Mineral Deposits

Quarterly Report
For the three months ended
30 June 2011

ASX: MDL
TSX: MDM

HIGHLIGHTS

- **A vertically-integrated mineral sands player of global significance created via a joint venture combining MDL's 90% interest in the Grande Côte Mineral Sands Project ("Grande Côte") and ERAMET's titanium slag and iron plant**
- **A$137 million of equity raised – well and truly providing for the funding of Grande Côte**
- **Development activities for Grande Côte very much in ramp-up mode**

Joint Venture with ERAMET

MDL and ERAMET have signed definitive agreements for the formation of an incorporated joint venture which will create a globally significant vertically-integrated player in the mineral sands sector.

MDL and ERAMET will each own 50% of the newly created entity ("JVCo"). Respective contributions to JVCo will be:

- MDL will contribute its 90% interest in Grande Côte (with the balance held by the Republic of Senegal)
- ERAMET will contribute:
  - its 100% shareholding in ERAMET Titanium & Iron ("ETI") which owns the Tyssedal titanium slag and iron plant in Norway ("Tyssedal Plant");
  - US$30 million in cash;
  - additional cash to match MDL's funding of Grande Côte from 1 January 2011 to 30 September 2011 (being the expected completion date for the creation of the joint venture) which is anticipated to be in the order of US$50 million; and
  - a US$45 million unsecured, subordinated loan.

ERAMET is a French-based mining and metallurgical group listed on the Euronext Paris with a market capitalisation of approximately €5.4 billion. The Group employs approximately 14,000 people in 20 countries (including within Africa) and is a leading global producer of:

- alloying metals, particularly manganese and nickel, used to improve the properties of steel; and
- high-performance special steels and alloys used in industries such as aerospace, power generation and tooling.

ETI's Tyssedal Plant in Norway is the only facility in Europe producing titanium dioxide (TiO_2) slag for use as a feedstock by pigment producers. It currently produces approximately 200 ktpa of TiO_2 slag, and approximately 110 ktpa of high-purity pig iron as a significant co-product, which is sold to ductile iron foundries for various uses, but particularly for the production of wind turbine parts. Ilmenite is the major feedstock of the Tyssedal Plant.

Combining Grande Côte and the Tyssedal Plant within the one entity secures off-take for the majority of Grande Côte's ilmenite and provides security of supply to the Tyssedal Plant, which will give rise to expansion and product diversification opportunities. The joint venture will also benefit from ERAMET's broad expertise in mining, metallurgy, logistics, R&D and marketing, and from MDL's development expertise and mineral sands mining experience.

It is expected that the effective date for establishment of JVCo, subject to certain conditions precedent, will be 30 September 2011. Accordingly, MDL will participate in 50% of JVCo's earnings (which will include those from ETI) from 1 October 2011.

The development of Grande Côte, which has an estimated capital cost of US$516 million, will be funded within JVCo. It is intended that it will be financed by ERAMET's cash contribution of US$30 million to JVCo, a US$45 million loan provided by ERAMET to JVCo, approximately US$150 million of third party debt financing (which is yet to be sourced) and equal equity contributions by MDL and ERAMET of approximately US$150 million each (totalling approximately US$300 million). The equity funding advanced by MDL for expenditure on Grande Côte between 1 January 2011 and 30 September 2011 (anticipated to be approximately US$50 million) will be matched by ERAMET through an equity contribution into JVCo upon its establishment, with both amounts forming part of the respective US$150 million equity contributions by each of the joint venture partners.

JVCo will exist as a standalone incorporated entity in which MDL and ERAMET will have equal rights in all material aspects in relation to the joint venture's operation. The joint venture will be governed by a Board of Directors consisting of six members, with each party nominating three directors, and a Shareholders Agreement which will stipulate that each party will hold equal voting rights and rights to future capital contributions and in respect of other mechanisms within the joint venture.

A$137 Million Equity Raising

Primarily for the purpose of funding the Company's expected equity contribution into JVCo (for JVCo's funding of Grande Côte), an equity raising of A$136.6 million was undertaken during the quarter which comprised:

- a 1 for 4 accelerated non-renounceable pro-rata entitlement offer ("Entitlement Offer"); and
- an institutional placement of 10 million shares ("Placement").

Both the Entitlement Offer and Placement were priced at A$6.00 per share.

The vast majority of the gross proceeds from the equity raising, net of fees paid, were received prior to 30 June 2011 and included within cash balances. Only the retail component of the Entitlement Offer, which raised A$0.7 million, was completed in July 2011.

Cash and cash equivalents at 30 June 2011 were US$173 million. When combined with the Teranga Gold shareholding worth approximately US$100 million, more than sufficient funding exists for the expected US$150 million equity contribution by MDL into JVCo for the funding of Grande Côte.

Grande Côte Mineral Sands Project

Development activities for Grande Côte, located in Senegal, West Africa, are now very much in ramp-up mode. Key activities undertaken during the quarter included:

- final evaluation of three major works packages, being dredge build, power station and engineering EPCM (which comprises everything other than dredge, power station, rail & port and earthworks), with award for all three imminent;
- tendering of remaining works packages, being EPCM for rail & port infrastructure, deep water bore drilling and earthworks (site and rail corridor);
- completion of the detailed dredge design;
- appointment of additional key staff to the owners team, including Safety Manager, Construction Manager, Engineering Manager and Superintendents for Catering, Earthworks, Heavy Vehicles, Electrical, Building & Cranage;
- continued development of the IT project control software and systems framework, including scheduling needs;
- purchasing of:
  - key pieces (x23) of mobile fleet to support construction and operation
  - kitchen, mess & accommodation rooms for new construction camp
  - site offices, ablutions and workshops
  - three pick and carry cranes
  - two large gensets for initial camp power supply; and
- site works for significantly expanded on-site camp (upgraded to accommodate 900 workers during construction) and new heavy vehicle workshop.

A strategy of logistics self-sufficiency has now also been put in place for Grande Côte. A 25 year concession has been received from the Government of Senegal for largely exclusive use of an existing rail line which will be upgraded by MDL. When combined with a proposed 22 km rail spur from the mineral separation plant, this will allow full rail of all products to the Dakar port. A concession has also been negotiated for a large area of land at the Dakar port for bulk storage and exclusive use of a mole for ship loading. These items are included in the capital cost estimate of US$516 million noted above.

CEO Succession

The MDL Board also announced during the quarter the retirement of Jeff Williams as Managing Director and Chief Executive Officer with effect from 1 July 2011, and the appointment of Rick Sharp to succeed him.

Jeff will remain as an adviser to the Company and has been contracted until 30 June 2012.

Rick has been employed by MDL as Chief Financial Officer since mid 2009. Prior to joining MDL, Rick spent more than 15 years in corporate advisory and investment banking, and six years in chartered accounting.

Corporate

At 30 June 2011:

- issued shares were 83,415,116, which was increased to 83,538,786 during July with the completion of the retail component of the Entitlement Offer;
- unlisted options were 1,695,000, which was reduced to 695,000 (with an exercise price of A$12.78) during July following the expiry of 1,000,000 options on 1 July 2011;
- cash and cash equivalents was US$173.3 million;
- debt was zero; and
- 40 million shares were held in Teranga Gold Corporation (ASX: TGZ, TSX: TGZ) valued at US$105 million.

Corporate Directory

Directors

Nic Limb, Executive Chairman
Rick Sharp, Managing Director & CEO
Martin Ackland, Executive Director
Clever Fonseca, Executive Director
Robert Danchin, Deputy Chairman, Non-Executive Director
David Isles, Non-Executive Director
Murray Grant, Non-Executive Director

Company Secretary

Kathryn Davies

Registered Office

Level 7, 530 Little Collins Street
Melbourne, Victoria 3000, Australia
T:+61 3 9909 7633
F: +61 3 9621 1460
E: mdlmail@mineraldeposits.com.au
W: www.mineraldeposits.com.au

Senegal Office

Rue 26, N'Gor
Dakar, Senegal
T: +221 338 693 181
F: +221 338 603 683

Auditor

Deloitte Touche Tohmatsu

Share Registries

Australia: Computershare Investor Services Pty Ltd
T: 1300 850 505
Canada: Computershare Trust Company of Canada
T: +1 800 564 6253

Stock Exchange Listings

Australian Securities Exchange, ASX code: **MDL**
Toronto Stock Exchange, TSX code: **MDM**

For further information please contact:

Rick Sharp, Managing Director & Chief Executive Officer
T: +61 3 9909 7633 | E: rick.sharp@mineraldeposits.com.au

About MDL

Mineral Deposits Limited (ASX: MDL; TSX: MDM), is a Melbourne, Australia based mining company developing the world class Grande Côte Mineral Sands Project in Senegal, West Africa.

Grande Côte is located on the coast of Senegal starting approximately 50 kilometres north of Dakar and extends northwards for more than 100 kilometres.

Over an expected mine life of at least 20 years, Grande Côte is anticipated to produce on average approximately 85 ktpa of zircon and 575 ktpa of ilmenite (and small amounts of rutile and leucoxene) when in full production, making it one of only a few major new projects globally that can take advantage of the supply-constrained mineral sands sector.

The large scale of the ore body, combined with the simplicity of its mining (as a result of the free-flowing sands with no overburden and minimal slimes), will make the Project top quartile on a revenue/cost basis.

With development activities of the Project in ramp-up mode, following a two year build, production is expected to commence late in 2013.

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.

Competent Persons Statement

The information in this report that relates to exploration results is based on information compiled by Mineral Deposit Limited's Chief Geologist, Chris Young BSc, who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Young has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken. He is qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and as defined in NI43-101. Mr Young has consented to the inclusion of this information in the form and context in which it appears in this report.