

# ASX ANNOUNCEMENT

## CHAIRMAN'S 2017 ANNUAL GENERAL MEETING ADDRESS

Fellow Shareholders, Ladies and Gentleman

While it has been a productive year for your company, with significant milestones achieved at both the Grande Côte mineral sands operation (**GCO**) in Senegal and the TiZir Titanium & Iron ilmenite upgrading facility (**TTI**) in Tyssedal, Norway, the 2016 year was not without challenges.

The severe downturn in the prices of the commodities we sell and the incident at TTI impacted our operations and our cash flows. However, the outlook across the commodity spectrum and, in particular, the mineral sands space has improved significantly in recent times. In addition, I am pleased to report that TTI is again operational and shipping to customers.

Our teams performed at a pleasing level under considerable pressure in 2016 and it is great to see their efforts rewarded with positive operational achievements. At GCO, we focused on areas that would deliver enhanced operational performance and, as a result, the operation is now performing to expectations. In Norway, the team performed well under challenging circumstances, bringing the facility back on line ahead of schedule and ramping up as planned.

TiZir recorded a positive EBITDA for 2016 of US\$24.1 million – an acceptable result given the commodity price weakness that prevailed during the year and TTI's production status. Further, 2016 represented the first full year of positive cash flows for GCO. These results provide a platform from which your company can grow future profitability through increasing cost efficiencies and realisation of synergistic benefits between GCO and TTI. It is notable that the operations achieved a positive financial result during a severe commodity price downturn and in doing so confirmed to us their status as world class assets.

Turning to each operation:

### **GCO**

Our mineral sands operation in Senegal achieved an excellent safety result, completing 2016 without recording any lost time injuries (**LTI**).

GCO achieved a number of sales and production records in 2016, reflecting increasing dredge throughput rates and runtime and strong sales relationships with a growing customer base.

These safety, production and sales records are the direct result of a number of key projects established by your company and its joint venture partner ERAMET, in conjunction with TiZir and GCO management.

### **TTI**

At our ilmenite upgrading facility, the successful restart and ramp up of the furnace following the 2015 furnace capacity expansion project completion saw first production of chloride slag in early January 2016, followed shortly thereafter by high-purity pig iron. Ramp up exceeded expectations, with production rates achieved at the beginning of 3Q 2016 approximating expanded capacity targets.

However, an incident in August resulted in a five month production shutdown. With respect to this incident, prior to the end of 2016 TTI agreed a full and final settlement with its insurers. The financial impact of the shutdown was also softened by GCO successfully selling ilmenite that had been set aside for TTI to external customers, illustrating the competitiveness of GCO's products in the market and the competency of the TiZir sales team.

The furnace was restarted in early January and ramp up to commercial volumes is progressing well, with shipment of chloride slag occurring ahead of schedule. Together with the improved operational performance at GCO, your company is competitively positioned to take advantage of commodity price recovery.

## FUNDING

While we will continue to focus on operations in 2017, in particular the ramp up at TTI and continued optimisation at GCO, the key focus for your company this year is the financing of TiZir and MDL.

TiZir is currently working on its refinancing options which include establishing a syndicated loan facility to fully refinance its senior secured bonds due in September 2017. Discussions are progressing and MDL will make appropriate disclosures in relation to the future financing of TiZir at the conclusion of those discussions.

In March 2017, MDL completed a fully underwritten placement and accelerated non-renounceable entitlement offer to raise approximately A\$39.2 million. The board and I were pleased by the strong support shown by shareholders and a number of new investors. Following the successful completion of the raising, your Company:

- repaid the total debt of approximately US\$14.1 million owing to ERAMET; and
- advanced US\$3.5 million to TiZir to help fund its obligations with respect to TiZir's senior secured corporate bond for the relevant period. It had been anticipated that MDL may need to contribute up to US\$6.2 million but the strong operational performance by TiZir in 1Q 2017 limited this payment to US\$3.5 million.

As at 31 March 2017, your Company has a current cash balance of US\$14.9 million and no outstanding debt.

## OUTLOOK

In 2017 your company is focusing on:

- meeting TiZir's and MDL's financial obligations including, from a TiZir perspective, refinancing the US\$275 million corporate bond which matures in September 2017;
- steady state operations at GCO and TTI;
- ongoing cost efficiencies and optimisation initiatives at GCO and TTI; and
- capitalisation on synergistic benefits of asset integration.

With respect to the market, positive trends evidenced towards the end of 2016 are expected to continue throughout 2017.

In the pigment sector, inventory levels appear to have returned to equilibrium and environmental regulation in China continues to limit ilmenite and pigment production. Pigment inventories remain low which is supporting continued price increases. In addition to positive growth forecasts, supply has been disrupted by significant downtime events affecting numerous pigment plants since January 2017. Pressure also remains on the supply of TiO<sub>2</sub> feedstocks with ilmenite pricing benefitting from export restrictions in Vietnam and parts of India as well as some production curtailment in China due to environmental concerns. Improved market conditions in the chloride feedstock market have generated increased production and the proposed restart of idled operations by the two major producers of chloride slag demonstrates the continuing tightness in this market.

The zircon market continues to improve in TiZir's key markets of Europe and North America. As a result, TiZir benefitted from price increases in 1Q 2017 and has achieved further price increases in 2Q 2017. Current supply limitations are a strong indication that further price increases may be achieved during the remainder of 2017.

I would like to take this opportunity to thank my fellow directors and our staff for their loyalty and significant contribution to the Company over 2016 and into the current year. I would also like to thank our shareholders, partners and stakeholders for their ongoing support.

Nic Limb  
Chairman

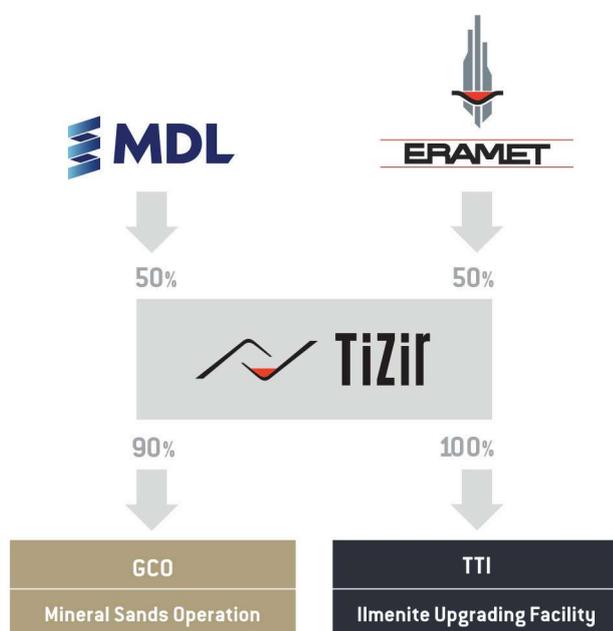
## ABOUT MDL

Mineral Deposits Limited (ASX: **MDL**) is an established, ASX-listed, integrated mining company with a 50% equity interest in TiZir Limited (**TiZir**) in partnership with ERAMET of France.

The TiZir joint venture comprises two integrated, operating assets – the Grande Côte mineral sands operation (**GCO**) in Senegal, West Africa and the TiZir Titanium & Iron ilmenite upgrading facility (**TTI**) in Tyssedal, Norway.

GCO is a large-scale, cost competitive mineral sands operation located in Senegal that is fully integrated from mine-to-ship, using owned or controlled infrastructure. GCO commenced mining activities in March 2014 and, over an expected mine life of at least 25 years, will primarily produce high quality zircon and ilmenite. A majority of GCO's ilmenite is sold to TTI. GCO also produces small amounts of rutile and leucoxene.

TTI upgrades GCO ilmenite to produce high quality titanium feedstocks, primarily sold to pigment producers, and a high-purity pig iron, a valuable co-product, which is sold to ductile iron foundries. TTI benefits from access to cheap and clean power, and excellent logistics, in particular, year-round shipping capacity and customer proximity.



## 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 mining and mineral processing operations, exploration and development of mineral properties, financing risks, changes in economic conditions, changes in the worldwide price of zircon, ilmenite and other key inputs, changes in the regulatory environment and other government actions, changes in mine plans and other factors, such as business and operational risk management, many of which are beyond the control of MDL.

Except as required by applicable regulations or by law, MDL does not undertake any obligation to publicly update, review or release any revisions to any forward-looking statements to reflect new information, future events or circumstances after the date of this report.

Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell MDL securities.

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