MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED 31 DECEMBER 2011

Mineral Deposits Limited (ASX: MDL; TSX: MDM), is an Australian based mining company in the business of finding, mining and processing mineral sands resources.

MDL owns 50% of TiZir Limited which, effective 1 October 2011, owns the Grande Côte Mineral Sands Project in Senegal, West Africa and an ilmenite upgrading plant in Tyssedal, Norway.

Grande Côte, over an expected mine life of at least 20 years, is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucoxene) when in full production. It is currently being developed with production expected to commence late-2013.

The Tyssedal ilmenite upgrading plant smelts ilmenite to produce a high-TiO_2 titanium slag which is sold to pigment producers and 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.

The following Management's Discussion and Analysis ("MD&A") provides an analysis of the financial condition and results of operations of the company for the period ended 31 December 2011 and has been prepared as of 24 February 2011. This MD&A is intended to complement and supplement, but does not form part of, the audited Consolidated Annual Report of MDL and the notes thereto for the period ended 31 December 2011 (the "Consolidated Annual Report"). It should be read in conjunction with the Consolidated Annual Report.

The Consolidated Annual Report and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards.

Additional information about the company, including the Consolidated Financial Report, is available on SEDAR at www.sedar.com and on the company's website at www.mineraldeposits.com.au.

All dollar amounts contained in this MD&A are expressed in United States dollars, unless otherwise stated.

TRANSITIONAL FINANCIAL YEAR

The Australian Securities and Investment Commission (ASIC) granted relief to enable the company to change its financial year-end from 30 June to 31 December. The change of year-end enables the company to align its year-end with that of its subsidiaries and joint venture partners. The change in year-end results in the current financial period is a transitional six-month period from 1 July 2011 to 31 December 2011. In future, the company will report its results as normal with respect to a 31 December financial year-end.

1. DECEMBER 2011 QUARTER HIGHLIGHTS

Tyssedal ilmenite upgrading plant

The December quarter for Tyssedal was its strongest from a production perspective for the year. Titanium slag production was 49.5 thousand tonnes, compared to 178.1 thousand tonnes for the 2011 year (which was 10% below the 2010 level). High Purity Pig Iron (HPPI) production was 27.6 thousand tonnes for the December quarter and 100.1 thousand tonnes for the 2011 year.

Grande Côte Mineral Sands Project

Grande Côte development activity continued to increase during the December quarter with more than 450 people on site by December end. Importantly, from a safety perspective there were zero Lost Time Injuries during the entire year. Cash expenditure on the project during 2011 was approximately $53 million, plus $15 million for the port leasehold.

Significant activities and events during the quarter included:

- award of earthworks package to Dawnus International;
- award of deep water bore drilling contract to Bauer Technologies;
- award of the Rail & Port works package to Ausenco-Sandwell – the last major works package to be awarded;
- signing of Presidential Decree for rail & port concession;
- completion of construction camp expansion;
- completion of site offices and workshops to support construction activities;
- new camp & mess inauguration by Minister Of Mines and Minister of Transport – with 300+ guests;
- further delivery of mobile equipment (including a 500 tonne crane) such that the majority of all mobile equipment is now on site;
- continued excavation of the floating plant assembly site as well as commencement of MSP earthworks;
- continued offsite build and procurement of dredge (by Ausenco/UniThai) and power station (by Wartsila);
- clearing/unearthing and subsequent ultrasonic testing of rail track section (approximately 28km) between Meckhe and Tivaouane; and
- installation of microwave link IT infrastructure – online January 2012.

Equity investment in World Titanium Resources Limited

Late in the quarter, MDL acquired a 14.9% interest in the ordinary shares of World Titanium Resources Limited ("WTR") at a cost of approximately A$12.1 million. WTR is an ASX listed company (ASX: WTR) which owns the Toliara mineral sands project in Madagascar. The Toliara project is based on two exploration areas located north of the port in Toliara in southwest Madagascar. The project is based on a large mineral sands occurrence containing the valuable heavy minerals ilmenite, rutile, zircon and leucoxene. The project has been extensively studied and, from MDL's perspective, represents a prime development opportunity.

Non-executive director appointment

In January 2012, Dr Tom Whiting was appointed a non-executive director of the company. Tom brings to MDL a wide range of international mining industry experience and, in particular, a strong background in larger company systems and processes. Tom has over 30 years' experience in global minerals exploration management, which included numerous senior management roles over a 20 year career with BHP Billiton.

Tom's appointment will strengthen the non-executive component of the board, creating a majority of non-executive directors.

2. CONSOLIDATED RESULTS

The following table summarises the company's consolidated results:

	3 months ended 31 Dec 2011 US$'000	6 months ended 31 Dec 2011 US$'000	12 months ended 30 June 2011 US$'000
Share of net profit of joint venture using equity accounting	1,780	1,780	-
Other income/(expenses)	252	1,683	1,206
Administration expenses	(1,239)	(5,328)	(9,378)
Borrowing costs	-	-	(2,396)
Foreign currency losses	(10,432)	(3,459)	(34,953)
Gain on disposal of subsidiary	-	-	23,817
Gain on in specie distribution	-	-	290,221
Gain on contribution of mineral sands division to joint venture	79,322	79,322	-
Income tax expense	-	-	(11)
Loss from discontinued operations – Sabodala gold assets*	-	-	(13,935)
Loss from discontinued operations – Mineral sands division*	-	(1,856)	(124)
Profit attributable to minority interests	-	606	1,396
Profit attributable to owners of the parent	**69,683**	**72,748**	**255,843**
Basic earnings per share (cents)	83.4	87.1	423.5
Diluted earnings per share (cents)	83.3	87.0	423.5

** Full disclosure in relation to discontinued operations can be found in Note 9, 35 & 36 of the Consolidated Financial Report for the period ended 31 December 2011.*

Effective 1 October 2011, MDL owns 50% of TiZir Limited ("TiZir") which owns the Grande Côte Mineral Sands Project in Senegal, West Africa and an ilmenite upgrading plant in Tyssedal, Norway. The company uses equity accounting to reflect its interest in TiZir.

Full disclosure of the earnings of TiZir are set out in the Consolidated Financial Report for the period ended 31 December 2011 (refer to note 26).

December 2011 quarter

Equity accounting earnings from TiZir amounted to $1.8 million for the quarter, reconciled as follows:

	For the three months ended 31 Dec 2011 US$'000			
	Grande Côte Mineral Sands Project	TiZir Titanium and Iron	Other*	Consolidated TiZir Limited
Sales	-	41,350	-	41,350
Cost of goods sold	-	(32,717)	-	(32,717)
Gross profit	**-**	**8,633**	**-**	**8,633**
Other revenue	40	1,033	-	1,073
Administration expenditure	(196)	-	(1,414)	(1,610)
Finance costs	-	(20)	-	(20)
Foreign exchange losses	-	(142)	(292)	(434)
Depreciation and amortisation expense	(160)	(1,757)	-	(1,917)
Profit/(loss) before tax	**(316)**	**7,747**	**(1,706)**	**5,725**
Income tax expense	-	(2,183)	-	(2,183)
Profit/(loss) for the period	**(316)**	**5,564**	**(1,706)**	**3,542**
Attributable to non-controlling interest				18
Profit attributable to joint venture partners				3,560
Share of net profit of joint venture attributable to MDL shareholders				**1,780**

* Other represents TiZir Limited parent entity results and applicable consolidation elimination entries.

The company earned a profit of $79.3 million for the contribution of the Mineral sands division to TiZir being the difference between the fair value of shares in TiZir received as consideration and the fair value of assets and liabilities contributed to TiZir.

Foreign exchange losses were $10.4 million from the revaluation of intercompany loans and cash balances from AUD to USD.

3. CASH FLOW

The following table summarises the company's cash flow activities:

	3 months ended 31 Dec 2011 US$'000	6 months ended 31 Dec 2011 US$'000	12 months ended 30 June 2011 US$'000
Cash flow			
Operating activities	(5,506)	(10,280)	16,175
Investing activities	(21,871)	(54,812)	(9,956)
Financing activities	-	775	145,904
Change in cash and cash equivalents during period	(27,377)	(64,317)	152,123
Cash and cash equivalents – beginning of period	130,729	173,322	13,832
Effect of exchange rates on cash holdings	3,881	(1,772)	7,367
Cash and cash equivalents – end of period	107,233	107,233	173,322

The net decrease in cash for the three months ended 31 December 2011 was $23.5 million, including the effect of exchange rates on cash holdings in foreign currencies of $3.9 million.

Net cash used by operating activities was $5.5 million comprising the payment of costs relating to the arrangement of TiZir of $3.3 million and other corporate administration costs of $2.2 million.

Net cash used in investing activities was $21.9 million, primarily reflecting:

- payment of $8.8 million for the acquisition of shares in World Titanium Resources Limited;
- cash balances of the Grande Côte Mineral Sands Project contributed to TiZir of $7.2 million; and
- amounts advanced to TiZir of $6.1 million;

4. FINANCIAL POSITION

The following table summarises the company's financial position:

	As at 31 Dec 2011 US$'000	As at 30 June 2011 US$'000
Cash and cash equivalents	107,233	173,322
Investment in TiZir	236,208	-
Investment in Teranga Gold Corporation	78,559	105,122
Investment in World Titanium Resources	12,310	-
Property, plant and equipment	795	31,358
Other current assets	914	5,049
Other non-current assets	46	62,336
Total assets	436,065	377,187
Current liabilities	5,596	3,424
Non-current liabilities	41	52
Total liabilities	5,637	3,476
Total equity	430,428	373,711

Following the contribution of the Grande Côte Mineral Sands Project to TiZir on 1 October 2011, the assets and liabilities pertaining to Grande Côte are no longer included in the statement of financial position. These have been replaced by the investment in TiZir of $236.2 million.

Full disclosure of the financial position of TiZir are set out in the Consolidated Financial Report for the period ended 31 December 2011 (refer to note 26).

The company had no external borrowings as at 31 December 2011.

5. LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2011, the company had cash balances of $107.2 million (2011 - $173.3 million).

During the six month period to 31 December 2011 year, MDL derived $0.8 million of proceeds (net of share issue costs) from the issue of 123,670 ordinary shares as part of the retail component of the non-renounceable pro-rata entitlement offer and institutional placement priced at A$6.00 per share.

The company continues to hold 40 million shares in Teranga Gold Corporation (ASX/TSX code: TGZ) valued at $78.6 million as at 31 December 2011.

On 21 December 2011, the company acquired a 14.9% interest in World Titanium Resources Limited (ASX code: WTR) valued at $12.3 million at 31 December 2011.

The company had no external borrowings as at 31 December 2011.

6. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at 31 December 2011, the company had the following payments due on contractual obligations:

(Amounts in US$ millions)	Total	< 1 year	1-3 years	4-5 years	>5 years
Operating lease commitments	1.4	0.3	1.1	-	-
Capital expenditure commitments	-	-	-	-	-
Total	**1.4**	**0.3**	**1.1**	**-**	**-**

Commitment to Joint Venture

The ongoing development of Grande Côte will be funded within TiZir. After the initial $30 million cash injection into TiZir by ERAMET, a $45 million loan facility from ERAMET and a proposed external debt facility of approximately $150 million, it is anticipated that equity funding of approximately $150 million will be required from each of MDL and ERAMET to fund the project, with approximately $65 million having already been contributed by each.

With cash at 31 December 2011 of $107 million and the Teranga shareholding worth approximately $78.5 million, more than sufficient funding exists for MDL's anticipated remaining equity contribution (approximately $85 million).

7. CONTINGENT LIABILITIES

Mineral Deposits Limited and controlled entities

- The company has a deed of cross guarantee with its wholly-owned subsidiaries MDL (Mining) Limited and MDL Gold Limited.
- The company confirmed directly or via its holding subsidiaries that it will continue to provide financial support to its subsidiaries to enable them to meet their obligations as they fall due for a period of not less than 12 months.
- The company's subsidiary Mineral Deposits (Operations) Pty Ltd faces potential contingent liabilities in relation to its rehabilitation obligations on its New South Wales ("NSW") exploration and mining tenements. The nature of these rehabilitation obligations includes revegetation. Some aspects of the rehabilitation obligations extend for a period in excess of 10 years after the cessation of previous mining activities. Ongoing rehabilitation work continues at the sites in NSW, Australia. No adverse situations were reported and work continued as scheduled.
- There are no outstanding native title claims against the company which could or would have a financial impact.

TiZir Limited

The company faces contingent liabilities relating to its 50% interest in TiZir Limited. The amounts disclosed below represent the company's share of these potential liabilities:

- A$250,000 within 30 days of completion of a bankable feasibility study for the project and on securing all the necessary funding either by debt or equity from an internationally recognised banking or financial institution to develop the project;
- A$250,000 within 30 days of receipt by (the successor to) MDL Senegal SARL, a subsidiary of MDL, of the first payment for a commercial arm's-length sale of product from the project;
- $75,000 per annum on social development of local communities in the Grande Côte and surrounding region during the term of the Mining Concession, and during the entire period of validity of the Mining Convention, $200,000 for the pre-production and thereafter $200,000 during the period of production; and
- $25,000 per year of production on training of Directorate of Mines and Geology officers and logistical support to the technical services of the Ministry for Mines.

8. SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The table below shows selected unaudited financial data for each of the eight most recently completed quarters:

Three months ended	Dec 11	Sep 11	Jun 11	Mar 11	Dec 10	Sep 10	Jun 10	Mar 10 Restated
Revenue ($m) (i)	-	-	-	-	-	-	-	-
Share of TiZir net profit	1.8	-	-	-	-	-	-	-
Net income/(loss) ($m)	69.7	4.3	(5.2)	(4.4)	311.8	(32.4)	13.8	(6.6)
Profit/(loss) from Discontinued Ops ($m)	-	(1.9)	-	-	(45.9)	32.0	(27.9)	13.5
Total net income/(loss) ($m)	69.7	2.4	(5.2)	(4.4)	265.9	(0.4)	(14.1)	6.7
Basic net income/(loss) per share (cents) (ii)	83.4	3.7	(8.5)	(7.3)	437.9	(0.7)	(24.6)	11.7
Diluted net income/(loss) per share (cents) (ii)	83.3	3.7	(8.5)	(7.3)	437.9	(0.7)	(24.6)	11.7
Weighted average number of shares	83.5	60.7	61.3	60.7	60.7	58.9	57.4	57.4

(i) Revenue earned in each quarter has been adjusted to reflect the impact of the demerger of the Sabodala gold assets on revenue from continuing operations. The quarterly results of the Sabodala gold assets are included in profit/(loss) from discontinued operations.

(ii) Weighted average number of shares has been adjusted for each previous period disclosed above as if the share consolidation had taken place in each period. This has resulted in changes to both basic and diluted earnings per share values for each quarter disclosed.

9. CRITICAL ACCOUNTING JUDGEMENTS

The following are critical judgements that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Ore reserves

The consolidated entity estimates its ore reserves based upon information compiled by Competent Persons as defined in accordance with the Australasian code for reporting Exploration Results, Mineral Resources and Ore Resources of December 2004 and Qualified Persons as defined in NI43-101. The estimated quantities of economically recoverable reserves are based upon interpretations of geological models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported reserves estimates can impact the carrying value of property, plant and equipment, provision for rehabilitation obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the income statement.

Capitalisation of development costs

The consolidated entity's accounting policy requires judgment in determining whether it is likely that future economic benefits are recoverable, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recoverability is unlikely, these amounts are written off in the period in the statement of comprehensive income to the extent of their recoverable amount.

10. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the company's Annual Report for the year ended 31 December 2011 are consistent with those adopted and disclosed in the company's Annual Report for the financial year ended 30 June 2011.

11. INFORMATION ON OUTSTANDING SHARES

At the date of this report, the company had on issue 83,538,786 ordinary shares and unlisted securities to acquire ordinary shares as follows:

ASX Code		Grant Date	Expiry Date	Exercise Price A$	No.
MDLAU	Share option	19 July 2007	18 July 2012	12.78	45,000
MDLAW	Share option	29 November 2007	29 November 2012	12.78	475,000
MDLAY	Share option	5 December 2007	5 December 2012	12.78	100,000
					620,000
	Performance rights	31 August 2011	31 August 2016	-	**250,000**

Performance rights were granted on 31 August 2011 to directors to accept ordinary shares at any time subject to vesting conditions:

- one-third – vest provided the director remains employed with MDL until 31 August 2014;
- one-third - A calculation of the relative Total Shareholder Return (“TSR”) of MDL measured against a pre-determined comparator group (the comparator group being the S&P/ASX Resources 300 Index excluding those companies which are also in the S&P/ASX Resources 100 Index) during the period from 1 September 2011 to 31 August 2014, whereby the relative TSR hurdle vests:
  - 50% where the TSR performance is better than 50% of the comparator group
  - 100% where the TSR performance is better than 75% of the comparator group
  - proportionate straight line vesting from 50% to 100% where the TSR performance is between 50% and 75% of the comparator group; and
- one-third - Achievement of commercial sales of product from Grande Côte prior to 1 July 2014.

Performance rights issued to directors are measured at fair value at the date of grant and are amortised over the vesting period. As allowed under Accounting Standards, fair value is determined using a generally accepted valuation model.

Movements in share options during the period

On 1 July 2011 the following share options expired:

MDLAA	Share option	10 July 2008	10 July 2011	A$10.78	1,000,000

No share options were issued to directors, senior personnel or employees during the financial period.

12. TRANSACTIONS WITH RELATED PARTIES

Transactions between the group and its related parties:

During the financial period ended 31 December 2011, the following transaction occurred between the group and its related parties:

- technical assistance was provided by the company’s subsidiary Mineral Deposits Mauritius Limited to its related party Grande Côte Operations SA. Prior to the contribution of Mineral Deposits Mauritius Limited to the joint venture with ERAMET, it charged $677,043 (30 June 2011 – $1,019,187) in relation to the provision of these services in accordance with the Technical Fee agreement;

Transactions and balances between the group and its related parties were eliminated in the preparation of the consolidated financial statements of the group.

Transactions with director related entities

During the financial period ended 31 December 2011, the following transaction occurred between the group and its director related entities:

- office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Flow Energy Limited of which Mr Nicholas Limb is a non-executive director. The company charged $30,268 (30 June 2011 – $54,398) (excluding GST) in relation to the provision of these services to 31 December 2011;
- technical assistance, office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Stellar Resources Limited of which Dr David Isles continues as director. The company charged $22,784 (30 June 2011 – $43,522) (excluding GST) in relation to the provision of these services to 31 December 2011; and
- technical and geological assistance was provided to the consolidated entity at commercial rates by Flow Energy Limited of which Mr Nicholas Limb is a non-executive director. The company was charged $nil (30 June 2011 – $58,511) (excluding GST) in relation to the provision of these services to 31 December 2011.

13. DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

MDL's Managing Director (as Chief Executive Officer ("CEO") of the company) is responsible for establishing and maintaining the company's disclosure controls and procedures. Access to material information with respect to the company is facilitated by the small size of the company's senior management team. The CEO, after evaluating the effectiveness of the company's disclosure controls and procedures as of 31 December 2011, has concluded that the company's disclosure controls and procedures were adequate and effective to ensure that material information relating to MDL and its subsidiaries would have been known to them and evaluated for possible disclosure to the market.

Internal controls over financial reporting

Management of the company, with the participation of the CEO, are responsible for establishing and maintaining adequate internal controls over financial reporting. The company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes. There have been no significant changes in the company's internal control over financial reporting or in other factors that could significantly affect internal controls.

14. RISKS AND UNCERTAINTIES

The company is subject to various financial and operational risks and uncertainties that could have a significant impact on profitability and levels of operating cash flow. These risks and uncertainties include, but are not limited to: fluctuations in metal prices (principally the price of zircon and ilmenite), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.

Risks and uncertainties about the company's business are more fully discussed in the company's disclosure documents filed from time to time with the Canadian and Australian securities authorities. Readers should read MDL's financial statements for the financial period ended 31 December 2011, the Annual Information Form for 2010 and technical reports filed on SEDAR (www.sedar.com) and any future amendments to such reports. Readers are also directed to the cautionary notices and disclaimers contained herein.

15. ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as of 24 February 2012. Additional information about the company, including its Annual Financial Statements and Interim Financial Statements, is available on SEDAR at www.sedar.com and on the company's website at www.mineraldeposits.com.au.

16. FORWARD LOOKING STATEMENTS

Certain information included in this MD&A, including any information as to the company's future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". The words "expect", "will", "intend", "estimate" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The company cautions the reader that such forward-looking 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 and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to: fluctuations in metal prices (principally the price of zircon and ilmenite), capital and operating cost estimates, borrowing risks, production estimates, need for additional financing, uncertainty in the estimation of mineral reserves and mineral resources, the inherent danger of mining, infrastructure risk, hedging activities, insured and uninsured risks, environmental risks and regulations, government regulation, ability to obtain and renew licenses and permits, foreign operations risks, title to properties, competition, dependence on key personnel, currency, repatriation of earnings and stock exchange price fluctuations.