MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD ENDED 30 JUNE 2012

On 29 June 2012, Mineral Deposits Limited (ASX:MDL) voluntarily delisted from the Toronto Stock Exchange (TSX). The decision by MDL to delist was made due to the limited trading volume of MDL securities on TSX over a sustained period of time and the low and declining level of ownership (approx 1%) in Canada. As such, the costs of maintaining the TSX listing and Canadian share register were no longer justified.

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, 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 six months ended 30 June 2012 and has been prepared as of 13 August 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 six months ended 30 June 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

100% basis		2Q 2011	3Q 2011	4Q 2011	1Q 2012	**2Q 2012**	1H 2011	**1H 2012**
Titanium Slag								
Produced	(kt)	45.0	41.5	49.5	45.7	**32.1**	87.1	**77.8**
Sold	(kt)	42.8	43.0	53.4	43.7	**29.0**	71.4	**72.7**
High Purity Pig Iron								
Produced		25.8	23.2	27.6	25.3	**18.0**	49.3	**43.3**
Sold		25.3	21.2	21.7	28.6	**23.5**	51.5	**52.1**

During the quarter, the pre-reduction rotary kiln was shut down for approximately one month for a major maintenance programme which included a reline of the majority of the kiln. The furnace operated at a reduced capacity during this time which resulted in the loss of approximately 13,000 tonnes of titanium slag production. Production for 2Q2012 was therefore reduced to 32.1 thousand tonnes of titanium slag and 18.0 thousand tonnes of high purity pig iron (HPPI). Production guidance for 2012 is now 170-175 thousand tonnes of titanium slag.

Grande Côte Mineral Sands Project

Construction at Grande Côte continued at pace during the quarter, with $59 million spent. The project remains on schedule and within budget – nearly $300m of the $521m budget is now either spent or committed under purchase orders. To date, based on the estimated cost to complete, approximately $12m of the $29m general contingency has been used.

Large scale works are now ramping up onsite, while offsite fabrication of components at various places around the world begins to finalise and begin being shipped to site.

We are generally pleased with progress and performance. There appears to be little or no cost inflation with respect to major capital items. Protecting the schedule is the main focus with manning challenges and contractor performance the key issues to be managed.

Project Snapshot to 30 June 2012

Safety	• No LTIs at 1.3 million man-hours
Budget	• $299m of $521m budget now spent or committed under purchase orders • Estimated cost to complete for uncommitted expenditure is $205m – meaning $12m of $29m general contingency utilised
Dredge	• Fabrication/assembly in Thailand 86% complete • Factory acceptance testing on schedule to commence in July • On schedule to ship from Thailand in October and arrive at site November/December
Dredge start up area	• Construction area of dredge pit (which sits one metre above the water table) complete • Excavation of commissioning area of dredge pit to six metres below the water table to commence late July • Water dam construction commenced, including pipe installation to allow flooding of the initial dredge area
Water bores & pipeline	• First of 13 deep water high capacity bores for dredge pond management completed and successfully tested • Drilling contractor has mobilised second rig which is due on site August 2012
Wet concentrator	• Contractor issues are delaying completion of the pontoons which is putting some pressure on the overall schedule
Mineral separation plant (MSP)	• All earthworks on track for completion end-July – ahead of schedule • Main slabs for wet mill and dry mill on target to be poured during third quarter • Administration building construction nearing completion
Power station	• Engineering 100% complete / procurement 96% complete • Engines (x5) are built and tested and are ex Finland for Senegal early July • On-site civil work commenced at MSP, including pouring of engine foundations
Rail	• Rail design works 95% complete • Earthworks complete, laterite capping nearing completion and ballast placement to commence in July for 22km rail corridor to connect MSP to existing rail line • Orders placed for locomotives, wagons and flatbed cars – Eramet's experience leveraged
Port	• Site preparation and levelling complete

2. CONSOLIDATED RESULTS

The following table summarises the company's consolidated results:

	Three months ended 30 June		Six months ended 30 June	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Share of TiZir net profit using equity accounting excluding amortisation of PPA adjustments	4,995	-	14,973	-
Other income	536	243	1,172	931
Administration expenses	(1,628)	(6,230)	(3,379)	(8,863)
Foreign currency gains/(losses)	1,619	1,012	740	(1,451)
Income tax expense	-	3	-	3
Loss from discontinued operations – mineral sands division*	-	(251)	-	(276)
Share of amortisation of PPA adjustments	(3,468)	-	(3,468)	-
Profit/(loss) attributable to owners of the parent	**2,054**	**5,223**	**10,038**	**(9,656)**
Earnings per share				
Basic earnings per share (cents)	2.5	(8.5)	12.0	(15.9)
Diluted earnings per share (cents)	2.5	(8.5)	12.0	(15.9)

* 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 30 June 2012.

Full disclosure of the earnings of TiZir is set out in the Consolidated Interim Financial Statements for the period ended 30 June 2012 (refer to note 10).

During the period to 30 June 2012, TiZir Limited completed the purchase price allocation of the assets and liabilities acquired during the establishment of joint venture in accordance with IFRS 3 Business Combinations. As such, amounts previously recognised as goodwill were allocated to identifiable intangible assets, property, plant & equipment acquired and related deferred tax liabilities.

The amortisation of identifiable intangible assets and depreciation of property, plant & equipment amounted to $9.6 million ($7.0 million including impact of taxation) during the six months ended 30 June 2012 and has been included as a reconciling item.

June 2012 quarter

Equity accounting earnings from TiZir amounted to $5.0 million for the quarter, excluding the impact of amortisation of PPA adjustments amounting to $3.5 million, reconciled as follows:

	For the three months ended 30 June 2012 US$'000			
	Tyssedal	Grande Côte	Other*	Consolidated TiZir Limited
Sales	44,420	-	-	44,420
Cost of goods sold	(26,781)	-	-	(26,781)
Gross profit	**17,639**	**-**	**-**	**17,639**
Other revenue	1,822	-	-	1,822
Administration expenditure	(249)	(406)	(201)	(856)
Finance costs	(27)	-	-	(27)
Foreign exchange gains/(losses)	1,532	1,170	(1,136)	1,566
Depreciation and amortisation expense	(4,606)	(1,020)	-	(5,626)
Underlying net profit/(loss) before tax	**16,111**	**(256)**	**(1,337)**	**14,518**
Income tax expense	(4,518)	-	-	(4,518)
Underlying profit/(loss) for the period	**11,593**	**(256)**	**(1,337)**	**10,000**
Attributable to non-controlling interest				(10)
Underlying profit attributable to joint venture partners				9,990
Share of underlying net profits of joint venture attributable to MDL shareholders				**4,995**
Amortisation of PPA adjustments				(9,634)
Related deferred tax benefit				2,697
Reported net profit attributable to joint venture partners				3,053
Share of reported net profits of joint venture attributable to MDL shareholders				**1,527**

Six months ended 30 June 2012

Equity accounting earnings from TiZir amounted to $15.0 million for the quarter, excluding the impact of amortisation of PPA adjustments amounting to $3.5 million, reconciled as follows:

	For the six months ended 30 June 2012 US$'000			
	Tyssedal	Grande Côte	Other*	Consolidated TiZir Limited
Sales	107,435	-	-	107,435
Cost of goods sold	(59,519)	-	-	(59,519)
Gross profit	**47,916**	**-**	**-**	**47,916**
Other revenue	2,018	-	-	2,018
Administration expenditure	(501)	(614)	(382)	(1,497)
Finance costs	(39)	-	-	(39)
Foreign exchange gains/(losses)	1,059	1,379	(465)	1,973
Depreciation and amortisation expense	(6,410)	(1,723)	-	(8,133)
Underlying net profit/(loss) before tax	**44,043**	**(958)**	**(847)**	**42,238**
Income tax expense	(12,340)	-	-	(12,340)
Underlying profit/(loss) for the period	**31,703**	**(958)**	**(847)**	**29,898**
Attributable to non-controlling interest				49
Underlying profit attributable to joint venture partners				29,947
Share of underlying net profits of joint venture attributable to MDL shareholders				**14,973**
Amortisation of PPA adjustments				(9,634)
Related deferred tax benefit				2,697
Reported net profit attributable to joint venture partners				23,010
Share of reported net profits of joint venture attributable to MDL shareholders				**11,505**

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

3. CASH FLOW

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

	Three months ended 30 June		Six months ended 30 June	
	2012 US$'000	2011 US$'000	2012 US$'000	2011 US$'000
Cash flow				
Operating activities	(1,663)	(3,585)	(3,410)	(6,947)
Investing activities	(9,976)	(17,307)	(13,424)	(18,449)
Financing activities	-	136,939	-	136,934
Change in cash and cash equivalents during period	(11,639)	116,047	(16,834)	111,538
Cash and cash equivalents – beginning of period	103,457	54,491	107,233	59,331
Effect of exchange rates on cash holdings	(765)	2,784	654	2,453
Cash and cash equivalents – end of period	91,053	173,322	91,053	173,322

The net decrease in cash for the three months ended 30 June 2012 was $12.4 million, comprising:

- payment of $10.0 million equity contribution to TiZir Limited; and
- net cash used by operating activities and effects of foreign exchange rates of $2.4 million.

The net decrease in cash for the half-year ended 30 June 2012 was $16.2 million, comprising:

- payment of $10.0 million as an equity contribution to TiZir Limited;
- payment of $4.2 million for investments; and
- cash flows from operations net of interest received and foreign exchange movements of $2.0 million.

4. FINANCIAL POSITION

The following table summarises the company's financial position:

	As at 30 June 2012 US$'000	As at 31 Dec 2011 US$'000
Cash and cash equivalents	91,053	107,233
Investment in TiZir	254,350	234,605
Investment in Teranga Gold Corporation	61,372	78,559
Investment in World Titanium Resources	12,519	12,310
Property, plant and equipment	1,097	795
Other current assets	1,031	914
Other non-current assets	22	46
Total assets	421,444	434,462
Current liabilities	1,797	5,596
Non-current liabilities	46	41
Total liabilities	1,843	5,637
Total equity	419,601	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 $254.4 million.

Full disclosure of the financial position of TiZir is set out in the Consolidated Interim Financial Statements for the period ended 30 June 2012 (refer to note 10).

The company had no external borrowings as at 30 June 2012.

5. LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2012, the company had cash balances of $91.1 million (31 December 2011 - 107.2 million).

The company did not issue any shares, options or other equity instruments during the six month period to 30 June 2012.

6. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at 30 June 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	1.3	0.3	0.6	0.4	-
Capital expenditure commitments	-	-	-	-	-
Total	**1.3**	**03**	**0.6**	**0.4**	**-**

Commitment to Joint Venture

Upon establishment of TiZir Limited on 1 October 2011, the joint venture partners each committed to contributing $75 million of equity funding throughout 2012.

The Company has since contributed $10 million of equity during the six months ended 30 June 2012 and expects to contribute an additional $65 million (of which $20 million has been contributed in July 2012) throughout the remainder of the year.

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, $250,000 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	Jun 12	Mar 12	Dec 11	Sep 11	Jun 11	Mar 11	Dec 10	Sep 10
Revenue ($m) (i)	-	-	-	-	-	-	-	-
Share of TiZir net profit	1.5	10.0	1.8	-	-	-	-	-
Net income/(loss) ($m)	2.0	8.0	69.7	2.4	(5.2)	(4.4)	265.9	(0.4)
Basic net income/(loss) per share (cents) (ii)	2.5	9.6	83.4	3.7	(8.5)	(7.3)	437.9	(0.7)
Diluted net income/(loss) per share (cents) (ii)	2.5	9.5	83.3	3.7	(8.5)	(7.3)	437.9	(0.7)
Weighted average number of shares	83.6	83.6	83.5	60.7	61.3	60.7	60.7	58.9

(i) 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

In the application of the group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer below for key sources of estimation uncertainty.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

10. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated interim financial statements for the six months ended 30 June 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 30 June 2012, 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.

Subsequent to 30 June 2012, 45,000 share options issued on 19 July 2007 and exercisable at $12.78 expired as per the terms of the employee option agreement.

12. TRANSACTIONS WITH RELATED PARTIES

Transactions between the group and its related parties

During the six months ended 30 June 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. The company charged $110,964 (30 June 2011 – nil) in relation to the provision of these services.

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 six months ended 30 June 2012, the following transaction 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 $48,762 in relation to the provision of these services to 30 June 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 $42,801 in relation to the provision of these services to 30 June 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 $16,187 in relation to the provision of these services to 30 June 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 30 June 2012, 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 13 August 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.