

8 August 2016

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

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

In accordance with section 647(3)(b) of the *Corporations Act 2001* (Cth), attached is a copy of the second supplementary target's statement of Flinders Mines Ltd (ABN 46 091 118 044) (**Flinders**) dated 8 August 2016 (**Second 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 Second Supplementary Target's Statement, Flinders has entered into a loan facility agreement with PIO Mines Pty Limited (a subsidiary of TIO) (**Loan Agreement**) and pursuant to the Loan Agreement, delivered a funding notice to PIO Mines on 2 August 2016, giving notice of a request to draw the aggregate amount of A\$2,000,000 on 5 August 2016. Flinders received the loan funds on 5 August 2016.

All of the directors of Flinders recommend that you accept TIO's takeover offer.

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

Yours faithfully



Justin Nelson
Company Secretary
Flinders Mines Limited



SECOND SUPPLEMENTARY TARGET'S STATEMENT

This Target's Statement has been issued 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)

All of the directors of Flinders Mines Limited recommend that you ACCEPT TIO (NZ) Limited's takeover offer.

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 second supplementary target's statement (**Second 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 Second Supplementary Target's Statement supplements, and should be read together with, Flinders' Supplementary Target's Statement dated 12 May 2016 (**Supplementary Target's Statement**) and Flinders' Target's Statement dated 15 April 2016 (**Original Target's Statement**).

Capitalised Terms

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

2. **SECOND SUPPLEMENTARY TARGET'S STATEMENT**

This Second Supplementary Target's Statement is intended to provide an update in respect of certain material information relevant to Flinders Shareholders in their consideration of the Offer.

3. **LOAN AGREEMENT**

On 29 July 2016, Flinders entered into a loan facility agreement (**Loan Agreement**) with PIO Mines Pty Limited (**PIO Mines**), a subsidiary of TIO, to assist Flinders in meeting its short term capital requirements.

The key terms of the Loan Agreement are set out below

3.1 **Borrower**

Flinders Mines Limited (ACN 091 118 044).

3.2 **Lender**

PIO Mines Pty Limited (ACN 605 697 461), a subsidiary of TIO.

3.3 **Loan amount (the Commitment)**

A\$2,000,000.

3.4 **Security**

The facility is unsecured.

3.5 **Availability Period**

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.

3.6 **Termination Date**

31 December 2016.

3.7 **Payment of Interest**

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.

3.8 **Repayment of principal**

The Borrower must repay the principal outstanding (being the amount of the Commitment) on the Termination Date.

The Borrower can voluntarily prepay any of the principal outstanding at any time before the Termination Date.

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.

3.9 **Use of funds**

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).

3.10 **Conditions precedent to drawdown**

The Borrower can only drawdown under the Loan Agreement if it first provides the Lender with:

3.10.1 a certificate which:

- (a) 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;
- (b) includes specimen signatures for each of the officers of the Borrower; and
- (c) 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;

- 3.10.2 evidence that all authorisations required to enter into the Loan Agreement and any related documents have been obtained (e.g. corporate authorisations);
- 3.10.3 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
- 3.10.4 evidence that no Event of Default or Potential Event of Default has occurred or will occur as a result of drawdown.

3.11 **Representations and warranties**

The Loan Agreement includes representations and warranties given by the Borrower in favour of the Lender which are typical for agreements of this nature.

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.

3.12 **Other key undertakings**

The Loan Agreement contains certain restrictions on the conduct of the Borrower's business, including undertakings to:

- 3.12.1 conduct business in the usual and ordinary course and on a basis consistent with past practice;
- 3.12.2 preserve and maintain the value of its business and assets, and its relationships with government agencies, customers, suppliers, employees and others with whom they have business dealings;
- 3.12.3 not enter into any offtake agreements, other than on arm's length terms;
- 3.12.4 ensure that its insurances do not lapse (unless immediately renewed); and
- 3.12.5 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.

3.13 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:

- 3.13.1 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
- 3.13.2 a Prescribed Occurrence occurs.

'Prescribed Occurrence' means:

- 3.13.3 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);
- 3.13.4 a member of the Flinders group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- 3.13.5 a member of the Flinders group granting a security interest over any specified mining tenements;
- 3.13.6 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;
- 3.13.7 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
- 3.13.8 the Borrower releasing, discharging or modifying any obligation owed to it in excess of \$250,000.

3.14 Miscellaneous 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.

4. LOAN FACILITY DRAWING

Pursuant to the Loan Agreement, Flinders delivered a funding notice to PIO Mines on 2 August 2016, giving notice of a request to draw the aggregate amount of A\$2,000,000 on 5 August 2016. Flinders received the requested loan funds on 5 August 2016.

5. ONGOING CAPITAL REQUIREMENTS AND PROPOSED RIGHTS ISSUE

- 5.1 In order to satisfy its ongoing capital requirements, Flinders proposes to undertake a pro rata rights issue, at an issue price and entitlement ratio yet to be determined, before the end of the 2016 calendar year (**Rights Issue**).
- 5.2 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.
- 5.3 Flinders and TIO 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 (amongst other things):
- 5.3.1 final TIO board approval once the terms of the Rights Issue are determined; and
 - 5.3.2 the funds raised under the Rights Issue not exceeding A\$5,000,000.

6. OTHER IMPORTANT INFORMATION

6.1 TIO's Interest in Flinders

Based on publicly available information, as at the date of this Second Supplementary Target's Statement, the Todd Group had a Relevant Interest in 49.37% of Flinders Shares (refer to the Substantial Holding notice lodged by the Todd Group with ASX Market Announcements on 13 July 2016).

6.2 Implications of remaining a minority shareholder

Flinders Shareholders who do not accept the Offer will become minority shareholders in Flinders unless TIO proceeds with compulsory acquisition (assuming it becomes entitled to do so).

The Flinders Board considers that the following implications of remaining a minority shareholder should be taken into account by Flinders Shareholders in determining whether or not to accept the Offer:

- 6.2.1 TIO will be in a position to cast the majority of votes at a general meeting of Flinders (subject to any resolution which requires a voting exclusion applicable to TIO). This will enable it to control the composition of the Flinders Board and senior management, determine Flinders' dividend policy and control the strategic direction of the business of Flinders and its subsidiaries;
- 6.2.2 The liquidity of Flinders Shares may be reduced;
- 6.2.3 Flinders Shareholders who do not subscribe for Flinders Shares under the Rights Issue will have their percentage shareholding interest in Flinders diluted;

- 6.2.4 If TIO acquires at least 75% of Flinders Shares it will be able to pass a special resolution of Flinders. This will enable TIO to, among other things, change Flinders constitution; and
- 6.2.5 TIO has made a number of statements in its Bidder's Statement regarding its intentions on acquiring 50.01% or more but less than 90% of all Flinders Shares, including:
- (a) It intends to appoint two nominee directors (whose identities are yet to be determined) to the Flinders Board and request that the Flinders Board undertakes the proposed reviews referred to in sections 7.3(d), 7.3(e) and 7.3(f) of the Bidder's Statement dated 17 March 2016;
 - (b) If the proposed reviews referred to in section 6.2.5(a) above are not undertaken to the satisfaction of TIO, TIO would seek to replace at least a majority of the Flinders Board with new directors; and
 - (c) TIO may seek to remove Flinders' listing on the ASX. If Flinders is delisted, it will result in Flinders Shareholders who do not accept the Offer holding shares in an unlisted company for which there may not be a liquid market.

If TIO's voting power increases to 50% or more within the last 7 days of the Offer Period, the Offer Period will be automatically extended by 14 days from the date on which that event occurred. The current Offer Period is due to close at 7.00 pm (Sydney time) on 31 August 2016 (unless extended or withdrawn).

6.3 Consents

The following parties have given and have not withdrawn before lodgement of this Second Supplementary Target's Statement with ASIC, their consent to be named in this Second 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
Computershare	Flinders Share Registry	N/A
Directors	Directors of Flinders	Statements made by, or statements based on statements made by, the Directors

6.4 Lodgment with ASIC

A copy of this Second Supplementary Target's Statement was lodged with ASIC on 8 August 2016. This Second Supplementary Target's Statement will

prevail to the extent of any inconsistency with the Supplementary Target's Statement or the Original Target's Statement.

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


6.5 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).

7. 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, consisting of a stylized, cursive script that appears to be 'R. Kennedy'.

Robert Kennedy
Independent, non-executive Chairman
Date: 8 August 2016