MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED 31 MARCH 2012

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-TiO2 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 three months ended 31 March 2012 and has been prepared as of 9 May 2012. This MD&A is intended to complement and supplement, but does not form part of, the unaudited consolidated financial statements of MDL and the notes thereto for the three months ended 31 March 2012 (the "Interim Financial Statements"). It should be read in conjunction with the Interim Financial Statements and with the company's audited consolidated financial statements for the financial period ended 31 December 2011 and related notes thereto (the "Annual Financial Statements").

The Annual Financial Statements, the Interim Financial Statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS").

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.

1. OPERATIONAL REVIEW

Tyssedal ilmenite upgrading plant

Titanium slag production for 1Q2012 was 45.7 thousand tonnes, which is consistent with 2011 total production of 178.1 thousand tonnes. High purity pig iron (HPPI) production for 1Q2012 was 25.3 thousand tonnes, which is also consistent with 2011 total production of 100.1 thousand tonnes. The average selling price of titanium slag for 1Q2012 was $1,018/t, compared with $448/t for CY2011.

100% basis		1Q 2011	2Q 2011	3Q 2011	4Q 2011	**1Q 2012**	Full Year 2011
Titanium Slag							
Produced	(kt)	42.1	45.0	41.5	49.5	**45.7**	178.1
Sold	(kt)	28.6	42.8	43.0	53.4	**43.7**	167.8
Average selling price per tonne	(US$/t)					**1,018**	448
High Purity Pig Iron							
Produced		23.5	25.8	23.2	27.6	**25.3**	100.1
Sold		26.2	25.3	21.2	21.7	**28.6**	94.4
Average selling price per tonne	(EUR/t)					**461**	472
Cash costs per tonne of slag production							
Excluding HPPI revenue as a credit to costs [1]	(US$/t)					**702**	680
Including HPPI revenue as a credit to costs [2]	(US$/t)					**322**	332

[1] Costs before depreciation/amortisation, finance charges and tax, divided by tonnes of titanium slag produced, excluding HPPI revenue as a credit against costs

[2] Costs before depreciation/amortisation, finance charges and tax, with HPPI revenue as a credit against costs, divided by tonnes of titanium slag produced

Given continual operational issues with the pre-reduction rotary kiln, it has been decided to bring forward to May 2012 a major maintenance programme, which will include a reline of the kiln, to improve performance. The maintenance programme will involve the shutdown of the kiln for approximately one month. During this period, the furnace will operate at a reduced capacity, with the loss of approximately 10,000 tonnes of titanium slag production. Production guidance for 2012 is now 170-175 thousand tonnes of titanium slag.

Grande Côte Mineral Sands Project

Construction expenditure for Grande Côte during 1Q2012 was $37 million, compared to $53 million during all of 2011. Expenditure is expected to continue to ramp up over coming months to around $30 million per month.

Project Snapshot

Safety	• No LTIs at 661k man-hours
Budget	• $5m of design improvements lifts estimated project cost to $521m • $6m of $29m general contingency utilised
Dredge	• Design and procurement 100% complete / fabrication in Thailand 55% complete
Dredge Pond	• 35% of total pond excavated to final depth, including completion of construction pad • Erection of 500t crane scheduled for late April
Wet concentrator	• All key packages have been ordered
Mineral Separation Plant	• Bulk earthworks of entire site (600m x 400m) have been completed • 240 truckloads per day of capping material now being delivered
Power Station	• Engineering 95% complete / procurement 55% complete • Wartsila mobilising to site May 2012
Rail	• Bulk earthworks have been completed for 4km of 22km rail corridor to connect MSP to existing rail line
Port	• Demolition of existing building complete / new building design well underway

2. CONSOLIDATED RESULTS

The following table summarises the company's consolidated results:

	Three-months ended 31 March	
	2012 US$'000	2011 US$'000
Share of TiZir net profit using equity accounting	9,978	-
Other income	636	647
Administration expenses	(1,750)	(2,592)
Foreign currency losses	(879)	(2,463)
Income tax expense	-	-
Loss from discontinued operations – mineral sands division*	-	(25)
Profit/(loss) attributable to owners of the parent	**7,985**	**(4,433)**
Earnings per share		
Basic earnings per share (cents)	9.6	(7.3)
Diluted earnings per share (cents)	9.5	(7.3)

* Full disclosure in relation to discontinued operations can be found in Note 4 of the Consolidated Interim Financial Statements for the three month period ended 31 March 2012.

Full disclosure of the earnings of TiZir is set out in the Consolidated Interim Financial Statements for the period ended 31 March 2012 (refer to note 10).

March 2012 quarter

Equity accounting earnings from TiZir amounted to $10.0 million for the quarter, reconciled as follows:

	For the three months ended 31 March 2012 US$'000			
	Tyssedal	Grande Côte	Other*	Consolidated TiZir Limited
Sales	63,015	-	-	63,015
Cost of goods sold	(32,738)	-	-	(32,738)
Gross profit	**30,277**	**-**	**-**	**30,277**
Other revenue	196	-	-	196
Administration expenditure	(252)	(208)	(181)	(641)
Finance costs	(12)	-	-	(12)
Foreign exchange gains/(losses)	(473)	209	671	407
Depreciation and amortisation expense	(1,804)	(703)	-	(2,507)
Profit/(loss) before tax	**27,932**	**(702)**	**490**	**27,720**
Income tax expense	(7,822)	-	-	(7,822)
Profit/(loss) for the period	**20,110**	**(702)**	**490**	**19,898**
Attributable to non-controlling interest				59
Profit attributable to joint venture partners				19,957
Share of net profits of joint venture attributable to MDL shareholders				**9,978**

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

Administration expenses were lower in the quarter compared to the corresponding quarter in 2011 due to one-off bonuses paid in February 2011.

3. CASH FLOW

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

	Three-months ended 31 March	
	2012 US$'000	2011 US$'000
Cash flow		
Operating activities	(1,747)	(3,362)
Investing activities	(3,448)	(1,142)
Financing activities	-	(5)
Change in cash and cash equivalents during period	(5,195)	(4,509)
Cash and cash equivalents – beginning of period	107,233	59,331
Effect of exchange rates on cash holdings	1,419	(331)
Cash and cash equivalents – end of period	**103,457**	**54,491**

The net decrease in cash for the three months ended 31 March 2012 was $3.8 million, including the effect of exchange rates on cash holdings in foreign currencies of $1.4 million.

Net cash used by operating activities was $1.7 million primarily comprising the payment of corporate administration costs of $2.1 million.

Net cash used in investing activities was $3.5 million, primarily reflecting:

- payment of $3.9 million for the acquisition of shares in World Titanium Resources Limited;
- corporate capital expenditure of $0.1 million;
- offset by interest received of $0.5 million.

4. FINANCIAL POSITION

The following table summarises the company's financial position:

	As at 31 Mar 2012 US$'000	As at 31 Dec 2011 US$'000
Cash and cash equivalents	103,457	107,233
Investment in TiZir	248,988	236,208
Investment in Teranga Gold Corporation	90,990	78,559
Investment in World Titanium Resources	15,920	12,310
Property, plant and equipment	1,143	795
Other current assets	662	914
Other non-current assets	31	46
Total assets	461,191	436,065
Current liabilities	1,791	5,596
Non-current liabilities	45	41
Total liabilities	1,836	5,637
Total equity	459,355	430,428

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 $249.0 million.

Full disclosure of the financial position of TiZir is set out in the Consolidated Interim Financial Statements for the period ended 31 March 2012 (refer to note 10).

The company had no external borrowings as at 31 March 2012.

5. LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2012, the company had cash balances of $103.5 million (31 December 2011 - 107.2 million).

The company did not issue any shares, options or other equity instruments during the three month period to 31 March 2012.

The company had no external borrowings as at 31 March 2012.

6. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at 31 March 2012, 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	0.2	1.2	-	-
Capital expenditure commitments	-	-	-	-	-
Total	**1.4**	**0.2**	**1.2**	**-**	**-**

Commitment to Joint Venture

Each of MDL and ERAMET expect to contribute approximately $85 million of additional equity into TiZir during the balance of 2012. MDL expects to meet this funding requirement through existing cash resources.

7. CONTINGENT LIABILITIES

Mineral Deposits Limited and controlled entities

MDL has the following contingent liabilities:

- 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.
- A$500,000 within 30 days of completion of a bankable feasibility study for the Grande Côte 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$500,000 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 Grande Côte project.

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:

- $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	Mar 12	Dec 11	Sep 11	Jun 11	Mar 11	Dec 10	Sep 10	Jun 10
Revenue ($m) (i)	-	-	-	-	-	-	-	-
Share of TiZir net profit	10.0	1.8	-	-	-	-	-	-
Net income/(loss) ($m)	8.0	69.7	4.3	(5.2)	(4.4)	311.8	(32.4)	13.8
Profit/(loss) from Discontinued Ops ($m)	-	-	(1.9)	-	-	(45.9)	32.0	(27.9)
Total net income/(loss) ($m)	8.0	69.7	2.4	(5.2)	(4.4)	265.9	(0.4)	(14.1)
Basic net income/(loss) per share (cents) (ii)	9.6	83.4	3.7	(8.5)	(7.3)	437.9	(0.7)	(24.6)
Diluted net income/(loss) per share (cents) (ii)	9.5	83.3	3.7	(8.5)	(7.3)	437.9	(0.7)	(24.6)
Weighted average number of shares	83.6	83.5	60.7	61.3	60.7	60.7	58.9	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 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 consolidated interim financial statements for the three months ended 31 March 2012 are consistent with those adopted and disclosed in the company's Annual Report for the financial period ended 31 December 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	Unlisted Security	Grant Date	Expiry Date	Exercise Price A$	No.
MDLAU	Share options	19 July 2007	18 July 2012	12.78	45,000
MDLAW	Share options	29 November 2007	29 November 2012	12.78	475,000
MDLAY	Share options	5 December 2007	5 December 2012	12.78	100,000
					620,000
	Performance rights	31 August 2011	31 August 2016	-	**250,000**

No share options or performance rights 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 three months ended 31 March 2012, the following transaction occurred between the group and its related parties (amounts expressed in whole dollars):

- Technical assistance was provided by the company's subsidiary MDML (Capital) Limited to its related party TiZir Mauritius Limited (formerly Mineral Deposits Mauritius Limited). The company charged $55,482 (31 March 2011 – nil) 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 three months ended 31 March 2012, the following transactions occurred between the group and its related parties (amounts expressed in whole dollars):

- Office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to FAR Limited of which Mr Nicholas Limb continues as a non-executive director. The company charged $28,293 in relation to the provision of these services to 31 March 2012.
- 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 a non-executive director. The company charged $24,585 in relation to the provision of these services to 31 March 2012.
- Office accommodation/facilities and administrative support were provided by the consolidated entity at commercial rates to Predictive Discovery Limited of which Dr Bobby Danchin and Dr Tom Whiting continue as non-executive directors. The company charged $8,907 in relation to the provision of these services to 31 March 2012.

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. The Audit Committee oversees and reviews this process.

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 year ended 30 June 2011 and the financial period ended 31 December 2011 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 9 May 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.