4 June 2018

ASX ANNOUNCEMENT

MDL

TAKEOVER UPDATE

Eramet has made an Offer[1] that an Independent Expert[2] has deemed to be neither fair nor reasonable to MDL shareholders and which your Directors consider to be grossly inadequate.

ERAMET HAS ATTEMPTED TO JUSTIFY ITS OFFER BY:

> **Criticising the Independent Expert and other industry specialists** engaged by MDL to assist its shareholders in evaluating Eramet's Offer, while failing to provide any credible value-based support for its own Offer to MDL shareholders

> **Taking advantage of its position as an insider** by using joint venture information to launch its Offer to capture the value of TiZir for its own shareholders while withholding that same information from MDL shareholders

> **Misleading MDL shareholders** through selective and inconsistent disclosure on its view of the state of the industry and the quality of the joint venture assets

> **Undermining the outlook for the joint venture assets**, despite key operational parameters previously being agreed and adopted by Eramet at the joint venture level

Since opening its Offer on 14 May 2018, Eramet has increased its interest in MDL by only 20,895 shares (representing 0.01% of MDL shares on issue).

Your Directors continue to recommend that you REJECT Eramet's Offer.

MDL notes the release of the Third Supplementary Bidder's Statement by Eramet on Wednesday, 30 May 2018. Like those before it, this latest Supplementary Bidder's Statement highlights Eramet's continuing selective disclosure to avoid paying fair value to MDL shareholders in an attempt to capture the future value of TiZir for its own shareholders.

MDL stands by its recently issued guidance[3] and the Board's recommendation to reject Eramet's Offer, both of which are supported by the detailed work of respected independent and industry experts.

1 Eramet's off-market takeover bid for all of the shares in MDL for A$1.46 cash for every MDL share (**Offer**).
2 Grant Samuel & Associates Pty Limited.
3 See MDL ASX announcement of 10 May 2018 titled *TiZir Financial and Operations Guidance for 2018 and 2019*.

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Eramet continues to demonstrate publicly that it cannot be trusted. Specifically:

1. Eramet asks MDL shareholders to not 'take a risk on forecasts of future pricing for mineral sands products'[4]

Yet Eramet's view as disclosed to its own shareholders is consistent with MDL's disclosure:

"The outlook for the beginning of 2018 is positive for all of TiZir's product markets:

- *real demand seems robust, with average multi-year growth rates between 2% and 3%;*
- *inventories are low;*
- *supply is not increasing due to the lack of new projects and the environmental policy in China that limits volumes for some producers.*

In the longer term, the prospects of the market for mineral sands are favourable, reflecting a deficit of supply relative to demand …"[5]

"In 2017, TiZir recorded sales of €199 million (USD 225 million) and a current operating income of €27 million (USD 30 million), up €40 million versus 2016. These results highlight TiZir's good performance in a favourable environment."[6]

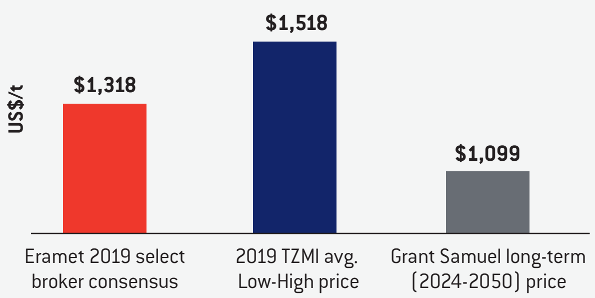
"In first-half 2017, TiZir recorded sales of USD93 million and Ebitda of USD28 million, up by USD26 million compared with first-half 2016. These results confirm the success of the ramp-up of TiZir.
The mineral sands markets provide a positive outlook, driven by strong demand in pigments and zircon in the main market regions (China, Europe, and United States)."[7]

Despite criticising the price forecasts of TZ Minerals International Pty Ltd (**TZMI**) and those adopted by the Independent Expert, Eramet is not prepared to stand behind or adopt any price forecast, including the broker consensus forecasts Eramet itself references in its Third Supplementary Bidder's Statement.

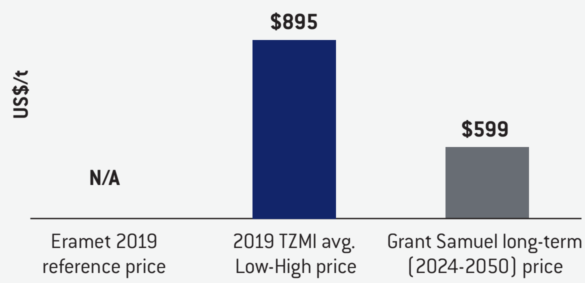
It is worth noting that Eramet has highlighted zircon and ilmenite pricing, while ignoring forecasts for titanium slag, being the main product that drives TiZir revenue. Additionally, Eramet should know that the pricing for sulphate ilmenite has little to no impact on the financial performance of TiZir given that the majority of this product is consumed internally.

It is also worth noting that Eramet criticises short-term pricing forecasts, which again are not the most significant value driver for TiZir, given GCO's 30+ year mine life. When developing its long-term view on pricing – being the key value driver for TiZir – the Independent Expert used long-term price assumptions derived from historical real term median prices, equating to US$1,099/t for premium zircon and US$599/t for chloride slag (2018 real US$). These assumptions are substantially below current spot prices, TZMI forecast prices and broker consensus prices, respectively.

Premium zircon price forecasts[8]



Chloride slag price forecasts



4 Eramet 30 March 2017 *Third Supplementary Bidder's Statement*, page 1.

5 Eramet 28 March 2018 *Tomorrow Begins: 2017 Registration Document*, page 34 http://www.eramet.com/en/system/files/publications/pdf/eramet_group_2017registrationdocument.pdf. The last sentence of this quote is drawn from page 34 of the French language version of the *Vers Demain: 2017 Registration Document* as the sentence is omitted from the English version. The sentence included in the above quote is MDL's unofficial translation of the following sentence: "À plus long terme, les perspectives de marché pour les sables minéralisés sont favorables, faisant ressortir un déficit d'offre par rapport à la demande [comme l'illustre le graphique suivant]." The official French version of the 2017 Registration Document is available here: http://www.eramet.com/system/files/publications/pdf/280318_eramet_ddr2017_vf2_1.pdf.

6 Ibid, page 30.

7 Eramet 27 July 2017 *Preparing for the Future: Interim Financial Report 2017*, page 3 http://www.eramet.com/en/system/files/publications/pdf/eramet_half-year_report_2017.pdf.

8 Eramet 2019 select broker consensus figure of US$1,318/t has been back calculated from TZMI Base Case price and disclosed 14% premium as indicated on page 1 of Eramet's *Third Supplementary Bidder's Statement*.

2. Eramet asks MDL shareholders to not 'take a risk on unreliable operational forecasts for TiZir'[9]

Yet Eramet's view as disclosed to its own shareholders is again consistent with MDL's disclosure:

"With the launch of the Grande Côte project in Senegal in the first half of 2014, TiZir has become one of the world's leading players in zircon and titaniferous raw materials."[10]

"Together, these two assets represent a vertically integrated entity and a major player in the mineral sand industry: TTI benefits from the security of its supply of high-quality ilmenite by GCO, which in turn guarantees the long-term sale of a significant portion of its production."[11]

"The operation also benefits from access to unique technology (there are only six such smelter facilities in the world) and over thirty years of operating history. The flexible nature of TTI's production process (the plant can produce slag for the production of chloride or sulphate pigments) and its unique access to a competitive source of energy make TTI a major asset in the titanium industry.
[…] The furnace ramped up as expected and is currently producing close to annual capacity targets."[12]

"In Senegal, TiZir continued optimising its operational efficiency with production of nearly 725 kt of concentrated mineral sands produced in 2017, up 18% versus 2016 production."[13]

"In Senegal, TiZir continued optimizing its operational efficiency, with a production record posted in the second quarter of 2017. Over the first-half of 2017, GCO production totalled nearly 345,000 tonnes of Heavy Mineral Concentrate.
In Norway, the ramp-up of the plant at Tyssedal is progressing well. Titanium dioxide slag production met the objectives set with 77,000 tonnes produced in first-half 2017."[14]

In arriving at its valuation range of A$2.04 to A$2.52 per share, Grant Samuel has taken operational as well as potential sovereign risk into account. Additionally, Grant Samuel's independent analysis highlights that 'notwithstanding a number of ramp up issues, TiZir has delivered significant improvements in operational performance.'[15]

As an insider, Eramet knows that TTI can operate at its annualised expanded capacity and has done so since the restart of the pre-reduction rotary kiln in mid-April of this year. Eramet is also aware that there is the potential for TTI to produce at even higher rates given that the furnace is currently operating below design capacity with respect to power input.

As an insider, Eramet also knows that throughput rates and heavy mineral concentrate production have increased year-on-year since mining began at GCO. Eramet is also aware of the numerous optimisation projects underway at GCO as well as the potential to capitalise on the excess capacity of the mineral separation plant which may lead to future increases in production.

While Eramet focuses on past operational performance when addressing MDL shareholders, it is the future performance of TiZir that Eramet seeks to claim for its own shareholders.

9 Eramet 30 May 2018 *Third Supplementary Bidder's Statement*, page 4.

10 Eramet 28 March 2018 *Tomorrow Begins: 2017 Registration Document*, page 27 http://www.eramet.com/en/system/files/publications/pdf/eramet_group_2017registrationdocument.pdf.

11 Ibid, page 32.

12 Ibid, page 32.

13 Ibid, page 31.

14 Eramet 27 July 2017 *Preparing for the Future: Interim Financial Report 2017*, page 3 http://www.eramet.com/en/system/files/publications/pdf/eramet_half-year_report_2017.pdf.

15 Page 3 of Grant Samuel's cover letter in MDL's *Target's Statement* released to the ASX on 22 May 2018 and available at: https://www.mineraldeposits.com.au/wp-content/uploads/2018/05/MDL012-Target-Statement_Final.pdf.

3. Eramet asks MDL shareholders not to 'take a risk' on the Independent Expert's valuation[16]

Eramet criticises the Independent Expert's valuation by stating that 'minor downward adjustments in pricing or operational assumptions'[17] could significantly reduce the Independent Expert's valuation. Eramet fails to highlight that the Independent Expert's valuation range of A$2.04 to A$2.52 per share already accounts for changes in price and operational assumptions by using medium to long-term pricing assumptions which are substantially below current spot prices, TZMI forecast prices and broker consensus prices, respectively, and by adjusting for operational and sovereign risk.

Grant Samuel has informed MDL that it stands behind its valuation of MDL and confirms that there is no change to Grant Samuel's assumptions, methodology or conclusions. Grant Samuel continues to maintain its conclusion that Eramet's Offer is **NEITHER FAIR NOR REASONABLE** to MDL shareholders.

REJECT Eramet's Offer

MDL notes that its shares have traded consistently above Eramet's Offer price of A$1.46 per share since Eramet launched its bid on 27 April 2018. This trading sends a strong message on the part of MDL shareholders as to the adequacy of Eramet's Offer.

Despite Eramet's assertion in its Bidder's Statement that *"[a]fter some of MDL's largest shareholders had been selling shares at prices well below the Offer Price, ERAMET was able to secure a relevant interest of 13.3% in MDL prior to the announcement of the Offer and was encouraged to proceed to make the Offer to all MDL shareholders"*,[18] MDL notes that since opening its Offer on 14 May 2018, Eramet has increased its interest in MDL by only 20,895 shares (representing 0.01% of MDL shares on issue).

MDL encourages its shareholders to continue to ignore any correspondence from Eramet.

MDL stands by the guidance it has issued and continues to believe it has a reasonable basis for that guidance. MDL's view of Eramet's Offer is supported by an Independent Expert's valuation, an independent technical specialist's assessment of its assets and a leading industry consultant's analysis of likely pricing and market trends. This material collectively and objectively reinforces your Directors' view that Eramet's Offer is unfair, unreasonable and grossly inadequate. MDL understands Eramet's desire to own 100% of TiZir as, in Eramet's own words, TiZir is an 'important player in the titanium dioxide and zircon markets.'[19] However, MDL shareholders should be fully compensated for the full value of their investment.

Eramet is an insider, has full knowledge of the potential of TiZir to generate future cash flow and grow organically and is incentivised to pay as little as possible for your MDL shares.

While Eramet continues to devalue the quality and potential of TiZir's assets and, by association, its dedicated personnel, your MDL Board and management team continue to focus on the best interests of MDL Shareholders and the TiZir joint venture.

Eramet's Offer is clearly opportunistically timed given the ongoing strengthening of the mineral sands commodity cycle, the status of the assets and no major capital commitments to maintain current levels of production.

Eramet can and should pay more.

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16 Eramet 30 May 2018 *Third Supplementary Bidder's Statement*, page 9.

17 Ibid, page 9.

18 Eramet 14 May 2018 *Replacement Bidder's Statement*, page 3.

19 Eramet 28 March 2018 *Tomorrow Begins: 2017 Registration Document*, page 32.

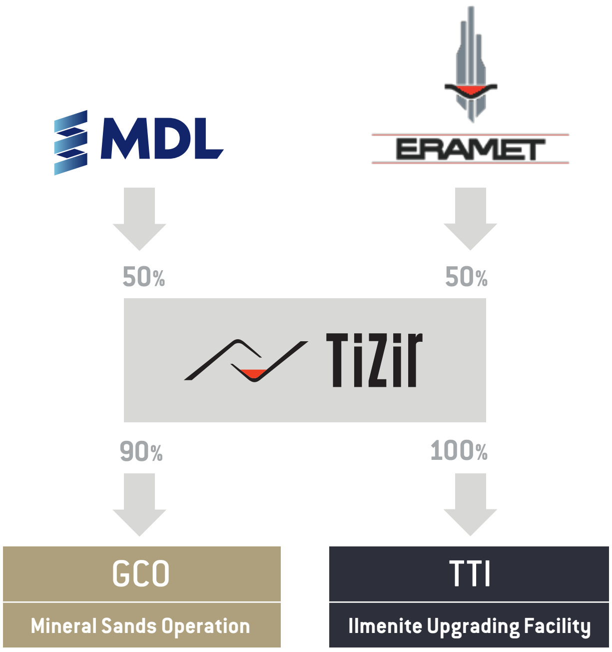
ABOUT MDL

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 SA (**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 release, 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.

Any past performance information given in this release is given for illustrative purposes only and is not necessarily a guide to future performance. No representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecast. Nothing contained in this release is, or shall be relied upon as, a promise, representation, warranty or guarantee as to MDL's past, present or future performance.

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 release.

Information in this release should be read in conjunction with other announcements made by MDL to the ASX.

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

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