

The Manager  
Market Announcements Office  
ASX Limited

29 July 2016

Dear Sir / Madam

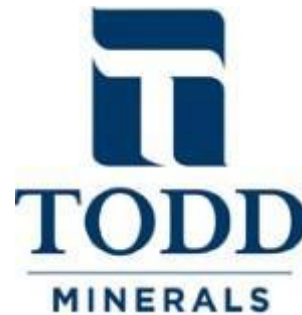
**Takeover bid by TIO (NZ) Limited for Flinders Mines Limited  
(ASX:FMS)  
Supplementary Bidder's Statement**

We attach, by way of service pursuant to paragraph 647(3)(b) of the *Corporations Act 2001* (Cth), TIO (NZ) Limited's third supplementary bidder's statement dated 29 July 2016.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M Wolley'.

**Michael Wolley**  
Director



## Third Supplementary Bidder's Statement

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 TIO (NZ) Limited (New Zealand Company No. 3744171) (**TIO**) in relation to its unconditional off-market takeover bid for all the fully paid ordinary shares in Flinders Mines Limited ACN 091 118 044 (**Flinders**). This Third Supplementary Bidder's Statement supplements, and should be read together with, TIO's second supplementary bidder's statement dated 8 June 2016, TIO's first supplementary bidder's statement dated 9 May 2016 (**First Supplementary Bidder's Statement**) and TIO's bidder's statement dated 17 March 2016 (**Original Bidder's Statement**).

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

### 1 Loan Agreement

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Further to the announcement by Flinders dated 29 July 2016, TIO notes that on 29 July 2016, PIO Mines Pty Limited (**PIO Mines**) (a subsidiary of TIO) entered into a loan facility agreement (**Loan Agreement**) with Flinders, to assist Flinders to meet its short term capital requirements.

The keys terms of the Loan Agreement are set out below:

<b>Borrower</b>	Flinders Mines Limited (ACN 091 118 044).
<b>Lender</b>	PIO Mines Pty Limited (ACN 605 697 461), a subsidiary of TIO.
<b>Loan amount (the Commitment)</b>	A\$2,000,000.
<b>Security</b>	The facility is unsecured.
<b>Availability Period</b>	The loan is available for drawing, in a single lump sum of A\$2,000,000 from the date of the Loan Agreement until 19 August 2016.
<b>Termination Date</b>	31 December 2016.
<b>Payment of Interest</b>	Interest is payable on the Termination Date. The interest rate is the 6-Month Bank Bill Swap (BBSW) Mid Rate plus 2% per annum.  Interest is also payable on amounts due but unpaid at the above interest rate plus an additional 2% per annum.

<b>Repayment of principal</b>	<p>The Borrower must repay the principal outstanding (being the amount of the Commitment) on the Termination Date.</p> <p>The Borrower can voluntarily prepay any of the principal outstanding at any time before the Termination Date.</p> <p>After the date of the Loan Agreement, any net proceeds from any funds raised by the Borrower (whether in the form of debt or equity) must, within 7 Business Days of receipt, be applied towards prepaying the principal outstanding..</p>
<b>Use of funds</b>	<p>The funds drawn under the loan must be used to meet the Borrower's payment obligations under existing agreements as and when they fall due and to otherwise assist with its ongoing working capital requirements (or for any other purpose that the Lender approves).</p>
<b>Conditions precedent to drawdown</b>	<p>The Borrower can only drawdown under the Loan Agreement if it first provides the Lender with:</p> <ul style="list-style-type: none"> <li>• a certificate which: <ul style="list-style-type: none"> <li>– certifies a copy of the Borrower's constitution and a copy of the Borrower's corporate authorisations in respect of entry into and performance of its obligations under the Loan Agreement and any related documents;</li> <li>– includes specimen signatures for each of the officers of the Borrower; and</li> <li>– certifies that the Borrower is solvent and, on the basis that the loan and all other amounts owing under the Loan Agreement will be repaid when due by way of a future capital raising and that capital raising is successful, the Borrower will not become insolvent by entering into and performing its obligations under the Loan Agreement and related documents;</li> </ul> </li> <li>• evidence that all authorisations required to enter into the Loan Agreement and any related documents have been obtained (eg corporate authorisations);</li> <li>• a funding notice in the required form and evidence that the requested funding date and portion won't breach the terms of the Loan Agreement; and</li> <li>• evidence that no Event of Default of Potential Event of Default has occurred or will occur as a result of drawdown.</li> </ul>
<b>Representations and warranties</b>	<p>The Loan Agreement includes representations and warranties given by the Borrower in favour of the Lender which are typical for agreements of this nature.</p> <p>These include representations regarding the Borrower being duly incorporated, having corporate power and authority to enter into the Loan Agreement and that the transactions under the Loan Agreement constitute binding obligations on the Borrower and are permitted under its constitution and under law.</p>
<b>Other key undertakings</b>	<p>The Loan Agreement contains certain restrictions on the conduct of the Borrower's business, including undertakings to:</p> <ul style="list-style-type: none"> <li>• conduct business in the usual and ordinary course and on a basis consistent with past practice;</li> <li>• preserve and maintain the value of its business and assets, and its relationships with government agencies, customers, suppliers,</li> </ul>

employees and others with whom they have business dealings;

- not enter into any offtake agreements, other than on arm's length terms;
- ensure that its insurances do not lapse (unless immediately renewed); and
- notify the Lender if it becomes aware of any material errors in its public filings or if any of its representations and warranties to the Lender are false or misleading.

Notwithstanding any other provision of the Loan Agreement, the Borrower is permitted to raise capital by way of a pro-rata rights issue without the Lender's consent.

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**Events of Default**

The Loan Agreement includes Events of Default which are typical for agreements of this nature, such as failure to pay amounts owing within 2 Business Days of the due date, failure to perform an obligation under the Loan Agreement where that failure cannot be remedied, an application being made to wind up the Borrower, insolvency of the Borrower etc.

Additionally, it will be an Event of Default if:

- the Borrower fails to perform any obligation under the Loan Agreement and the failure is remediable but is not remedied within 10 Business Days after receipt by the Borrower of a written notice from the Lender in respect of the failure; or
- a Prescribed Occurrence occurs.

'Prescribed Occurrence' means:

- a member of the Flinders group issuing shares, granting an option over its shares or issuing securities convertible into shares (other than to a wholly-owned subsidiary of the Borrower or via a pro-rata rights issue);
- a member of the Flinders group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- a member of the Flinders group granting a security interest over any specified mining tenements;
- a member of the Flinders group entering into a development, access, transport or offtake agreement or arrangement (or similar) in relation to the Pilbara Iron Ore Project and that is not on arm's length terms;
- the Borrower paying or distributing to its members, any dividend, bonus or other share of its profits or assets or returning any capital to its members; or
- the Borrower releasing, discharging or modifying any obligation owed to it in excess of \$250,000.

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**Other provisions**

The Loan Agreement includes other provisions which are typical in agreements of this nature such as restrictions on assignment, provisions relating to increased costs and illegality etc.

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## 2 TIO support for Flinders' rights issue

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To satisfy its ongoing capital requirements, TIO understands that Flinders expects to undertake a pro-rata rights issue to Flinders Shareholders at an issue price and entitlement ratio yet to be determined by Flinders before the end of the 2016 calendar year (**Rights Issue**). The proceeds of the Rights Issue will be used to, among other things, repay the amounts drawn under the Loan Agreement, pay annual tenement rents and rates, comply with minimum expenditure conditions for the tenements, provide working capital and meet administration expenses.

In this regard, TIO and Flinders have entered into a subscription agreement dated 29 July 2016 (**Subscription Agreement**), under which TIO has agreed to subscribe for the number of Flinders shares equal to its pro rata entitlement under the Rights Issue, subject to (among other things):

- final TIO board approval once the terms of the Rights Issue are determined; and
- the funds raised under the Rights Issue not exceeding A\$5 million.

## 3 Future funding intentions in relation to Flinders

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TIO has not yet formed an intention as to its position on the future funding of Flinders beyond the Loan Agreement and the Rights Issue (each referred to above), as this remains dependent on, among other things:

- whether the Flinders Board undertakes the reviews referred to in sections 7.3(d), 7.3(e), and 7.3(f) of the Original Bidder's Statement;
- the quality of the reviews and their outcomes, if undertaken;
- any determinations made by the Flinders Board based on the reviews; and
- whether such determinations are consistent with TIO's views on the same subjects after having considered the reviews.

Subject to these factors, along with commercial considerations including the amount, form and terms of any such funding, TIO will determine at the relevant time whether or not to participate in any future fundraising. In making this determination, TIO would also be cognisant of the fact that, if Flinders seeks further equity funding in the future, any Flinders Shareholder (including TIO) that does not participate in any future equity fundraising will be diluted commensurately.

## 4 Update on status of the Balla Balla Infrastructure Project

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### (a) Engineering

The drafting of the bankable feasibility study for the Balla Balla Infrastructure Project for both the 25 million tonne per annum and 45 million tonne per annum scale scenarios are now substantially complete and are undergoing final reviews and approval.

### (b) Access and approvals

Access agreements for the infrastructure facilities with native title holders, pastoralists and other tenure holders whose land interests will be impacted by the proposed rail alignment and existing mining tenement holders continue to advance.

Negotiations with the Western Australian Government regarding the terms of the State Agreement for the rail corridor are largely complete but remain subject to final approvals. As it is currently drafted, the State Agreement still contemplates that PIOP will be the foundation customer for the BBI Railway. BBI also continues discussions with the Western Australian Government on the potential timing for the submission of the State Agreement to Cabinet and, if approved by Cabinet, the timeframe for its introduction to, and passage through, Parliament.

Negotiations with the Pilbara Port Authority on the terms for the lease and licensing of land for the Balla Balla Port facilities remain ongoing.

**(c) Marketing**

As further detailed in section 5.3(c) of the Original Bidder's Statement and section 2.4(c) of its First Supplementary Bidder's Statement, TIO entered into conditional arrangements with Shandong Iron and Steel Group Co. Ltd (**SISG**), for the sale and purchase of iron ore from the Central Pilbara.

As at the date of this Third Supplementary Bidder's Statement, TIO, SISG and BBI remain in discussions to replace the existing conditional arrangements with new arrangements, which would envisage the supply by BBI of iron ore sourced from mines in the Central Pilbara that are customers of the Balla Balla Infrastructure Project.

TIO and BBI are also engaged with a number of other parties that are interested in the supply of iron ore sourced from mines in the Central Pilbara region and/or potential investment in the Balla Balla Infrastructure Project. In these engagements, TIO and BBI continue to position PIOP as a potential customer of the Balla Balla Infrastructure Project and source of iron ore supply.

**(d) Update on potential future use of the Balla Balla Infrastructure Project by PIOP**

TIO's and BBI's current assessment of PIOP is that at both a 25 million tonne per annum and 45 million tonne per annum scale:

- development on a standalone basis, as the foundation customer of the Balla Balla Infrastructure Project under "take-or-pay" haulage arrangements remains challenging given the level of tariff and credit support requirements that would be needed to obtain debt and equity financing on terms suitable to justify a final investment decision for both projects; and
- development as an integrated project with the Balla Balla Infrastructure Project could be feasible at some point in the future, provided that:
  - the PIOP resource size, quality, grade and specific mining assumptions can be confirmed;
  - iron ore market conditions are sufficiently stable and supportive;
  - sufficient annual iron ore tonnage can be contracted for sale over a sufficient time; and
  - sufficient debt and equity could be secured to fund the project.

## 5 Extension of Offer Period

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TIO is extending the period during which the Offer will remain open so that the Offer will now close at 7:00pm (Sydney time) on 31 August 2016 (unless extended or withdrawn).

A copy of the notice of variation in relation to the extension of offer period is set out in Attachment 1 of this Third Supplementary Bidder's Statement.

## 6 Accepting the Offer

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**If you have not accepted the Offer, you are encouraged to accept the Offer without delay.**

To accept the Offer, please follow the instructions on the Acceptance Form enclosed with this Third Supplementary Bidder's Statement. Section 10.3 of the Original Bidder's Statement also includes detailed instructions on how to accept the Offer.

As noted in section 10.3(e)(2) of the Original Bidder's Statement, if your Acceptance Form is returned by post, for your acceptance to be valid you must ensure that it is posted in sufficient time for it to be received by TIO at the address shown on the Acceptance Form before the end of the Offer Period.

According to the standard delivery timetable for deliveries in Australia published on Australia Post's website, it can take up to 6 days to receive your Acceptance Form if it is returned by post. You should take this timing into account when returning your Acceptance Form by post.

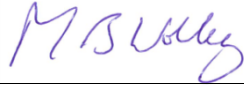
## 7 Additional information

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If you have any questions about the Offer, please call the Offer Information Line on 1300 782 998 (toll-free within Australia) or + 61 3 9415 4197 (from outside Australia).

BBI has given written consent to be named in this Third Supplementary Bidder's Statement in the form and context in which it is so named and to the inclusion of each statement it has made and each statement which is said to be based on a statement it has made, in the form and context in which the statements appear and has not withdrawn that consent as at the date of this Third Supplementary Bidder's Statement.

Signed for and on behalf of TIO (NZ) Limited following a resolution of the directors of TIO (NZ) Limited.



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Michael Wolley  
Director

29 July 2016

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# Attachment 1

*A copy of this notice was lodged with ASIC on 29 July 2016. ASIC takes no responsibility for the contents of this notice.*

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

**Takeover offer for Flinders Mines Limited (ACN 091 118 044)**

## Notice of variation – extension of offer period

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To: Australian Securities and Investments Commission (**ASIC**)

ASX Limited

Flinders Mines Limited (**Flinders**)

Each person to whom offers were made under the takeover bid referred to in this notice, as required under section 650D(1)(c) of the *Corporations Act 2001* (Cth) (as modified by ASIC Class Order [CO 13/521])

TIO (NZ) Limited (New Zealand Company No. 3744171) (**TIO**) gives notice that its takeover offers for all of the ordinary shares in Flinders contained in its bidder's statement dated 17 March 2016 (as varied and supplemented, if applicable) are varied by extending the period during which the offer will remain open so that the offer will now close at 7:00pm (Sydney time) on 31 August 2016 (unless extended or withdrawn).

DATED: 29 July 2016

Signed for and on behalf of  
TIO (NZ) Limited



Michael Wolley  
Director