

## First Quarter 2014 Operations Review

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

### Overview

#### Grande Côte

During the quarter construction of the Grande Côte Mineral Sands Project was declared complete and management was formally handed over to the operations team to commence commissioning and ramp-up of production.

We are very proud to report that the construction phase involved approximately 11 million man hours of work with an LTI frequency rate of 0.27, making this a world-class project in terms of safety performance.

The power station is now fully commissioned and operating efficiently and the rail and port system are complete, operational and awaiting first product shipments. The wet concentrator plant (WCP) was successfully floated during the quarter, joining the dredge in the start-up pond. The main areas of commissioning focus in the mining area are preparing the dredge pond for operations in the orebody along with water and sand commissioning of the dredge and WCP. To date, the pond level has been successfully lowered to the planned mining depth and some runs on sand have been successfully undertaken. The dredge is now positioned in the orebody proper, having moved from its start-up position in the construction pond. Frustratingly, a number of seals on major pumps on the WCP have been incorrectly supplied or fabricated and we have experienced delays while new seals are manufactured and fitted. We expect to lose approximately one month from our planned ramp-up schedule as a result. A first batch of concentrate was produced late in the quarter.

Commissioning of the mineral separation plant (MSP) has been undertaken progressively using concentrate produced from a pilot plant and, more recently, first concentrate from mining operations. The MSP comprises two sections, being the wet and dry plants. Commissioning is proceeding well at both plants with only typically small isolated issues arising. In recent days the first ilmenite product (2 grades) was produced. Zircon production (to detailed specification) requires a steady state feed into the dry plant and this will occur when a significant stockpile of concentrate from the WCP is available. At this stage we anticipate these stockpiles will take a few months to accumulate. In the interim, batches are being processed through the dry mill section to iron out commissioning issues.

#### Tyssedal

- Titanium slag production was 42.0kt with slightly lower production reflecting lower availability of pre-reduced material while maintenance was undertaken on the rotary kiln.
- Titanium slag sales were 38.4kt reflecting normal seasonal variation.
- High purity pig iron production was 23.5kt and sales 29.9kt.

## Tyssedal production and sales volumes

100% basis		1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	12Mths 2013
<b>Titanium Slag</b>							
Produced	(kt)	50.7	48.6	46.5	44.5	42.0	190.3
Sold	(kt)	37.2	43.3	70.7	45.9	38.4	197.1
<b>High Purity Pig Iron</b>							
Produced	(kt)	28.6	27.1	25.8	25.4	23.5	106.9
Sold	(kt)	29.7	36.6	26.5	21.8	29.9	114.5

### Titanium Slag

- **Production:** 6kt below budget due to maintenance on the pre-reduction rotary kiln in March
- **Sales:** were within the normal seasonal range in a soft market
- **Pricing:** TiO<sub>2</sub> feedstock prices were soft with some further weakening evident during the quarter

### High Purity Pig Iron

- **Volumes:** production was slightly down in 1Q, consistent with the lower slag production
- **Sales:** remain firm with good demand continuing
- **Pricing:** remains steady

## Corporate

- On 15 January 2014, the Company disposed of its shareholding in Teranga Gold Corporation for net proceeds of US\$20.0 million.
- On 28 January 2014, shareholders approved the issue of shares comprising Tranche 2 of a share placement undertaken in December 2013. As such, 7,500,000 shares were issued on 5 February 2014 at A\$2.00 per share for gross proceeds of A\$15.0 million.
- On 21 February 2014, the Company appointed Charles (Sandy) MacDonald as a non-executive director of the Company.
- During the quarter, MDL injected US\$35.0 million into TiZir as part of the US\$40 million subordinated loan facility agreed in December 2013.
- MDL's cash balance at 31 March 2014 was US\$29.8 million and the Company remains debt free.

## Corporate

At 31 March 2014:

- issued shares were 103,538,786;
- zero options;
- cash was US\$29.8 million;
- zero debt;
- investments comprise 19.1% of World Titanium Resources (ASX: WTR) valued at US\$5.7 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 Grande Côte Mineral Sands Project in Senegal, West Africa and an ilmenite upgrading facility in Tyssedal, Norway.

Grande Côte, with construction complete, will ramp up its mining and production during 2014. Once in full production it is anticipated to produce on average approximately 85ktpa of zircon and 575ktpa of ilmenite (and small amounts of rutile and leucoxene) over an expected mine life of at least 20 years.

The Tyssedal ilmenite upgrading facility smelts ilmenite to produce a high-TiO<sub>2</sub> 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.

## Contact Details

Level 17, 530 Collins Street  
Melbourne, Victoria 3000, Australia  
T: +61 3 9618 2500  
F: +61 3 9621 1460  
E: [mdlmail@mineraldeposits.com.au](mailto:mdlmail@mineraldeposits.com.au)  
W: [www.mineraldeposits.com.au](http://www.mineraldeposits.com.au)

For further information please contact:

### **Rick Sharp**

Managing Director & Chief Executive Officer  
T: +61 3 9618 2500 | E: [rick.sharp@mineraldeposits.com.au](mailto:rick.sharp@mineraldeposits.com.au)



Dredge and Wet Concentrator Plant (WCP)



Dry Mill at the Mineral Separation Plant (MSP) with zircon and rutile storage



First heavy mineral concentrate from the WCP



View of the Dry Mill at the MSP



Shaking tables in the Wet Mill at the MSP



First magnetic concentrate



Storage and conveyor facilities at Dakar port



Conveyor loadout at Dakar port



GCO locomotive with ilmenite transport wagons