CHAIRMAN'S LETTER TO SHAREHOLDERS

Further to Mineral Deposits Limited's (**MDL**, the **Company**) announcement dated 27 April 2018, MDL Chairman Nic Limb has written to shareholders regarding Eramet's unsolicited offer to purchase all shares in MDL at a price of A$1.46 per share (**Offer**). A copy of that letter accompanies this announcement.

The letter contains important information for shareholders to consider in relation to the Offer, including the unanimous view of your Directors that the **Eramet Offer is grossly inadequate**.

MDL's Directors recommend shareholders REJECT Eramet's Offer of A$1.46 per share. To REJECT Eramet's Offer shareholders should TAKE NO ACTION and ignore all correspondence from Eramet in relation to the Offer.

Your Directors believe the following:

1. If accepted, Eramet's opportunistic Offer will deprive MDL shareholders of the full value of their investment
2. Eramet's A$1.46 per share Offer does not reflect MDL's full value relative to peer market valuations and premiums paid to shareholders in comparable takeover transactions
3. Eramet's Offer does not fully reflect the fact that TiZir's strategically integrated assets are operating at or near record highs, with potential for future growth
4. Your Directors have received public support from key shareholders supporting MDL's view that the Offer does not represent full value and who have expressed reluctance to accept the Offer
5. Eramet has provided only the bare minimum information disclosure given its privileged, inside position as a joint venture partner
6. Eramet misrepresents MDL's position on profitability and dividend payments

MDL encourages its shareholders to carefully consider the information contained in the attached letter, noting that the Offer is not currently open and is not capable of acceptance until Eramet lodges and despatches a replacement Bidder's Statement.

Updates in relation to the Offer will be made available on MDL's website (www.mineraldeposits.com.au) and we encourage shareholders to contact us directly to address any queries.

For further information please contact:

Mineral Deposits:	**Media Advisers:**	**Financial Advisers:**
Nic Limb – Chairman	Quay Advisers	Flagstaff Partners
Robert Sennitt – Managing Director	John Hurst / Murray Williams	Michel Mamet – Managing Director
(03) 9618 2500	0418 708 663 / 0411 119 090	0457 771 733

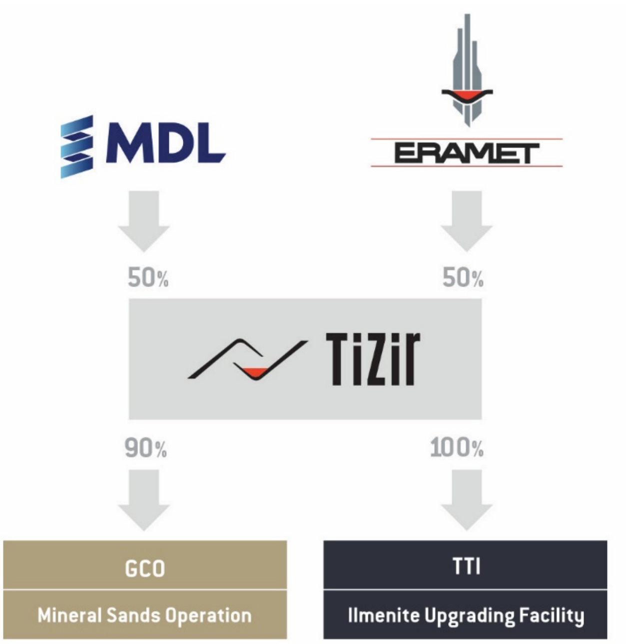
ABOUT MDL

Mineral Deposits Limited (ASX: **MDL**) is an established, ASX-listed, integrated mining company which jointly owns and manages TiZir Limited (**TiZir**) in partnership (50/50) 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 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 currently projected to 2050, 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. The government of the Republic of Senegal is a valued project partner, holding a 10% interest in Grande Côte Operations SA.

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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10 May 2018

Dear Fellow Shareholder,

REJECT ERAMET'S OFFER OF A$1.46 PER SHARE

You will shortly be receiving a Bidder's Statement from Eramet S.A. (**Eramet**) in relation to its previously announced takeover offer of A$1.46 per share (**Offer**).

The Board of Mineral Deposits Limited (**MDL** or the **Company**) views Eramet's **unsolicited and opportunistic** Offer as **grossly inadequate**, given TiZir's production and commodity pricing outlook.

The MDL Board believes there are compelling reasons why an acquirer of MDL **should pay a higher price**, as does the broader market, given MDL shares have traded at an 8.4%[1] premium to Eramet's Offer price since the Offer was announced on 27 April 2018.

MDL Chairman Nic Limb said "Eramet's opportunistic, unsolicited and conditional Offer comes at a time when the TiZir joint venture is operating at or near record highs and is expected to deliver ongoing strong, sustainable operating performance. The performance of the joint venture assets coincides with a dramatically improving price environment where demand for MDL's main commodities is increasing and supply is constrained. The Board's strong view is that Eramet's current Offer deprives shareholders of the full value of their investment in MDL. This view is shared by a number of MDL's largest shareholders who have publicly stated that Eramet's present bid is too low."[2]

The Board unanimously recommends that MDL shareholders **REJECT** Eramet's Offer of A$1.46 per share when it opens and ignore all correspondence from Eramet.

The MDL Board is focused on pursuing all available options such that the value of the Company's assets is fully recognised and realised for MDL shareholders. To that end, **a data room has been established** and MDL is in discussion with international parties who have indicated their desire to participate in a process that has been commenced by the MDL Board to facilitate higher bids.

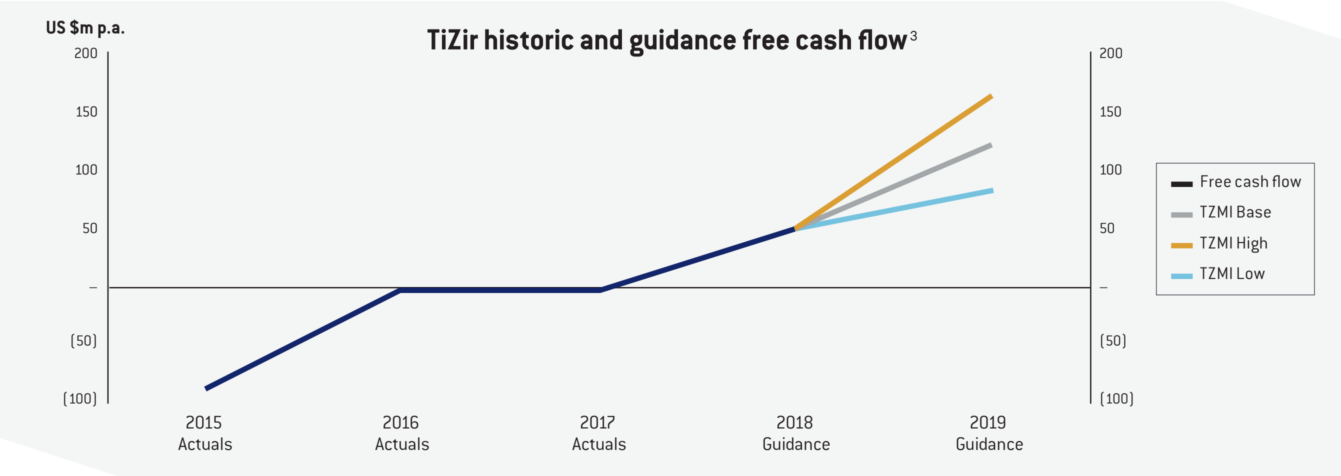
MDL shareholders will have ample time to make a decision about Eramet's Offer after receiving MDL's Target's Statement. The Target's Statement will include an independent expert's report from Grant Samuel & Associates Pty Limited (**Grant Samuel**) expressing an opinion on the fairness and reasonableness of Eramet's Offer. Updates in relation to the Offer will be made available on MDL's website (www.mineraldeposits.com.au) and we encourage shareholders to call us directly on (03) 9618 2500 to address any queries.

REASONS WHY YOUR DIRECTORS BELIEVE ERAMET'S CURRENT BID IS TOO LOW:

1. If accepted, Eramet's opportunistic Offer will deprive MDL shareholders of the full value of their investment

- The long life mine at GCO and TTI's proprietary smelting technology provide a unique investment in a rapidly improving mineral sands market
- Eramet's Offer comes at a time when prices for TiZir's zircon and chloride slag are at four year highs, particularly for zircon, where average prices are up more than 42% since 1Q 2017
- Your Directors expect this price momentum to continue as illustrated below, due to underinvestment in the sector, ongoing resource depletion and other supply side disruptions emerging across the industry. This situation is best reflected in increased enquiries from current and potential customers to secure additional supply of TiZir products
- TiZir is well positioned to maximise the value of all its products with the successful integration of GCO and TTI. Your Directors believe that TiZir, and therefore MDL, is at the beginning of a strong period of free cash flow generation, debt reduction and subsequent cash distributions
- Eramet has indicated in its Bidder's Statement that it has significant liquidity, with financial resources in the order of US$3.3 billion (€2.8 billion). Eramet's share price trades at higher free cash multiples to MDL shares (see second chart on page 2). On this basis, the Offer will be accretive to Eramet shareholders even at prices above the current Offer price of A$1.46 per share. Eramet can and should pay you fair value for your shares

- The following chart indicates the magnitude of TiZir's anticipated free cash flow for 2018 and 2019

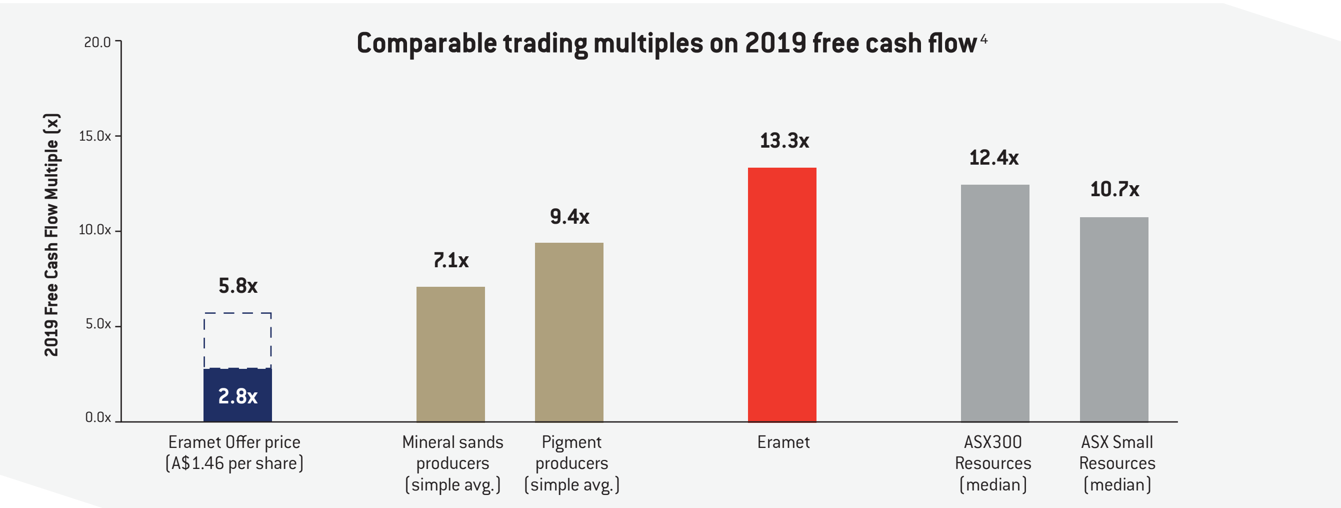


- 2018 guidance has been prepared from the most recent joint venture forecast, as presented to the TiZir Board on 26 April 2018, and summarised in the note on TiZir Financial and Operations Guidance for 2018 and 2019 released to the ASX by MDL on 10 May 2018. Cash flows are based on first quarter actuals, detailed mine planning, executed contracts and TiZir sales price targets
- 2019 guidance is sourced from the current TiZir approved five year plan, updated for latest reserve and resource estimates (released to the ASX on 19 February 2018) and other joint venture developments also summarised in the note on TiZir Financial and Operations Guidance for 2018 and 2019 referenced above. Revenues are generated using price forecasts from industry specialist TZ Minerals International Pty Ltd (**TZMI**), published February 2018 as follows:

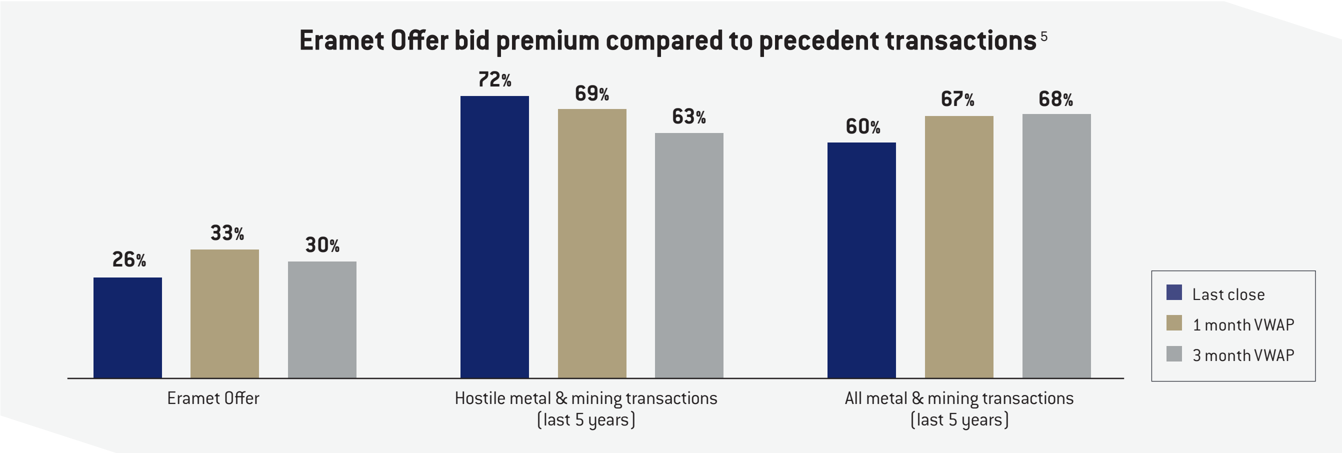
TZMI 2019 Price Forecasts (US$/t FOB basis)	Price range
Zircon	**1,305 – 1,730**
Chloride slag	**740 – 1,050**
Chloride ilmenite	**200 – 275**

2. Eramet's A$1.46 per share Offer does not reflect MDL's full value relative to peer market valuations and premiums paid to shareholders in comparable takeover transactions

- In 2019, using TZMI low and high case price forecasts, MDL expects TiZir to generate free cash flow in the order of US$82 million – US$162 million. On a look-through-basis, Eramet's Offer of A$1.46 per share implies a price to free cash flow (**P/FCF**) multiple of ~2.8x to 5.8x for MDL shares
- When compared with peers, downstream pigment producers and comparably-sized ASX-listed miners, this multiple reflects a significant discount to market valuations in the sector



• Furthermore, analysis of successful comparable transactions in the preceding five year period demonstrates significantly higher premiums for control than Eramet's current Offer to MDL shareholders, as indicated in the chart below



3. Eramet's Offer does not fully reflect the fact that TiZir's strategically integrated assets are operating at or near record highs, with potential for future growth

• TiZir's 2018 production is on track to exceed previous records at its operations, approximated by your Directors at 68,000 tonnes of zircon at GCO (excluding medium grade zircon sands) and 200,000 tonnes of chloride-route titanium slag at TTI

• Unlike many peer mineral sands producers, TiZir faces no major capital requirements to maintain current operating throughputs over GCO's 30+ year mine life

• Mine and smelter optimisation projects are underway which your Directors expect will continue to improve production efficiencies in 2018 and beyond

• On average over 2018 and 2019, MDL expects TiZir's revenue, driven largely by zircon and titanium slag, to generate a unit revenue per tonne sold of US$535/t-US$625/t, which together with a unit cash cost of production of US$333/t-US$341/t reflects an implied cash margin of US$202/t-US$284/t[6]

• After a period of ramp up and ongoing optimisation of the operations, TiZir has established a strong platform to pursue value enhancing growth opportunities. On 26 April 2018, the TiZir Board was informed of future projects under consideration by TiZir management including a second mine at GCO and an expansion of TTI

4. Your Directors have received public support from key shareholders supporting MDL's view that the Offer does not represent full value and who have expressed reluctance to accept the Offer[7]

• "We remain a large and supportive shareholder. We have a lot of respect for Mineral Deposits' management and board and will look to them for guidance in this respect ... a situation where a transaction doesn't proceed is perfectly acceptable." Simon Mawhinney, Allan Gray

• "I am very supportive of the company ... MDL has put their foot on a strategic resource, they have spent the capex, they are just coming into production, they are producing into a serious market." John Cathcart, Thorney Investments

• "Anyone who wants control of the joint venture needs to pay for that control ... the offer is substantially below replacement cost of the joint venture's capital equipment." Gabriel Radzyminski, Sandon Capital

• "[Eramet is being] highly opportunistic given that the target is emerging from a period of high but abnormal costs that have constrained financial performance over each of the past four quarters. Those problems have now been overcome, but [MDL] has never traded in the clear, so to speak." Tim Robertson, Farjoy[8]

5. Eramet has provided only the bare minimum information disclosure given its privileged, inside position as a joint venture partner

• Following a detailed review of Eramet's Bidder's Statement released on 27 April 2018, and especially given Eramet's position as an insider, your Directors believe there are information deficiencies that disadvantage MDL shareholders and their capacity to make a fully informed decision regarding Eramet's Offer. These concerns have also been publicly expressed by Farjoy, a substantial shareholder of MDL[9]

- To address those information deficiencies, MDL has raised its disclosure concerns with Eramet. Eramet has agreed to amend its Bidder's Statement in certain respects as a result. Eramet will shortly be releasing a replacement Bidder's Statement containing additional information and various corrections or clarifications
- Given these outstanding disclosure concerns, your Directors have provided forward looking disclosures in this letter and in the TiZir Financial and Operations Guidance for 2018 and 2019 separately released by MDL to the ASX on 10 May 2018. This matter will be further addressed in the Target's Statement
- These information deficiencies will also be addressed in Grant Samuel's independent expert's report that will accompany MDL's Target's Statement and which will include other forward looking financial information that MDL considers is relevant for MDL shareholders' informed assessment of Eramet's Offer

6. Eramet misrepresents MDL's position on profitability and dividend payments

- MDL's financial performance over the period referred to in Eramet's Bidder's Statement is consistent with that of a company which has committed capital to construct, commission, operate and optimise production during a period of depressed market conditions
- Eramet references MDL's dividend history but chooses to omit reference to MDL's US$474 million in-specie distribution to shareholders from the demerger of the Sabodala Gold Mine in 2010
- Eramet's CEO has recognised that this same period has not been conducive to its own profitability and shareholder returns, describing Eramet's own recent performance in the following terms:
  - "Two thirds of [Eramet] assets are destroying value" Christel Bories *Transforming Eramet* 28 September 2017
  - "Our operational performance is below competitor's benchmarks …" Christel Bories *NeWays Presentation* January 2018
  - "We have been losing cash 6 years out of 10" Christel Bories *NeWays Presentation* January 2018

NEXT STEPS

Shortly after the release of Eramet's replacement Bidder's Statement, MDL will release its Target's Statement. The Target's Statement will reiterate your Directors' unanimous recommendation to **REJECT** Eramet's unsolicited, opportunistic and conditional Offer. The Target's Statement will expand on the reasons set out in this letter to **REJECT** Eramet's Offer.

In the meantime, you should ignore all correspondence from Eramet.

Yours sincerely,

Nic Limb
Chairman
Mineral Deposits Limited

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Financial Advisers:
Flagstaff Partners
Michel Mamet
Managing Director
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NOTES

1 Calculated using volume weighted average price (**VWAP**) over the period 27 April 2018 to 9 May 2018 inclusive. Excludes the 15,666,507 shares acquired off market by Eramet on 27 April 2018 as referenced in the Bidder's Statement.

2 Ker, P. (2018) 'MDL investors seek higher bid from French suitor', *The Australian Financial Review*, 29 April, http://www.afr.com/business/mining/mdl-investors-seek-higher-bid-from-french-suitor-20180429-h0ze8d

3 Free cash flow (**FCF**) is defined as operating cash flow (after interest paid on external debt, tax paid and change in working capital) less investing cash flow.

4 Market data and broker consensus as at 26 April 2018, i.e. the day prior to the announcement of the Offer. Market capitalisation based on outstanding shares, performance rights and in the money options, except for ASX 300 Resources Index and ASX Small Resources Index. P/FCF multiples represent market capitalisation over FY2019 FCF. MDL's market capitalisation is based on Eramet's Offer price of A$1.46 per MDL share and 200,026,574 shares (including 196,985,649 outstanding shares and 3,040,898 performance rights, existing and 2018 performance rights). MDL's FY2019 FCF guidance range is calculated as MDL's 50% share of consolidated TiZir FY2019 FCF of US$82 million – US$162 million (based on TZMI low and high price forecast) less net MDL corporate costs of US$2.8 million, converted from USD to AUD at an exchange rate of 0.7552 (AUD/USD closing price as at 26 April 2018, per IRESS). Mineral sands producers includes: Iluka Resources, Base Resources and Kenmare Resources and the multiple is calculated as the simple average of each constituent's P/FCF multiple. Other listed mineral sand producers, who do not have forward estimates or whose last available broker report is more than six months old, have been excluded. Iluka's FY2019 broker mean consensus FCF as per FactSet has been adjusted for the forecast FY2019 FCF from Mining Area C (MAC; Iluka holds a royalty over iron ore produced from specific tenements of BHP Billiton's Mining Area C) to isolate Iluka's mineral sands operations, similar adjustment has been made to the market capitalisation for estimated net present value (**NPV**) value of MAC. MAC FCF is calculated as MAC EBITDA adjusted for 30% tax rate. MAC estimated FCF and NPV are based on an average of the following broker reports: Macquarie (19 April 2018), Credit Suisse (19 April 2018), UBS (19 April 2018), Deutsche Bank (27 February 2018) and Morgan Stanley (25 February 2018). Base Resources FCF is based on an average of the following broker reports: Hartleys (19 April 2018), RFC Ambrian (18 April 2018), Numis (18 April 2018) and Bell Potter (15 February 2018). The financial data has been calendarised to 31 December year end. Kenmare Resources FCF is based on an average of the following broker reports: Davy (11 April 2018), Hannam & Partners (11 April 2018) and Canaccord (11 April 2018). The P/FCF multiple for pigment producers includes Tronox, Chemours, Venator, Lomon Billions and Ishihara Sangyo Kaisha and is calculated as the simple average of each constituent's P/FCF multiple. Kronos is not included as no FY2019 FCF broker mean consensus was available as at analysis date. Tronox estimates are based on standalone financials before the proposed acquisition of Cristal and have been sourced from relevant research reports. Chemours, Venator and Ishihara Sangyo Kaisha's FY2019 broker mean consensus FCF are as per FactSet. Lomon Billions estimates are sourced from the following broker reports: Huatai Securities (24 April 2018), Sinolink Securities (8 April 2018) and Southwest Securities (3 April 2018). Financial data has been calendarised to a 31 December year-end. Eramet's FY2019 broker mean consensus FCF is based on FactSet. ASX300 Resources Index and ASX Small Resources Index includes constituents as at 26 April 2018 as per IRESS. Each constituent's market capitalisation and FY2019 broker mean consensus FCF is based on FactSet. In order to adjust for the outliers, the P/FCF multiple is based on the median P/FCF multiple for each constituent. Includes only constituents for which FactSet sources a broker forecast mean consensus for FY2019 FCF.

5 Based on an average of completed Australian Metals and Mining public transactions with an A$100 million to A$1 billion implied transaction equity value, over the last five years. Excludes 'merger of equals' transactions. Market data based on IRESS and VWAP are calculated based on cumulative value and cumulative volume traded over the relevant period, where the premium is not stated in the company filings.

6 Unit revenue per tonne sold and unit cash cost of production are calculated using sales and production volumes net of internal ilmenite sales and a weighted average of the revenues and cash costs over 2018 and 2019. Revenues and cash costs for 2018 and 2019 can be found in the TiZir Financial and Operations Guidance for 2018 and 2019 released by MDL to the ASX on 10 May 2018.

7 Ibid note 2 for quotes attributed to Allan Gray, Thorney Investments and Sandon Capital.

8 Stevens, M. (2018) 'Bid pushback has Eramet on a Limb', *The Australian Financial Review*, 9 May, http://www.afr.com/business/bid-pushback-has-eramet-on-a-limb-20180508-h0zsq6

9 Ibid note 8.