HERBERT SMITH FREEHILLS

The Manager
Market Announcements Office
ASX Limited

30 May 2018

Dear Sir / Madam

Takeover bid by ERAMET SA for Mineral Deposits Limited
Third Supplementary Bidder's Statement

We act for ERAMET SA (**ERAMET**).

We attach, by way of service pursuant to section 647(3)(b) of the *Corporations Act 2001* (Cth), ERAMET's third supplementary bidder's statement dated 30 May 2018.

A copy of the third supplementary bidder's statement has today been lodged with ASIC and sent to Mineral Deposits Limited ABN 19 064 377 420 (ASX:MDL).

Yours sincerely

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THIRD SUPPLEMENTARY BIDDER'S STATEMENT

Don't take a risk on unreliable forecasts in MDL's Target's Statement

ACCEPT

THE CASH OFFER FROM ERAMET SA FOR YOUR MDL SHARES

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth). It is the third supplementary bidder's statement (**Third Supplementary Bidder's Statement**) issued by ERAMET SA (French company No. 632 045 381) (**ERAMET**) in relation to its off market takeover bid for all the fully-paid ordinary shares in Mineral Deposits Limited ABN 19 064 377 420 (**MDL**). This Third Supplementary Bidder's Statement supplements, and should be read together with, ERAMET's replacement bidder's statement dated 14 May 2018 (**Replacement Bidder's Statement**), first supplementary bidder's statement dated 14 May 2018 and second supplementary bidder's statement dated 16 May 2018.

A copy of this Third Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Unless the context otherwise requires, terms defined in the Replacement Bidder's Statement have the same meaning as in this Third Supplementary Bidder's Statement.

If you have any questions about this Third Supplementary Bidder's Statement, please call the Offer Information Line on 1800 218 694 (toll-free within Australia) or +61 1800 218 694 (from outside Australia).

MACQUARIE

FINANCIAL ADVISER

HERBERT SMITH FREEHILLS

LEGAL ADVISER

ERAMET

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

The Board of Mineral Deposits Limited (**MDL**) recently released its Target's Statement in response to the $1.46 per share cash offer by ERAMET for your MDL Shares.

As you may be aware, MDL has recommended that MDL shareholders reject the $1.46 per share offer from ERAMET.

However, in doing so the MDL Board, which holds just 1.6%[1] of MDL's Shares, is asking MDL shareholders to take a risk on a number of key assumptions and statements including:

1 **Forecasts of future pricing for mineral sands products which are, in many cases, significantly higher than broker consensus**

2 **Unreliable operational forecasts that:**

(a) GCO will operate for at least 27 years at levels never achieved before on a quarterly or annual basis, including a 22% increase in ore mined compared to 2017[2]; and

(b) TTI will operate in perpetuity at levels not achieved since at least 2014 on a quarterly or annual basis, including a 27% increase in titanium slag produced compared to 2017[3]

3 **Operational forecasts supported by an Independent Technical Specialist's Report[4] that contains numerous factual errors**

4 **An Independent Expert's valuation which could be significantly reduced with minor downward adjustments in pricing or operational assumptions**

5 **MDL's response that includes statements that are inconsistent with the Independent Expert's Report**

6 **The hope of alternatives to ERAMET's Offer**

1 Based on MDL directors holding 3,170,590 MDL Shares and there being 196,985,649 MDL Shares on issue.
2 Forecast of 55 million tonnes per annum of ore mined at GCO from 2019, as assumed in AMC Case 1 (see Appendix H of the AMC Report defined below).
3 Forecast of 230ktpa of annual production of chloride slag and chloride fines for TTI, as assumed by Grant Samuel in its valuation of TTI (see page 48 of the Grant Samuel Report (defined below)).
4 The Independent Technical Specialist's Report prepared by AMC Consultants and set out in Appendix 1 of the Target's Statement (**AMC Report**) (as Appendix 4).

ACCEPT THE CASH OFFER FROM ERAMET SA

1. Don't take a risk on forecasts of future pricing for mineral sands products which are, in many cases, significantly higher than broker consensus

MDL'S INDEPENDENT EXPERT, GRANT SAMUEL, HAS ADOPTED CERTAIN PRICE FORECASTS FOR MINERAL SANDS IN ITS VALUATION WHICH ARE SIGNIFICANTLY HIGHER THAN BROKER CONSENSUS

Grant Samuel has adopted Base Case forecasts from TZ Minerals International Pty Ltd (**TZMI**)[5] for 2018 – 2022. Many of these TZMI Base Case forecasts are significantly more bullish than the average of price forecasts published by broker analysts for mineral sands products (**broker consensus**)[6], as can be seen in Figure 1 below, for 2019 – 2020.

For example, in 2019, TZMI Base Case forecasts are:

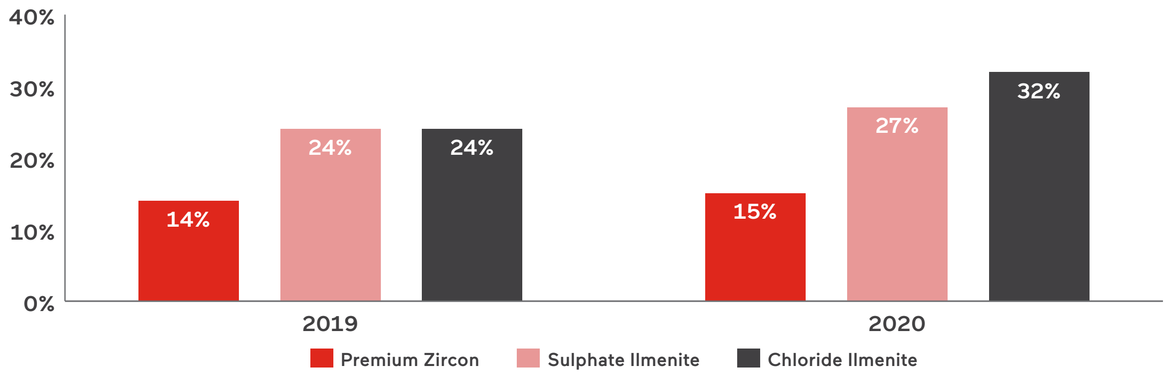
- for Premium Zircon, 14% higher than broker consensus;
- for Sulphate Ilmenite, 24% higher than broker consensus; and
- for Chloride Ilmenite, 24% higher than broker consensus.

As such, Grant Samuel's earnings before interest, tax, depreciation and amortisation (**EBITDA**) for TiZir in 2019 (of US$187 million)[7] is substantially higher than it would have been if Grant Samuel had used these broker consensus price forecasts.

This use of TZMI Base Case forecast prices has a **significant impact** on Grant Samuel's valuation of MDL – as Grant Samuel notes, the valuation of TiZir (and therefore MDL) is "**critically dependant on assumptions regarding future mineral sands commodity prices**"[8].

Even if you think the prospects for the market for mineral sands are favourable, will they really be as favourable as the forecasts used by Grant Samuel?

FIGURE 1 – PERCENTAGE BY WHICH TZMI BASE CASE FORECASTS ARE HIGHER THAN BROKER CONSENSUS[9]



5 Please see pages 4, 5, 7 and 8 (TZMI Base Case prices) of Grant Samuel's cover letter to the Grant Samuel Report and pages 42 and 43 (adopted prices) of the Independent Expert's Report in Appendix 1 to MDL's Target's Statement dated 22 May 2018 (**Grant Samuel Report**). ERAMET notes that while Grant Samuel has included in those pages adopted prices that have been expressed in real terms, the analysis set out in this Section 1 has been based on the TZMI Base Case forecasts (on a nominal basis) as taken from the TZMI Report (defined below).

6 Please see Appendix A for further details regarding the calculation of broker consensus price forecasts. TZMI Base Case price forecasts in Figure 1 have been taken from the report prepared by TZMI in relation to mineral sands price forecasts and attached by link to MDL's ASX announcement entitled "Independent Market Study Supports Higher Prices for MDL's Products" and dated 17 May 2018 (**TZMI Report**).

7 Please see page 38 of the Grant Samuel Report.

8 Please see page 2 of Grant Samuel's cover letter to the Grant Samuel Report.

9 Please see footnote 6 above.

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

ERAMET does not adopt the TZMI price forecasts nor any broker forecast or any broker consensus forecast set out in this document. However, ERAMET has included broker consensus forecasts in this document as an indication of market views so that shareholders can properly assess the reasonableness of the TZMI Base Case forecast prices.

MDL SHAREHOLDERS SHOULD NOT RELY ON PRICE FORECASTS BY A CONSULTANT WHO HAS BEEN UNRELIABLE AND OVERLY OPTIMISTIC MANY TIMES IN THE PAST

As set out in ERAMET's Second Supplementary Bidder's Statement dated 16 May 2018, the industry consultant that MDL has quoted in relation to the price forecasts underlying MDL's guidance[10] has not reliably predicted future mineral sands prices over the last three years.

For example, in relation to the industry consultant's forecast prices for chloride slag, chloride ilmenite, rutile and premium zircon prices for 2015, 2016 and 2017:

- **8 out of 12 forecasts (i.e. 67%)** involved the actual price being **outside the entire forecast range** (i.e. the actual price was not between the low and high forecasts); and
- **7 out of those 8 forecasts (i.e. 88%)** involved the actual price being **below the low forecast** in that range.

This demonstrates that MDL's industry consultant has often been overly optimistic in the past three years when forecasting mineral sands prices. In ERAMET's view, MDL shareholders should therefore ask – how do I know they haven't got it significantly wrong again?

COMMODITY PRICES IN THE MINERAL SANDS INDUSTRY ARE PARTICULARLY VOLATILE

Commodity prices in the mineral sands industry are highly volatile, such that they can go down as quickly as they go up.

MDL has also acknowledged that mineral sands prices **"fluctuate widely"**[11].

MDL's Independent Expert, Grant Samuel, has also emphasised the volatility of mineral sands prices:

- "in the context of **extreme price volatility**"[12];
- "the price of mineral sands products has **historically been extremely volatile**"[13].

10 Please see Page 3 of the Target's Statement.
11 Please see page 39 of the Target's Statement.
12 Please see page 42 of the Grant Samuel Report.
13 Please see page 42 of the Grant Samuel Report.

ACCEPT THE CASH OFFER FROM ERAMET SA

MDL IS NOT STANDING BEHIND THE COMMODITY PRICE ASSUMPTIONS THAT IT HAS PROVIDED TO SHAREHOLDERS

MDL is not standing behind the forecast pricing it has put forward which underpins its cash flow guidance, saying that it "*did not provide pricing forecasts or guidance on price*"[14] despite:

- adopting TZMI's 2019 price forecasts in forming its 2019 cash flow guidance[15]; and
- basing its assessment of ERAMET's offer on, amongst other things, the TiZir Joint Venture's commodity price outlook: "*[MDL's] directors believe that Eramet's unsolicited and opportunistic Offer is grossly inadequate, **given** the TiZir Joint Venture's production and **commodity price outlook***"[16].

Shareholders should exercise caution when considering the underlying price assumptions which are critical in underpinning MDL's guidance and Grant Samuel's valuation

14 Please see MDL's ASX announcement entitled 'Independent Market Study Supports Higher Prices for MDL's Products' and dated 17 May 2018.

15 Please see page 6 of MDL's ASX announcement entitled "TiZir Financial and Operations Guidance for 2018 and 2019" and dated 10 May 2018.

16 Please see page 7 of the Target's Statement.

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

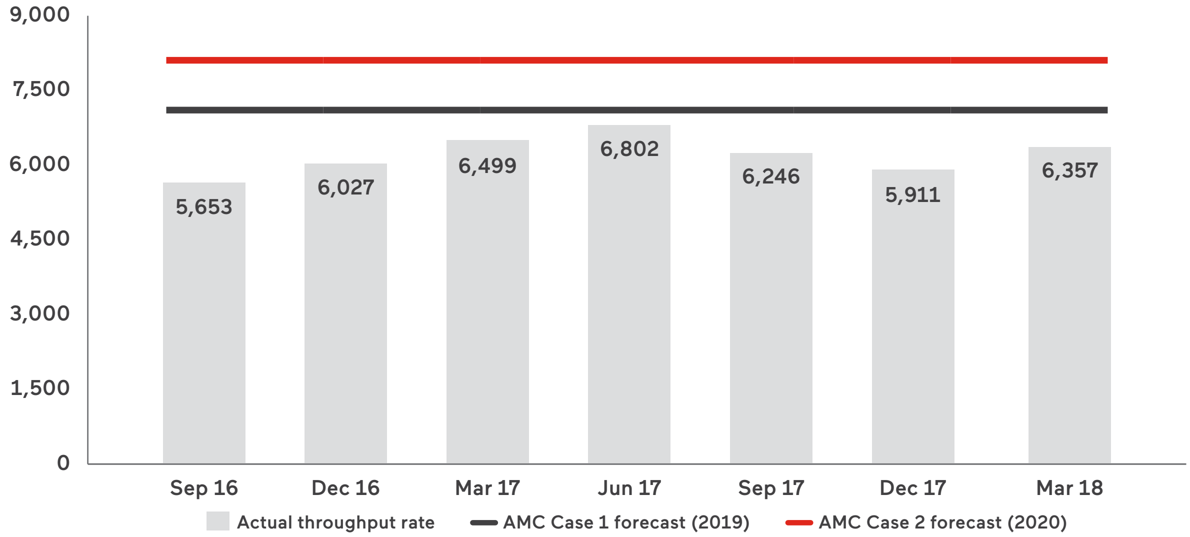
2. Don't take a risk on unreliable operational forecasts for TiZir which are significantly above historic performance

IN ITS VALUATION, GRANT SAMUEL ASSUMES THAT THE DREDGE OPERATION IN SENEGAL WILL OPERATE FOR AT LEAST 27 YEARS AT LEVELS SIGNIFICANTLY ABOVE RECENT PERFORMANCE

Grant Samuel's valuation of MDL is most sensitive to the valuation of GCO[17], which relies on operating assumptions that are **clearly optimistic**. In particular:

- Grant Samuel provides a number of valuation scenarios which are based on "AMC Case 1" from the Independent Technical Specialist's Report by AMC Consultants (**AMC Report**), which assumes that the dredging operations in Senegal mine at an average throughput rate of 7,000 tonnes per hour (tph) every year from 2019 onwards[18], despite:
  - GCO having not achieved that level on a quarterly basis to date, even after 4 years of operations;
  - Mining throughput guidance released by MDL for 2018 being 6,634 tph[19], while GCO is already materially behind this target with 1Q 2018 throughput of just 6,357 tph[20].
- Grant Samuel's valuation of GCO also assumes an average dredge run-time of 85% in 2018 and 89% in 2019 and every year thereafter through to 2050 (in AMC Case 1) and 2046 (in AMC Case 2)[21].
  - This would require significant improvements above recent performance, maintained on a consistent basis, and compares to a 1Q 2018 run-time of approximately 80%, suggesting that significant outperformance will be required for the rest of the year in order to meet the 85% dredge run-time assumption (which is also MDL's guidance)[22] for 2018.

FIGURE 2 – QUARTERLY GCO THROUGHPUT (TPH)[23]



17 GCO contributes the majority of TiZir's enterprise value as calculated by Grant Samuel, as shown on page 6 of Grant Samuel's cover letter to the Grant Samuel Report.
18 Please see page 44 of the Grant Samuel Report.
19 Please see page 1 of MDL's ASX Announcement entitled "TiZir Financial and Operations Guidance for 2018 and 2019" and dated 10 May 2018.
20 Please see page 29 of the Grant Samuel Report.
21 Please see Appendices G and H, of the Independent Technical Specialist's Report prepared by AMC and set out in Appendix 1 of the Target's Statement (**AMC Report**).
22 Please see page 1 of MDL ASX Announcement entitled "TiZir Financial and Operations Guidance for 2018 and 2019"and dated 10 May 2018
23 Please see Appendix A for source details.

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Importantly, the AMC Report outlines a second production case (**AMC Case 2**) which assumes an annual throughput rate of 8,000 tph is achieved by at GCO 2020[24], as shown by the red line above. However, in ERAMET's view, the AMC Report does not provide sufficient technical analysis to demonstrate how the annual 8,000 tph throughput rate could be achieved[25] at GCO despite it being significantly higher than historical throughput rates, even on a monthly basis.

ERAMET queries why this option has never been proposed at the TiZir Board level if it is indeed a realistic option.

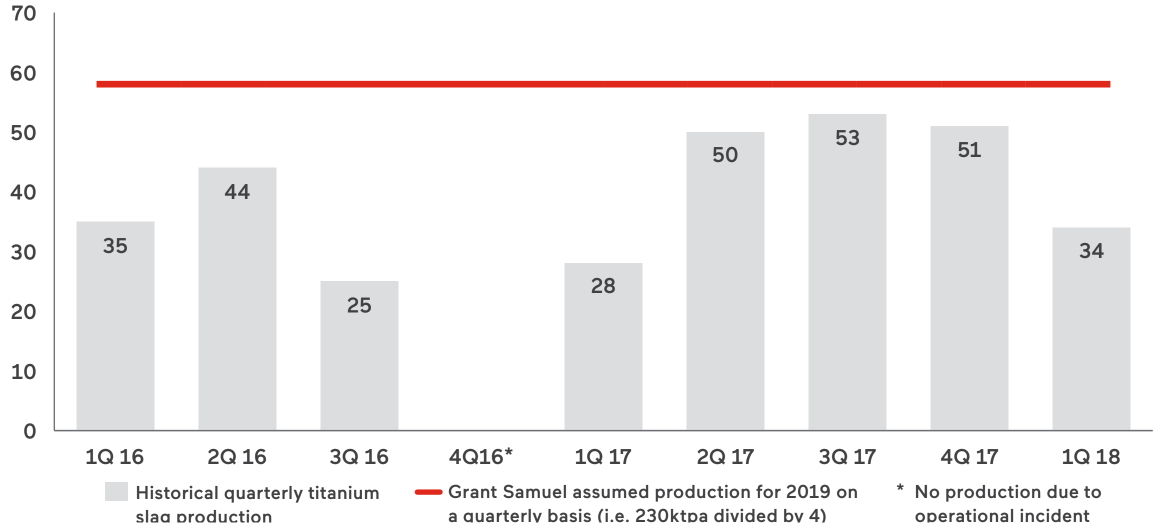
MDL shareholders should ask their MDL Directors whether they stand behind the 8,000 tph forecast and, if so, whether it can be achieved by 2020 with only minimal capital expenditure as assumed in the AMC Report[26]. Once again, MDL shareholders should bear in mind that GCO has been in operation for 4 years and has been unable to achieve an average throughput of 7,000 tph on a quarterly basis, let alone 8,000 tph.

GRANT SAMUEL ALSO ASSUMES THAT THE TTI PLANT IN NORWAY IS ABLE TO ACHIEVE, AND MAINTAIN, CONSISTENTLY HIGHER PRODUCTION LEVELS INTO PERPETUITY[27]

Grant Samuel's valuation of the TTI operation in Norway is based on the assumption that production of chloride slag and chloride fines will be approximately 230ktpa[28]. This would require an increase in annual production of 27% above 2017 levels to be maintained indefinitely[29].

This compares with the average quarterly production of TTI since 1 January 2017 of just 43kt of titanium slag (or 172ktpa on an annualised basis), or an average of 35kt since 1 January 2016 (or 142ktpa on an annualised basis).

FIGURE 3 – TTI QUARTERLY PRODUCTION (1Q 2016 TO 1Q 2018) (KT)[30]



24 Please see page 44 of the Grant Samuel Report and page 72 of the AMC Report.
25 Please see pages 70 and 72 of the AMC Report which provides AMC's commentary on the 8,000 tph assumption.
26 Please see page 70 of the AMC Report.
27 Please see page 48 of the Grant Samuel Report where Grant Samuel has indicated that (1) its key operational assumptions include that annual production of chloride slag and chloride fines at TTI will be approximately 230kt per annum for 32 years and (2) that it has estimated a terminal value for TTI.
28 Please see page 48 of the Grant Samuel Report.
29 When compared to 181,134 tonnes of titanium slag produced in 2017 as per page 1 of MDL's ASX Announcement entitled "TiZir Financial and Operations Guidance for 2018 and 2019" and dated 10 May 2018; over 32 years of cash flow forecasted to which the terminal value is then added.
30 MDL quarterly production reports: please see Appendix A for further details.

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

THE ADOPTION OF A TERMINAL VALUE FOR THE TTI OPERATIONS BY GRANT SAMUEL IS INAPPROPRIATE

Furthermore, Grant Samuel assumes that this rate of production at TTI is continued into perpetuity, through the adoption of a terminal value in its valuation of TTI. Grant Samuel has added this terminal value on top of the value of the cash flows of TTI for the next 32 years.

In ERAMET's view, such an approach does not properly account for the fact that:

- The TTI smelter is already approximately 30 years old and, although there was significant capital expenditure at TTI in 2015, a large portion of the TTI smelter will be approximately 60 years old at the time that Grant Samuel is applying its terminal value. In ERAMET's view, shareholders should not expect an asset such as TTI to continue to operate after several further decades without major capital investment and/or changes in technology.
- TTI has a long history of production disruptions and faces potential future operating constraints including a current hydropower contract at TTI (which is materially below prevailing market prices) that will end in 2030.

MANY PREVIOUS FORECASTS FOR TIZIR HAVE BEEN WRONG BY A SIGNIFICANT MARGIN[31]

TiZir has been unable to consistently meet many of its internal targets and MDL's public forecasts in the past. Why should MDL shareholders believe them now?

Internal TiZir target or MDL forecast[32]	Achieved?
Internal TiZir targets	
GCO's Budget targets for throughput in 2015, 2016, 2017 or 1Q 2018	X
GCO's Budget targets for runtime in 2015, 2016, 2017 or 1Q 2018	X
GCO's Budget targets for ore mined in 2015, 2016, 2017 or 1Q 2018	X
TTI's Budget targets for titanium slag production in 2015, 2016, 2017 or 1Q 2018	X
MDL forecasts	
Target of 200-220,000 tonnes production in 2016 for TTI (announced at 2014 MDL AGM) or target of 230,000 tonnes in 2017	X
Complete ramp up and reach nameplate capacity at GCO in 2014	X
GCO had the "indicative earnings potential" to generate more than approximately US$110 million in EBITDA from 2015 onwards	X
TTI had the "indicative earnings potential" to generate more than approximately US$90 million in EBITDA from 2016 onwards	X

Shareholders should consider whether it is reasonable to assume that both GCO and TTI will operate at consistently higher production levels on a quarterly basis for at least the next 27 years

31 For further details, please see section 1(c) of ERAMET's Second Supplementary Bidder's Statement dated 16 May 2018.
32 Please see Appendix A for source details.

3. Don't take a risk on an Independent Expert's valuation based on a Technical Report which contains numerous factual errors

The AMC Report references certain data that is significantly out of date[33] and, in several cases, contains factual errors.

A clear example of the issues in the AMC Report is the inclusion of a list of tenements held by a title holder called "Mirabela"[34]. In ERAMET's view, the tenement list does not appear to have been checked by any of AMC, MDL or Grant Samuel given that these tenements are not held by GCO and instead relate to a nickel mine in Brazil (on the other side of the world from GCO in Senegal). If a whole appendix in the AMC Report is incorrect, what else should shareholders be scrutinising more closely?

In addition to the above, other issues include:

- Numerous sections of the AMC Report are prefaced with the following qualification: "*The following observations and opinions are based on the GCO site visit conducted in July 2017.* ***AMC were provided with limited operational data***."[35]
- The AMC Report is based on a site visit conducted almost a year prior (in July 2017) and utilises certain data and observations from October 2016. Examples of physical commentary on GCO that are out of date include:
  - Section 3.9.1 references the 'future' development of roads which have now been in existence for several years[36]; and
  - Section 11.6 cites power generation costs (which represent a significant part of operating expenditure at GCO) from what appears to be October 2016 of 8c/kWh[37], whereas ERAMET understands that power generation costs in the 12 months to April 2018 were higher than 8c/kWh by between 12.5% to 37.5%
- AMC benchmarks production rates at GCO against other operations that use – at most – dredges with a capacity of 4,000 tph. These operations are not, in ERAMET's view, comparable to GCO's single dredge which is considerably larger (and hence more complex to maintain and operate) than these other operations;[38]
- Operating expenditure forecasts for 2018 adopted by AMC are out of date, as the operating expenditure forecasts for 2018 have since increased;
- The AMC Report makes little mention of water requirements at GCO, despite the availability of water being a constraint for operating this asset;

33 See, for example a comment that *"The first section project is planned to start in 2017"* on page 50 of the AMC Report regarding the Railway Project, when the project commenced in December 2017. Similarly, page 27 of the AMC Report states *"This **will** be a permanent road"* (emphasis added), when referring to roads that are already in existence.
34 Please see page Appendix E of the AMC Report.
35 Please see pages 30, 34, 40, 45 and 52 of the AMC Report (emphasis added).
36 Please see page 27 of the AMC Report.
37 Please see pages 43, 44 and 77 of the AMC Report.
38 Please see page 22 of the AMC Report.

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

- As stated earlier in Section 2, in support of its 'AMC Case 2' production scenario for GCO –
  - AMC states that "*the 8,000 tph throughput rate has been achieved periodically throughout the 2016–17 production records*"[39]. However, as can be seen in Figure 2, the dredge has failed to reach levels of 7,000 tph on a quarterly basis[40].
  - It is therefore unclear how AMC could have reasonably adopted the assumed 8,000 tph throughput rate in its 'AMC Case 2' on an annual basis when AMC states that "this sustained higher capacity throughput has not been proven by a detailed engineering study, and needs to be verified by appropriate engineering designs and calculations"[41].
  - AMC suggests it is also possible to reduce personnel numbers from a total of 680 to 590 over seven years to 2025 without explaining how this headcount reduction can be achieved without compromising current production levels, let alone the assumed increased production levels under AMC Case 2[42]. This analysis also does not appear to consider the significant number of contractors and sub-contractors who work at GCO.

ERAMET has serious concerns regarding the accuracy of the AMC Report, commissioned by the Independent Expert

39 Please see page 70 of the AMC Report.
40 Refer Figure 2 above.
41 Please see page 70 of the AMC Report.
42 Please see page 2 of the AMC Report.

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4. Don't take a risk on an Independent Expert's valuation which could be significantly reduced with minor downward adjustments in pricing or operational assumptions

MAKING SMALL ADJUSTMENTS TO THE INDEPENDENT EXPERT'S VALUATION ASSUMPTIONS RESULTS IN A MUCH LOWER VALUE FOR MDL, USING THE INDEPENDENT EXPERT'S OWN METHODOLOGY

The value of MDL is highly sensitive to the operational and pricing assumptions regarding GCO and TTI. As Grant Samuel notes: *"Given TiZir's gearing, changes in the value of TiZir's operating assets could* ***materially affect*** *the value of TiZir's equity and, therefore, the value of MDL."*[43]

Using the figures in the Independent Expert's sensitivity analysis[44]:

(a) A 10% reduction in commodity prices would reduce GCO's value by approximately US$143 million and TTI's value by approximately US$88 million, leading to a total fall in value of A$0.69 per MDL share

- If Grant Samuel had used TZMI's Low Case or broker consensus[45] price forecasts in 2019 and 2020 for Premium Zircon, Sulphate Ilmenite and Chloride Ilmenite, this would have been more than a 10% reduction in price compared to the TZMI Base Case prices in 2019 and 2020 (which were used by Grant Samuel for its valuation of TiZir)

(b) A 5% reduction in dredge throughput rate (from 7,000 to 6,650 tph) would reduce GCO's value by approximately US$71 million, leading to a reduction in value of A$0.21 per MDL share

- GCO throughput rate was 6,373 tph in 2017 and 6,357 tph in 1Q 2018

(c) A 5% sensitivity applied to runtime (from 89% to 85%) would reduce GCO's value by approximately US$71 million, leading to a reduction in value of A$0.21 per MDL share

- GCO runtime was 81% in 2017 and approximately 80% in 1Q 2018

(d) A 5% reduction in utilisation (from 100% to 95%) would reduce TTI's value by approximately US$38 million, leading to a reduction in value of A$0.11 per MDL share

- TTI has required periodic shutdowns for kiln and furnace maintenance, as well as for the repairs associated with numerous operational incidents

IF ADDED TOGETHER, THE ABOVE MINOR ADJUSTMENTS COULD RESULT IN A REDUCTION IN MDL'S VALUE BY UP TO A$1.23.

However, it is important to note that ERAMET does not adopt any of the operational assumptions set out above and they have been included for illustrative purposes only. In addition, Grant Samuel's sensitivity analysis did not include the aggregation of the potential impacts from various changes in key variables, as Grant Samuel does not assume that changes in individual variables will have a cumulative effect.

The operational and commodity price risks outlined above are not exhaustive. ERAMET encourages MDL shareholders to carefully consider the other key risks faced by MDL (including other operational risks) set out in section 6.6 of MDL's Target's Statement. In particular, ERAMET encourages MDL shareholders to consider "MDL cash flow risk", "Asset realisation risk" and "Inadequate insurance coverage" in the context of the numerous production issues at TTI.

MDL shareholders should consider the potential implications for the value of their MDL shares if the assumptions adopted by Grant Samuel vary even by small amounts

43 Please see page 7 of the Grant Samuel Report (emphasis added).

44 Please see Appendix A for source and calculation details. Please also see pages 45-50 of the Grant Samuel Report for Grant Samuel's sensitivity analysis.

45 Please see Figure 1 and Appendix A for further details of the percentage by which TZMI Base Case is higher than broker consensus.

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

5. Don't take a risk on MDL's response which includes statements that are inconsistent with the Independent Expert's Report

MDL's response includes statements that are inconsistent with the Grant Samuel Report on issues of value, as set out below[46].

MDL SAID …	BUT THE INDEPENDENT EXPERT SAID …
■ "…successful comparable public metals and mining market transactions (over the last five years) demonstrate that significantly higher premia have been paid than Eramet's Offer…"	■ **"The premiums implied by the ERAMET Offer price *are broadly consistent with the range of premiums typically regarded as the benchmark for successful change of control transactions* in the Australian market (20-35%)."**
■ "MDL believes that Iluka Resources Limited… is MDL's closest peer (albeit of different size) due to the similarity of their product suites… and vertical integration"	■ **"… the larger, more diversified operators (i.e. Iluka and Tronox) tend to trade on higher multiples reflecting their more attractive cost position and portfolio of longer life assets"** ■ **"Iluka holds significant influence over the supply of zircon to the market, and significantly influences its price in the market."**
■ "MDL believes free cash flow multiples are the relevant supporting valuation metric as it is most reflective of the high cash flow conversion of TiZir, supported by its ongoing low capital intensity and tax exemption period in Senegal."	■ **ERAMET's view is that EV/EBITDA is a more appropriate valuation metric for TiZir[47]. While acknowledging the limitations of EV/EBITDA as a valuation metric for TiZir, Grant Samuel uses EV/EBITDA to cross-check its valuation: "As a cross-check, Grant Samuel has assessed the EBITDA multiples implied by its valuation of TiZir…" In contrast, the Grant Samuel Report does not reference free cash flow multiples.**

46 Please see 'Comparative Quotes' in Appendix A for source details.
47 Please see page 5 of ERAMET's Second Supplementary Bidder's Statement.

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IN PARTICULAR, THE PREMIUM OFFERED BY ERAMET IS IN LINE WITH MARKET PREMIUMS OBSERVED BY GRANT SAMUEL OF 20-35%[48]

As stated by ERAMET previously, the Offer for MDL shareholders represents a premium to 26 April 2018, i.e. the date prior to the announcement of the Offer, of[49]:

- 26% to A$1.16, the last closing price;
- 33% to A$1.10, the one-month volume weighted average price (**VWAP**);
- 30% to A$1.13, the three-month VWAP;
- 37% to A$1.07, the six-month VWAP; and
- 248% to A$0.42, the price at which MDL raised capital in 2017.

This is not an 'opportunistic' offer as MDL has tried to describe it, given MDL's share price had **increased** by 119% in the year prior to ERAMET announcing its offer[50].

These views of MDL's are not supported by the Independent Expert's Report

48 Please see page 9 of the cover letter to the Grant Samuel Report.
49 Please see page 5 of ERAMET's Replacement Bidder's Statement.
50 Please see page 5 of ERAMET's Replacement Bidder's Statement.

DON'T TAKE A RISK ON UNRELIABLE FORECASTS

6. Don't take a risk by hoping for viable alternatives to ERAMET's Offer

HOW LIKELY IS IT THAT MDL WILL PAY DIVIDENDS IN THE SHORT TO MEDIUM TERM?

- No cash dividends have previously been paid by MDL since it listed on the ASX in 1999.
- In order for dividends to be paid by MDL in the future, it is likely that MDL will be reliant on cash distributions from the TiZir Joint Venture given it is MDL's only operating asset.
- MDL shareholders should be aware that TiZir's ability to distribute dividends may be constrained by its significant gearing[51] and variable cash flows.
- Moreover, Grant Samuel has acknowledged that MDL has little or no control over the cash flows it may receive from TiZir:

  "MDL's interest in TiZir falls well short of full, unfettered control. In particular, MDL does not have direct access to TiZir's underlying cash flows, but instead is limited to access to residual cash flows… after TiZir has satisfied its funding and other obligations"[52].

- MDL shareholders should bear this in mind when considering how likely it is that dividends will be paid by MDL in the future.

NO ALTERNATIVE OFFER FOR MDL HAS EMERGED

- MDL has referred on a number of occasions to a data room being made available to other parties in order to generate an alternative proposal[53]. To date, no alternative proposal has emerged.
- MDL shareholders should be aware of the potential implications of a third party transaction (if proposed at an asset level), which include:
  - The possible exercise of pre-emptive and buy-out rights by ERAMET under the TiZir shareholders agreement;
  - The ability for TiZir Corporate Bondholders to require TiZir to buy back their US$300 million of bonds if there is an incoming acquirer such that ERAMET and MDL together cease to hold more than 50% of TiZir; and
  - ERAMET's current intention to take any action required to ensure compliance with the TiZir shareholders' agreement.
- MDL should also update shareholders as to the timing of its sale process so that shareholders can reasonably assess the likelihood of a 'superior offer' in the face of ERAMET's certain cash offer.

51 TiZir has gearing of 43.5% (excluding shareholder loans) or 64% (including shareholder loans), as per page 35 of the Grant Samuel Report.

52 Please see page 39 of the Grant Samuel Report.

53 Please see page 9 of the Target's Statement.

ACCEPT THE CASH OFFER FROM ERAMET SA

ORGANIC GROWTH AT TIZIR THROUGH A SECOND MINE AT GCO OR AN EXPANSION AT TTI IS UNLIKELY IN ERAMET'S VIEW IN THE SHORT TO MEDIUM TERM

MDL has referred in its Target's Statement to organic growth options for TiZir that were presented to the TiZir Board on 26 April 2018, including a second mine at GCO and an expansion of TTI[54].

In ERAMET's view, the prospect of these projects gaining the requisite TiZir board approvals in the short to medium term is remote, given:

- There is currently no scoping study on the feasibility of a second mine at GCO;
- The technological risk and metallurgical feasibility of an expansion at TTI has not currently been assessed; and
- The significant capital investment required for both projects which, in ERAMET's view, could result in low rates of return on the projects.

As stated in the Grant Samuel Report, "No expansions are planned in the near term"[55].

ERAMET's offer provides the certainty of cash for MDL shareholders[56]

We encourage shareholders to carefully weigh up the facts and not miss out on the opportunity to realise cash at an attractive premium to the pre-announcement share price for their MDL shares.

ERAMET remains a supporter of the TiZir Joint Venture and has had a positive working relationship with MDL. However, ERAMET urges MDL shareholders to consider the reasonableness of forecasts underpinning Grant Samuel's valuation, particularly when compared against the countervailing points set out above.

The Offer is open for acceptance and is scheduled to close at 7.00pm (Sydney time) on Thursday, 21 June 2018 (unless extended).

Christel Bories
Chairman and CEO, signed for and on behalf of the directors of ERAMET following a resolution of the directors of ERAMET

30 May 2018

54 Please see page 9 of the Target's Statement.
55 Please see page 30 of the Grant Samuel Report.
56 Please note ERAMET's Offer is currently subject to conditions, a full list of which is set out in the Replacement Bidder's Statement.

APPENDIX A

BROKER CONSENSUS PRICE FORECASTS

All broker forecast information set out in this Appendix A has been sourced from broker estimates available to ERAMET and released within the 6 months prior to the date of this document.

ERAMET does not adopt the TZMI price forecasts for certain commodities that are included in this document, nor any broker forecast or any broker consensus forecast set out in this document. However, ERAMET has included broker consensus forecasts in this document as an indication of market views so that shareholders can properly assess the reasonableness of the TZMI Base Case forecast prices.

Broker consensus price forecasts have been calculated as the average of the estimates outlined below, noting that the estimates are provided on nominal terms:

Premium Zircon:

- 2019: 5 estimates, range of US$1,265/tonne – US$1,362/tonne, broker reports dated 27 February 2018 to 19 April 2018. 3 estimates that were available to ERAMET were excluded from the calculation of broker consensus as those estimates were for premium zircon produced by a specific company (that is not MDL).
- 2020: 5 estimates, range of US$1,296/tonne – US$1,413/tonne, broker reports dated 27 February 2018 to 19 April 2018. 3 estimates that were available to ERAMET were excluded from the calculation of broker consensus as those estimates were for premium zircon produced by a specific company (that is not MDL).

Chloride Ilmenite:

- 2019: 4 estimates, range of US$180/tonne – US$205/tonne, broker reports dated 19 December 2017 to 11 April 2018.
- 2020: 3 estimates, range of US$205/tonne – US$216/tonne, broker reports dated 19 December 2017 to 11 April 2018.

Sulphate Ilmenite:

- 2019: 6 estimates, range of US$105/tonne – US$200/tonne, broker reports dated 23 February 2018 to 19 April 2018.
- 2020: 5 estimates, range of US$110/tonne – US$200/tonne, broker reports dated 23 February 2018 to 19 April 2018.

TZMI REPORT

ERAMET does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of the TZMI Report.

This Third Supplementary Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to the ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Third Supplementary Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, within 2 business days of your request (and free of charge) during the bid period, please contact the Offer Information Line on 1800 218 694 (toll free within Australia) or +61 1800 218 694 (from outside Australia). Calls to this number may be recorded.

2018 AND 2019 MDL GUIDANCE

The 2018 and 2019 guidance for MDL in relation to runtime, throughput, ore mined and production data set out in this document has been taken from MDL's ASX announcement entitled "Tizir Financial and Operations Guidance for 2018 and 2019" and dated 10 May 2018.

APPENDIX A

COMPARATIVE QUOTES

Comparative quotes highlighted in section 5 above can be found, in order of left to right, top to bottom:

- Page 13 of the Target's Statement
- Page 9 of the cover letter to the Grant Samuel Report
- Page 17 of the Target's Statement
- Page 53 of the Grant Samuel Report
- Page 17 of the Target's Statement
- Page 38 of the Grant Samuel Report

HISTORICAL OPERATIONAL DATA

Figure 2: Historical GCO throughput: Please see page 29 of the Grant Samuel Report

Figure 3: Historical TTI quarterly production

- MDL 1Q 2016 report released 26 April 2016
- MDL 2Q 2016 report released 28 July 2016
- MDL 3Q 2016 report released 24 October 2016
- MDL 4Q 2016 report released 25 January 2017
- MDL 1Q 2017 report released 27 April 2017
- MDL 2Q 2017 report released 25 July 2017
- MDL 3Q 2017 report released 24 October 2017
- MDL 4Q 2017 report released 24 January 2018
- MDL 1Q 2018 report released 19 April 2018

APPENDIX A

VALUATION SENSITIVITIES

The valuation impacts included in Section 4 of the Third Supplementary Bidder's Statement have been sourced from the sensitivity analysis contained in the Grant Samuel Report (see pages 45 – 50 of the Grant Samuel Report).

Where relevant, the valuation impact from the Grant Samuel Report has been adjusted proportionally to take into account the adjustments illustrated in Section 4 (e.g. where the Grant Samuel report has shown a specific valuation change as a result of a 15% variation in an assumption, but ERAMET has illustrated a 5% variation only, Grant Samuel's valuation impact has been divided by 3). Specifically:

- Please see page 45 and 46 of the Grant Samuel Report where Grant Samuel has indicated that a 10% reduction in mineral sands product prices leads to a drop in GCO value from US$923 million to approximately US$780 million.
- Please see page 49 of the Grant Samuel Report where Grant Samuel has indicted that a 10% reduction in mineral sands product prices leads to a drop in TTI value from US$313 million to approximately US$225 million.
- Please see page 46 of the Grant Samuel Report where Grant Samuel has indicated that a 15% reduction in throughput would result in a drop in GCO value from US$923 million to approximately US$710 million (i.e. approximately $213 million). Applying Grant Samuel's valuation analysis, ERAMET has calculated that a 5% reduction in throughput to result in a drop in GCO value by approximately US$71 million.
- Please see page 49 of the Grant Samuel Report where Grant Samuel has indicated that a 15% reduction in utilisation would result in a drop in TTI value from US$313 million to approximately US$200 million (i.e. approximately US$113 million). Applying Grant Samuel's analysis, ERAMET has calculated a 5% reduction in utilisation to result in a drop in TTI value by approximately US$38 million.
- Note that the analysis relating to GCO 'runtime' assumes that a reduction in GCO runtime has the same proportional effect on GCO value as a reduction in GCO throughput, given GCO production is throughput multiplied by runtime.

To calculate the impact of reductions in the value of GCO and TTI as outlined above on the value of MDL per share, ERAMET has calculated the value of GCO and TTI on a per share basis as follows:

- *Equity value impact:* is calculated by multiplying the value impact (changes in the value as outlined above) by 50% (being MDL's equity share in TiZir)
- *Value impact attributed to MDL's 50% shareholding in TiZir:* is calculated by multiplying the above number by approximately 90% to adjust for a lack of control over TiZir (please see page 7 of Grant Samuel's cover letter to the Grant Samuel Report where the control adjustment is defined). The actual percentage ERAMET has used for this adjustment was calculated by dividing 220 by 244. 220 was the number calculated by Grant Samuel as 'Value attributed to MDL's 50% shareholding in TiZir' for low range and 244 was the number calculated by Grant Samuel as TiZir equity value (50%)' under the 'low range'.
- *Value impact in AUD:* is calculated by dividing the 'Value impact attributed to MDL's 50% shareholding in TiZir' by 0.75, as per Grant Samuel's assumption.
- *Value impact per MDL share (in AUD):* is calculated by dividing the Value impact in AUD by 200,026,547 MDL shares (being MDL's share capital on a fully diluted basis).

EFFECT OF ROUNDING

A number of amounts, percentages, prices, estimates and other figures in this Third Supplementary Bidder's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in the Third Supplementary Bidder's Statement.

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