

First Quarter 2013 Operations Review

Tyssedal

- Operations remain steady with the plant operating at a rate of 200kt of titanium slag per annum, with production of 50.7kt of titanium slag (up 11% on 1Q 2012) and 28.6kt of high purity pig iron (up 13% on 1Q 2012).

Grande Côte

- Construction 70% complete, with key highlights during the period being the launch of the completed dredge into the start-up pond and completion and commencement of power plant commissioning.
- With extensive experience in mineral sands mining, and led by COO Simon Finnis, all senior operational management personnel are now in place.
- New tails densification module added to project scope: An operational risk review has resulted in an addition to the wet concentrator plant to simplify tails placement and improve stacking characteristics. This has an estimated cost of \$20m.
- Schedule Update: Due to delays in the delivery of pre-fabricated structural steel work (primarily for the wet concentrator plant) and the inclusion of the additional module, the commissioning of the wet concentrator plant and the mineral separation plant will now occur in the 2014 first quarter, rather than at 2013 year-end as originally planned.
- Construction Cost Update: Expenditure during the quarter was \$92m. Expenditure to March-end was \$416m. Allowing for the schedule movement and additional tailings module, estimated cost to completion is \$187m.



After a successful launch, the dredge floats on the start-up pond



Power station construction complete with first engine started late March

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

Tyssedal

| 100% basis | | 1Q 2012 | 2Q 2012 | 3Q 2012 | 4Q 2012 | 1Q 2013 | Year 2012 |
|-----------------------------|------|------------|------------|------------|------------|------------|--------------|
| Titanium Slag | | | | | | | |
| Produced | (kt) | 45.7 | 32.1 | 52.8 | 50.5 | 50.7 | 181.1 |
| Sold | (kt) | 43.7 | 29.0 | 35.3 | 48.8 | 37.2 | 156.9 |
| High Purity Pig Iron | | | | | | | |
| Produced | (kt) | 25.3 | 18.0 | 30.0 | 28.1 | 28.6 | 101.3 |
| Sold | (kt) | 28.6 | 23.5 | 19.7 | 32.7 | 29.7 | 104.5 |

Tyssedal continued to produce at an annualised rate of around 200,000 tpa of titanium slag, producing 50.7kt of titanium slag and 28.6kt of high purity pig iron (HPPI) during the quarter. With subdued demand from pigment customers as they continue to run down their finished pigment inventories, lower prices for titanium slag are being encountered, down some 20% on 2012 average achieved price levels. Pricing for HPPI was also softer during the quarter.



Dredge being winched into position mid-launch



Surge bin is lifted into place on the WCP pontoons

Grande Côte

Grande Côte is now approximately 70% complete, with the final construction phase centring on the on-site fabrication of the wet concentrator plant (WCP) and the mineral separation plant (MSP).

Construction expenditure during the quarter was \$92 million, taking total spent at March-end to US\$416 million. Highlights for the quarter were:

- the safe and successful launch of the dredge “YEENE” into the start-up pond; and
- completion and commencement of commissioning of the power station with the first engine started.

A risk review and subsequent recommendation by the operational team, which has been approved, is to increase the density of the tails (i.e. sand and water) being disbursed from the WCP. This will reduce the operational complexity of handling the tails and will be achieved by the inclusion of a densification module in front of the tailings stacker. The estimated cost of this additional module is \$20 million.

Detailed engineering and procurement are now largely finalised for what are the two largest work areas of the project, the WCP and MSP, allowing for more confident predictions of schedule and cost.

From a schedule perspective, delays in the delivery of prefabricated structural steelwork (primarily for the WCP) and the inclusion of the tails densification module means that commissioning of the WCP and the MSP will now occur in the March 2014 quarter, rather than the December 2013 quarter as originally planned.

The estimated cost to completion at March-end was \$187 million, which includes the tails densification module and a \$20 million increase in the estimate for completion of the WCP and the MSP due largely to schedule movement and other costs related to slow fabricated steel deliveries from Egypt. Funding will be sourced from \$58 million of existing cash balances within TiZir, the remaining \$50 million of equity from the owners (to be injected during the current quarter), a \$45 million loan from Eramet (as per the original shareholders agreement), as well as internally generated cash flows from the Tysedal operation. A \$50 million working capital facility is also proposed in due course.

Project Snapshot

| | |
|--------------------------------|---|
| Safety | <ul style="list-style-type: none"> • Project reached 4 million man-hours in January 2013 without incurring a lost time injury (LTI), however, it was deeply disappointing that two LTIs were sustained during the quarter |
| Dredge | <ul style="list-style-type: none"> • Dredge has been successfully launched into the start-up pond • Trimming of vessel will now occur and commissioning of the automated winch positioning systems is on track to commence by the end of April |
| Water bores & pipeline | <ul style="list-style-type: none"> • 9 of 12 deep water, high capacity bores completed, with 10th bore underway |
| Wet concentrator plant (WCP) | <ul style="list-style-type: none"> • Spiral module progressing well with structure of first level nearing completion • Surge bin module also progressing well with 12 pontoons now on site and remainder in transit from the manufacturer. Surge bin has been lifted into place • Timely delivery of structural steel is #1 issue in this area |
| Mineral separation plant (MSP) | <ul style="list-style-type: none"> • Work continues on all fronts with both wet and dry mills progressing well • Timely delivery of structural steel is also an issue |
| Power station | <ul style="list-style-type: none"> • Commissioning commenced with first engine started late-March |
| Rail | <ul style="list-style-type: none"> • All rail areas progressing very well and on track for September 2013 completion • Tampering of ballast/track (using GCO-owned tamper) now well underway • Rail wagons and hoppers en route from China |
| Port | <ul style="list-style-type: none"> • Concrete works nearing completion • Storage building erection underway |

TiZir Management Appointments

We are pleased to advise that Jean-Michel Fourcade has been appointed as the Chief Executive Officer of TiZir. Jean-Michel has been a Director of TiZir since its formation and part of the Eramet team that, together with representatives from MDL, created the joint venture. He brings to TiZir long standing management experience from the mining and mineral processing industries, including a range of senior roles in the minerals industry. Jean-Michel will shortly move to London to open the TiZir office and begin building a full executive team there. He will step down as a Director of TiZir to assume the role of CEO and will be replaced on the board by Herve Montegu, the CFO of the Eramet Manganese Division. The TiZir Board is very pleased that Jean-Michel has agreed to take on this role, leading the group through the final stages of the Grande Côte investment program and production ramp-up, as well as further developing the smelter in Tyssedal.

The construction team, under the leadership of Adam Smits, is entering the final phase of construction at Grande Côte. The operational team is also taking shape, with all key management positions having been filled by people with extensive mineral sands mining operating experience. The team is led by Simon Finnis, who has vast management experience along with a wealth of knowledge, involvement and contacts in the mineral sands mining industry. Significant progress has already been made towards the transition to operations at Grande Côte.



Inside the newly-built power station



After launch, the dredge floats on the start-up pond, while construction of the WCP continues (left)



Construction of spiral module & surge bin assembly progresses at the WCP



Construction at the MSP - wet mill (left), intermediate zircon storage (centre) & dry mill (right)



Construction at the MSP - stores (left) and workshop (right)

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Dry mill construction at the MSP progresses



First engine started at the power station



Rail tamping takes place at Tivaouane



New track from the MSP to Mécckhe nears completion



Concentrate warehousing under construction at the port

Corporate

At 31 March 2013:

- issued shares were 83,538,786;
- unlisted options were zero;
- cash and cash equivalents were US\$48 million;
- debt was zero;
- Investments:
 - 16% of Teranga Gold Corporation (ASX: TGZ, TSX: TGZ) valued at US\$45 million
 - 15% of World Titanium Resources (ASX: WTR) valued at US\$13 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 world-class Grande Côte Mineral Sands Project in Senegal, West Africa and an ilmenite upgrading facility in Tyssedal, Norway.

Grande Côte, with construction now approximately 70% complete, 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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