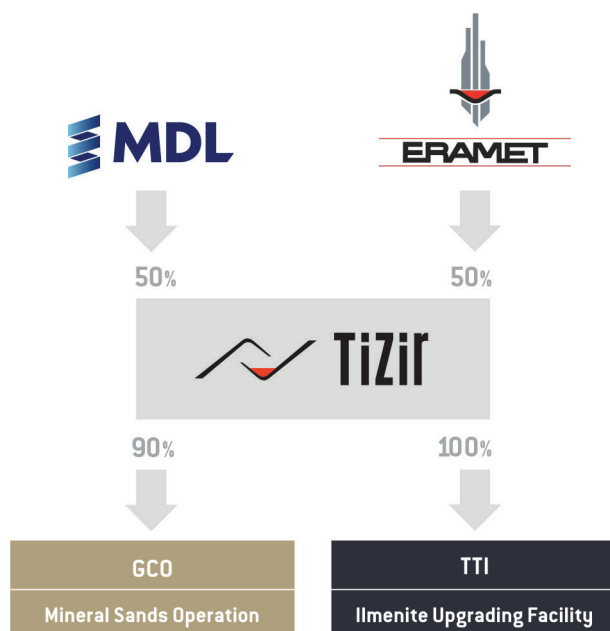
ABOUT MDL

Mineral Deposits Limited (ASX: **MDL**) is an established, ASX-listed, integrated mining company which jointly owns and manages TiZir Limited (**TiZir**) in partnership (50/50) 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 currently projected to 2050, 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. The government of the Republic of Senegal is a valued project partner, holding a 10% interest in Grande Côte Operations SA.

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, financing risks, 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.

Information in this release should be read in conjunction with other announcements made by MDL to the ASX.

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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