

12 May 2016

ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Takeover Bid for Flinders Mines Limited: Supplementary Target's Statement

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth), attached is a copy of the supplementary target's statement of Flinders Mines Ltd (ABN 46 091 118 044) (**Flinders**) dated 12 May 2016 (**Supplementary Target's Statement**) in response to the off-market takeover bid by TIO (NZ) Limited (New Zealand Company No 3744171) (**TIO**), a wholly owned subsidiary of Todd Corporation Limited (New Zealand Company No 3491) for all the ordinary shares in Flinders.

As detailed in the Supplementary Target's Statement, the Directors of Flinders recommend that shareholders **ACCEPT** the improved offer of \$0.025 per Flinders Share.

The Supplementary Target's Statement was lodged with the Australian Securities & Investments Commission today. It will also be sent to TIO.

Dispatch of the Supplementary Target's Statement to Flinders' shareholders will be completed as soon as practicable.

Yours faithfully



Justin Nelson
Company Secretary
Flinders Mines Limited



SUPPLEMENTARY TARGET'S STATEMENT

In response to the Takeover Bid made by

TIO (NZ) Limited (New Zealand Company No. 3744171)

For all the ordinary shares in

Flinders Mines Limited (ABN 46 091 118 044)

The directors of Flinders now recommend that you

ACCEPT

the Improved Offer of TIO (NZ) Limited

Financial Adviser



Legal Adviser



**This is an important document and requires your immediate attention.
If you are in any doubt as to its contents you should contact your broker, financial
adviser or legal adviser immediately.**

1. IMPORTANT INFORMATION

Nature of this document

This document is a supplementary target's statement under section 644 of the *Corporations Act 2001* (Cth) (**Corporations Act**). It is the first supplementary target's statement (**Supplementary Target's Statement**) issued by Flinders Mines Limited (**Flinders**) in relation to the off-market takeover bid for all of the ordinary shares in Flinders by TIO (NZ) Limited (**TIO**).

This Supplementary Target's Statement supplements, and should be read together with, Flinders' Target's Statement lodged with the Australian Securities and Investments Commission (**ASIC**) on 15 April 2016 (**Target's Statement**).

Capitalised Terms

Unless the context requires otherwise, capitalised terms used in section 10 of the Target's Statement have the same meaning as in this Supplementary Target's Statement.

2. TERMS OF THE IMPROVED OFFER

On 9 May 2016 TIO announced that it had extended the offer period under its Takeover Bid for all the ordinary shares in Flinders. The Offer is now scheduled to close at 7.00 pm (Sydney time) on 6 June 2016.

On 9 May 2016 TIO announced an increase in the cash consideration payable under the Offer (**Improved Offer**) from \$0.013 (one and three tenths of a cent) to \$0.025 (two and a half cents); an increase of \$0.012 (one and one fifth of a cent) per Flinders Share.

RECOMMENDATION AND INTENTION OF FLINDERS DIRECTORS

Your Directors have carefully considered the terms of TIO's Improved Offer and now unanimously recommend that Flinders Shareholders **ACCEPT** the Improved Offer.

Each of your Directors who own or control Flinders Shares intends to **ACCEPT** the Improved Offer in respect of all the Flinders Shares which they own or control.

For information on how to **ACCEPT** the Improved Offer, please refer to section 10.3 of the Bidder's Statement and the replacement acceptance form TIO will send to Flinders Shareholders with the Supplementary Bidder's Statement.

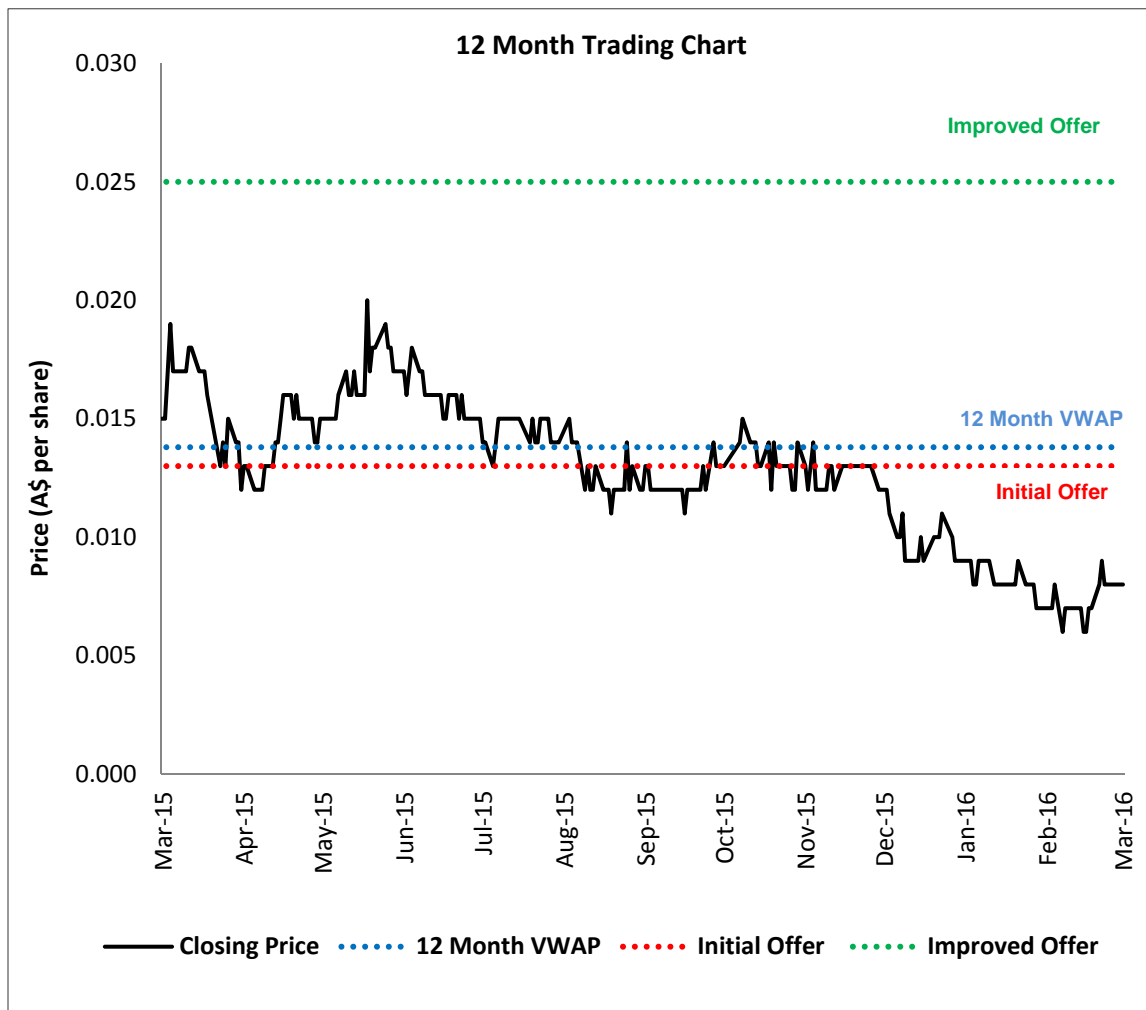
3. REASONS FOR THE FLINDERS DIRECTORS' RECOMMENDATION

The reasons for your Directors' recommendation that Flinders Shareholders **ACCEPT** the Improved Offer are as follows:

3.1 The Improved Offer represents a significant premium for control of Flinders

The Improved Offer of \$0.025 per Flinders share is 92% higher than TIO's initial cash offer of \$0.013 per share and is a substantial premium of 213% to the 16 March 2016 closing price (being the last trading day before the initial offer was announced) of \$0.008 per Flinders Share.

Your Directors also note that the Improved Offer price represents a significant premium to the various VWAPs of Flinders before TIO announced its initial takeover offer on 16 March 2016.



Specifically, the Improved Offer represents a premium of:

- **233%** to the 30 day VWAP to 16 March 2016¹ of \$0.0075 per Flinders Share;
- **225%** to the 60 day VWAP to 16 March 2016 of \$0.0077 per Flinders Share; and
- **81%** to the 12 month VWAP to 16 March 2016 of \$0.0138 per Flinders Share.

Additionally, Flinders has not traded above the Improved Offer price since 17 September 2014.

¹ VWAPs are calculated on the basis of all trading data sourced from Australian exchanges and are calculated over the specified number of calendar days.

3.2 TIO's Improved Offer is best and final

TIO confirms that the Improved Offer price of \$0.025 per Flinders Share is best and final and will not be increased, in the absence of an alternative proposal or competing proposal from a third party.

Your Directors also believe there is a risk that the price of Flinders shares may fall to levels below the Improved Offer price if you do not accept the Improved Offer and no alternative or competing proposal eventuates.

Furthermore, if you do not accept the Improved Offer and TIO acquires more than 50% but less than 100% of the Flinders Shares, you may end up as a minority shareholder which could have a number of adverse implications including decreased liquidity of your Flinders shares and the need to participate in any future capital raisings or risk having your shareholding diluted.

3.3 The Improved Offer provides certainty for your Flinders Shares

The Improved Offer provides Flinders Shareholders with an opportunity to realise certain cash consideration for their shares.

Your Directors have made significant effort in progressing all possible opportunities with respect to third party infrastructure access and independent development of the PIOP. These discussions have not resulted in any proposal being made to Flinders to purchase the PIOP ore or provide infrastructure access to the PIOP. Your Directors therefore believe the Improved Offer is compelling and recommend acceptance.

4. BID IMPLEMENTATION AGREEMENT

On 6 May 2016, TIO and Flinders entered into the Implementation Agreement. This section sets out a brief summary of the Implementation Agreement. A full copy of the Implementation Agreement is also available on the ASX website (www.asx.com.au).

Unless the context otherwise requires, capitalised terms in this section have the same meaning given to those terms in the Implementation Agreement.

(a) Variation of the Takeover Bid

TIO has agreed to vary the Takeover Bid by increasing the consideration to be offered for each Flinders Share to \$0.025 per Flinders Share and extend the Offer Period so that it will close at 7:00pm (Sydney time) on 6 June 2016 (unless extended or withdrawn).

The arrangements in relation to the variation of the Takeover Bid are set out in clause 2.1 of the Implementation Agreement.

(b) Recommendation to accept the Improved Offer

Subject to certain exceptions, Flinders must until the earlier of the end of the Offer Period and the date that is 6 months after the date of the Implementation Agreement:

- procure that the Flinders Board will support the Takeover Bid and participate in efforts reasonably required by TIO to promote the merits of the Takeover Bid;
- procure that the Flinders Board will unanimously recommend that Flinders Shareholders accept the Offer made to them and will not make any public statement or take any other public action which would suggest that the Takeover Bid is not unanimously recommended by the Flinders Directors;
- procure that the Flinders Directors (collectively and each Flinders Director individually) does not change, withdraw or modify its, his or her recommendation for Flinders Shareholders to accept the Offer;
- include in all public statements relating to the Takeover Bid, a statement to the effect that Flinders Directors unanimously recommend that Flinders Shareholders accept the Offer made to them in the absence of a Superior Proposal.

Flinders obligations regarding the Flinders Board's recommendation of the Takeover Bid are set out in clause 2.2 of the Implementation Agreement.

(c) **Conduct of business**

The Implementation Agreement sets out the obligations of Flinders from the date of the Implementation Agreement up to and including the end of the Exclusivity Period in relation to the conduct of its business.

Broadly, Flinders has agreed (among other things) to:

- procure that no Prescribed Occurrence (described below) occurs;
- conduct its business in the usual and ordinary course and on a basis consistent with past practice or as may be required in order to satisfy a specific requirement of a Government Agency;
- with the exception of EL 5763, endeavour to preserve and maintain the value of its business and assets, and its relationships with Government Agencies, customers, suppliers, employees and others with whom it has business dealings;
- not enter into any contract, arrangement or understanding for the sale or purchase of any product produced or extracted from the Mining Tenements;
- not enter into any line of business or other activity in which Flinders or its Subsidiaries are not engaged as at the date of the Implementation Agreement;
- not permit any of its insurances to lapse (unless immediately renewed) or do anything that would make any policy of insurance void or voidable; and
- not enter into any contract, agreement, undertaking, deed or legally enforceable agreement (whether in writing or not), the result of which

will or could be expected to materially and adversely affect Flinders or Flinders' financial position (except where TIO has given its prior written consent).

In summary, a 'Prescribed Occurrence' includes the occurrence of any of the following without the prior written consent of TIO:

- Flinders converting all or any of its shares into a larger or smaller number of shares or a member of the Flinders Group resolving to reduce its share capital in any way;
- a member of the Flinders group entering into, or approving the terms of, a buy-back agreement;
- subject to certain exceptions, a member of the Flinders Group issuing shares, or granting an option over its shares, or agreeing to make such an issue or grant such an option (including through the issue or grant of Performance Rights or Incentive Rights);
- a member of the Flinders Group issuing or agreeing to issue securities convertible into shares;
- a member of the Flinders Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property (other than its interest in EL 5793 and other than trading inventories and consumables in the ordinary and usual course of business);
- a member of the Flinders Group entering, or agreeing to enter into, an agreement, arrangement or transaction (i) with a Third Party in relation to or in connection with PIOP or which permits or creates any Security Interest in respect of PIOP or (ii) to dispose of (including by granting or offering or agreeing to grant), any right, title or interest in PIOP or entering into, or agreeing to enter into, a development, access, transport or offtake agreement or arrangement (or similar agreement or arrangement) in relation to or in connection with PIOP, other than a Superior Proposal;
- a member of the Flinders Group permitting or creating, or agreeing to permit or create, any mortgage, charge, lien or other Security Interest over its business or property, including the Mining Tenements;
- an Insolvency Event occurs in relation to a member of the Flinders Group;
- Flinders paying or distributing any dividend, bonus or other share of its profits or assets or returning any capital to its members;
- Flinders amending or proposing to amend its constitution;
- Flinders releasing, discharging or modifying or agreeing to release, discharge or modify, any obligation owed to it in excess of \$250,000;
- a member of the Flinders Group amending or varying the terms of employment of any employees of the Flinders Group (other than in the ordinary course of business) or hiring any new employee (except

where the recruitment process for such position commenced prior to the date of the Implementation Agreement); or

- Flinders amending or varying, or proposing to amend or vary (i) the director fees or other remuneration (including bonuses) payable to any Flinders Director or (ii) the terms of any Flinders Rights.

The conduct of business restrictions are set out in full in clause 5 of the Implementation Agreement.

(d) **Exclusivity arrangements**

The Implementation Agreement contains certain exclusivity arrangements in favour of TIO. These arrangements may be summarised as follows:

- **No shop:** Flinders must not solicit any enquiries, discussions or proposals that may lead to a Competing Proposal.
- **No talk:** Flinders must not participate in discussions or provide information that may lead to a Competing Proposal, unless the Flinders Board determines that complying with the no talk obligation would be likely to constitute a breach of the fiduciary or statutory duties owed by any Flinders Director.
- **Notification:** if Flinders is approached in relation to a Competing Proposal, or a proposed or potential Competing Proposal, Flinders must notify TIO of any such approach and provide the identity of the relevant person making or proposing the Competing Proposal together with the terms and conditions of the Competing Proposal.
- **Matching right:** Flinders is prohibited from entering into an agreement to undertake a Competing Proposal, and must use its best endeavours to ensure that none of the Flinders' Directors recommend a Competing Proposal, unless Flinders has given TIO at least five Business Days to provide a matching or superior proposal to the terms of the Competing Proposal.
- **Shareholder approval:** if Flinders enters into any legally binding agreement, arrangement or understanding with a third party in respect of a Competing Proposal, which does not relate to the acquisition of Flinders Shares, such proposal must be conditional on the approval of Flinders Shareholders.
- **Cease discussions:** Flinders must immediately cease any discussions or negotiations relating to any actual, proposed or potential Competing Proposal and any transaction that would, or would reasonably be expected to, reduce the likelihood of TIO's bid being successful.
- **Provision of information:** Flinders must provide TIO with any material non-public information about its business or affairs disclosed or otherwise provided to any third party after the date of the Implementation Agreement in connection with a Competing Proposal that has not been previously provided to TIO.

These exclusivity arrangements are set out in full in clause 7 of the Implementation Agreement.

(e) Termination rights

Either party can terminate the Implementation Agreement:

- where the other party is in material breach of the Implementation Agreement (other than in respect of a breach of a representation or warranty given by a party) and that breach either cannot be remedied or is not remedied within 5 Business Days' notice;
- where the other party is in breach of a representation or warranty and that breach is not remedied within 5 Business Days' notice and the relevant breach is material in the context of the Takeover Bid taken as a whole;
- a court or Government Agency issues an order, decree or ruling or taken other action, that permanently restrains or prohibits the Takeover Bid; or
- TIO withdraws the Takeover Bid or the Takeover Bid lapses for any reason.

TIO may also terminate the Implementation Agreement where a Flinders Director changes or withdraws his or her recommendation to Flinders Shareholders to accept the Improved Offer, or recommends a Competing Proposal.

These termination rights are set out in full in clause 9 of the Implementation Agreement.

5. OTHER IMPORTANT INFORMATION**5.1 Consents**

The following parties have given and have not withdrawn before lodgement of this Supplementary Target's Statement with ASIC, their consent to be named in this Supplementary Target's Statement in the form and context in which they are named:

Name of Person	Capacity	Statements
DMAW Lawyers Pty Ltd	Legal adviser to Flinders	N/A
Adelaide Equity Partners	Financial adviser to Flinders	N/A
Computershare	Flinders Share Registry	N/A
Directors	Directors of Flinders	Statements made by, or statements based on statements made by, the Directors

5.2 Lodgment with ASIC

A copy of this Supplementary Target's Statement was lodged with ASIC on 12 May 2016. This Supplementary Target's Statement will prevail to the extent of any inconsistency with the Target's Statement.

Neither ASIC nor any of its officers take any responsibility for its contents.

5.3 No account of personal circumstances

This Supplementary Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial advice. You should seek independent financial, taxation or legal advice before making any investment decision in relation to your Flinders Shares, including whether or not to accept the Improved Offer.

5.4 Further Information

For further information Flinders Shareholders should call the Share Registry on +61 3 9415 4000 (outside Australia) or 1300 556 161 (within Australia).

6. AUTHORISATION

This Supplementary Target's Statement has been approved by a resolution passed by the Flinders Directors. Each Flinders Director has voted in favour of that resolution.

Signed for and on behalf of Flinders Mines Limited.

A handwritten signature in blue ink, appearing to be 'Robert Kennedy', with a large loop at the end.

Robert Kennedy
Independent, non-executive Chairman
Date: 12 May 2016