

13 December 2018

Flinders announces intention to de-list from ASX

- Flinders has applied for de-listing from the ASX
- Unanimous view of the Board that the De-Listing is in the best interests of shareholders
- ASX has provided in-principle approval for the De-Listing subject to certain conditions, including shareholder approval
- Shareholder approval will be sought at a Special Meeting to be held in January 2019
- Company to undertake an on-market buy-back to provide liquidity for shareholders who do not wish to retain their shares following the De-Listing. The Company will also undertake an Unmarketable Parcels Sale Process
- Buy-Back to be funded through a Loan Facility that has been entered into with a subsidiary of the company's largest shareholder TIO (NZ) Limited which will be repaid through a Rights Issue to be undertaken following the Buy-Back
- TIO NZ has advised that it intends to vote in favour of the De-Listing and does not intend to participate in the Buy-Back

Flinders Mines Limited (**ASX:FMS**) (**Flinders** or **Company**) today announces that it has made an application to the Australian Securities Exchange (**ASX**) for the removal of the Company from the official list of the ASX under ASX Listing Rule 17.11 (**De-Listing**).

Due to various challenges faced by the Company in continuing to progress the Pilbara Iron Ore Project (**PIOP**), the Board of Flinders undertook a review of the available strategic options to maximise shareholder value. Following this review, it is the Board's unanimous view that the De-Listing is in the best interests of Flinders' shareholders at this time, due to the lack of capital support from public markets, low levels of trading liquidity of Flinders shares, concentrated shareholding, costs associated with maintaining the ASX listing, greater potential access to future funding alternatives as an unlisted company and the Company's material future capital requirements.

The ASX has provided in-principle advice that it will grant approval for the De-Listing subject to the conditions described below, including shareholder approval.

Subject to shareholder approval of the De-Listing, Flinders will provide shareholders who do not wish to retain their shares with an opportunity to exit their investment in Flinders through an on-market buy-back of up to 10% of shares on issue¹ (**Buy-Back**). In addition, Flinders will undertake an unmarketable parcels sale process (**Unmarketable Parcels Sale Process**) in accordance with the Company's constitution (**Constitution**).

The Buy-Back will be funded by a Loan Facility from a subsidiary of the Company's largest shareholder, TIO (NZ) Limited (**TIO NZ**). The Loan Facility will be repaid through a proposed non-renounceable pro-rata rights issue (**Rights Issue**) to be undertaken following the Buy-Back.

¹ The 10% is calculated based on the smallest number of shares on issue during the 12 months prior to the commencement of the Buy-Back.

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If the De-Listing is approved, Flinders will continue to trade on the ASX until the conclusion of the Buy-Back or Rights Issue (expected to be in early March 2019).

Further details regarding the De-Listing, the Buy-Back, the Unmarketable Parcels Sale Process and the Rights Issue (together, the **Transactions**) are outlined below.

Commenting on the proposal, the Chairman of Flinders, Mr Neil Warburton said:

“The Board of Flinders does not believe it is in the best interests of shareholders to continue incurring the costs and administrative burden associated with a listing that is ineffective - it has extremely low liquidity and has proven inadequate in raising capital from public markets, particularly against the backdrop of significant future funding required to develop the PIOP. The Board is committed and will continue to progress the PIOP as a public unlisted Company.”

De-Listing

The reasons why the Board is proposing the De-Listing are outlined below.

1. Lack of capital support from public markets

One of the primary reasons for a company to have an ASX listing is to raise capital from public markets. However, Flinders has historically not received support from public capital markets, with TIO NZ being the primary source of funding for Flinders since 2016. In the past two years, the Company has undertaken three rights issues. TIO NZ has taken up all its rights in each rights issue and provided total funding of \$16.4 million (75% of the capital raised). The three recent rights issues have in total had a shortfall of \$8.4m or 28% of the total capital sought to be raised. In addition, TIO NZ has provided further liquidity to Flinders via a \$2 million loan facility in July 2016 and a \$5 million loan facility in November 2017, both of which were repaid through the rights issues.

2. Low levels of trading liquidity

There is no liquid market in Flinders' shares on the ASX. Over the last 12 months only 2.16%² of the current shares on issue in Flinders have traded. The low liquidity results in limited trading having a disproportionate impact on the Company's share price.

3. Concentrated shareholding

Assuming full participation in the Unmarketable Parcels Sale Process, the Company will have approximately 3,153 shareholders. Currently, two substantial shareholders, TIO NZ (approximately 55.6%) and OCJ Investment Australia Pty Ltd (and related parties) (approximately 22.6%) own approximately 78.2% of Flinders and approximately 21.8% of the Company is held by minority shareholders, with an average shareholding of 0.0006%. The Board notes that the percentage shareholdings of these two major shareholders are likely to further increase after the Buy-Back as TIO NZ has stated it does not intend to participate in it and OCJ may or may not participate in it. The Board believes the current and likely future level of concentration of shareholdings and shareholder spread is insufficient for an orderly and liquid market.

4. Costs and administrative burden associated with maintaining the ASX listing

Given the points noted above, the Board believes that the costs and administrative burden of remaining listed on ASX outweigh any benefits of a continued listing.

5. De-listing to unlock additional access to funding

The Board believes that significant additional sources of funding may be available to the Company as an unlisted entity. The Board believes that Flinders will have greater access to funding in an unlisted environment from groups including private equity and Asian and Middle Eastern investors. These investors may be more attracted to an unlisted vehicle given the

² Market data as at 12 December 2018.

increased structural flexibility, removal of ongoing costs associated with an illiquid listing and reduced administrative burden.

6. *Future capital requirements of the Company*

In order to progress the PIOP for the benefit of all shareholders, the next step is for Flinders to undertake a bankable feasibility study (**BFS**).

The current estimate to complete the BFS is approximately \$40 to \$50 million. The BFS will need to consider a number of potential development risks, and will require analysis of several critical elements being: (i) improving the Fe grade to higher than 60% Fe (as ore grades lower than 60% are attracting significant discounts in overseas markets). This will require both significant changes to the preliminary mine plan and identification of additional higher grade resources; (ii) the development of additional resources to ensure sufficient mine life to support a BFS; (iii) identifying an appropriate infrastructure solution to transport product to port and subsequently to end customers (as with any development stage bulk commodity project, an infrastructure solution is critical to a development decision); and (iv) analysis of mining rates, mining costs, funding options and related requirements.

Finally, should the BFS be successfully completed, Flinders believes that the capital required to develop the PIOP will be significantly greater than the funding capacity of the Company under its current structure.

For the reasons outlined above, the Directors believe that the Company has greater potential to access funding for these future capital requirements in an unlisted environment.

There are disadvantages to the De-Listing such as those outlined below.

1. *Shareholders' will no longer have the ability to sell Shares and realise their investment in the Company via the ASX*

After the Company is de-listed, as its shares will no longer be traded on ASX, they will only be capable of sale by private transaction. However, as noted above, the current ASX market for Flinders shares has been extremely illiquid.

2. *Once Flinders is de-listed, the Company will not be able to raise capital from public listed equity capital markets*

Once the Company is de-listed, Flinders will be unable to raise capital from public listed equity capital markets and will require a prospectus for any future public equity raisings. Any placement made by Flinders as an unlisted company may be subject to the recipient of the placement being subject to a twelve month escrow period on trading of their shares or only on-selling to 'sophisticated' investors, which may be unattractive to some investors and deter them from investing in Flinders. However, as noted above, the Company has been unable to effectively raise significant equity capital from public markets and the Directors consider that Flinders has limited ability to raise future equity capital on the ASX.

3. *If Flinders is de-listed, various requirements of the ASX Listing Rules will no longer apply*

The reduction of obligations associated with a listing on ASX may include relief from some reporting and disclosure requirements, removal of certain restrictions on the issue of shares and certain restrictions on transactions with related parties (although these will still be governed by the *Corporations Act 2001* (Cth) (**Act**)) and requirements concerning significant changes to Flinders' activities. The absence of continued restrictions in these areas may be perceived to be a disadvantage to some shareholders. However, Flinders will be an unlisted 'disclosing entity', meaning that it will continue to have continuous disclosure obligations under the Act.

The Directors believe the de-listing of the Company will not result in any substantial diminution of the protection for minority shareholders afforded by the Act. Shareholders will still have the broad protections of the Act in relation to related party transactions, takeovers restrictions, financial reporting obligations and holding annual general meetings. The Directors of the Company will still

be subject to directors' duties under the Act, including duties to act in good faith in the best interest of the Company and for a proper purpose.

4. *Other disadvantages generally*

There are other potential disadvantages to Flinders not being listed, including the fact that some investors apply a higher valuation to securities of a company that is listed on a recognised securities exchange. Also, the currently proposed Unmarketable Parcels Sale Process and Buy-Back would not be available if Flinders is de-listed.

Despite the above disadvantages, it is the Board's unanimous view that it is in the best interests of Flinders' shareholders that the Company de-list from the ASX at this time.

The advantages and disadvantages of the De-Listing will be further elaborated in the notice of meeting for the De-Listing.

The ASX has given in-principle approval of the De-Listing, subject to the following conditions:

1. the Company's removal from the official list of ASX is approved by ordinary resolution of ordinary security holders of the Company;
2. the notice of meeting seeking security holder approval for the Company's removal from the official list of the ASX must disclose the reasons for the Company seeking removal to the satisfaction of ASX and include a statement to the effect that the removal will take place no earlier than one month after approval is granted; and
3. the Company releases the full terms of the in-principle approval decision by the ASX to the market.

Flinders lodged a formal request for its removal from the official list of the ASX today.

The Company will seek shareholder approval of the De-Listing at an extraordinary general meeting of shareholders (**Special Meeting**) to be held in January 2019. The notice of meeting to be dispatched to shareholders will contain further information about the Transactions.

TIO NZ has committed to the Board of Flinders that it intends to vote in favour of the De-Listing and that it will not participate in the Buy-Back.

The Unmarketable Parcels Sale Process will proceed regardless of the vote on the De-Listing and the Company will provide a further exit opportunity through the Buy-Back for those shareholders who do not wish to remain shareholders in an unlisted Flinders. The Company will maintain its ASX listing for at least one month following the Special Meeting.

Buy-Back

The Company proposes to conduct an on-market buy-back of its securities for up to 10% of its shares on issue³ at a price equal to the lower of:

- (a) a 5% premium to the 5 day volume weighted average price for the shares (**VWAP**) calculated over the last 5 trading days before the purchase under the Buy-Back is made (being the maximum price permissible under ASX Listing Rule 7.33); or
- (b) \$0.075 per share, representing the 30 day VWAP calculated from and including the share price at the close of trading after market close on Wednesday, 12 December 2018.

The Buy-Back is conditional on shareholder approval being obtained for the De-Listing and will therefore not commence until after the Special Meeting. The Buy-Back will remain open until the earlier of (i) one month after the date of the Special Meeting or (ii) the time taken to reach the

³ The 10% is calculated based on the smallest number of shares on issue during the 12 months prior to the commencement of the Buy-Back.

maximum buy-back of 10% of the shares on issue. TIO NZ has advised the Company that it does not intend to participate in the Buy-Back.

Flinders does not have the financial capacity to undertake the Buy-Back and as such the Company has entered into a loan agreement with PIO Mines Pty Limited, a subsidiary of TIO NZ (**Loan Facility**) to fund the Buy-Back, which will be repaid by the Rights Issue. The short term Loan Facility is for a total of up to \$27 million for the purpose of funding the Buy-Back. The actual amount drawn will depend on the number of shares purchased under the Buy-Back and the purchase price. The Loan Facility is available for drawdown conditional on, among other things, shareholder approval of the De-Listing. The Loan Facility is unsecured and is based on commercial arm's length terms, including an interest rate equivalent to the 6-month bank bill swap midpoint plus 2% per annum, with the repayment of principal outstanding to occur on or before 30 June 2019.

Further details of the Buy-Back will be provided to shareholders when and if it is commenced.

Unmarketable Parcels Sale Process

Flinders intends to undertake an Unmarketable Parcels Sale Process in accordance with section 9 of the Constitution. There are currently 1,082 shareholders with an unmarketable parcel of shares that has a market value of less than \$500 (**Unmarketable Parcel**), which are estimated to represent approximately 3.3 million shares or 0.09% of total shares on issue or a total consideration of approximately \$246,000.

All shareholders holding Unmarketable Parcels will have approximately 6 weeks to 'opt-out' of the Unmarketable Parcels Sale Process and retain all of their shares (**6 Week Period**). Shareholders holding an Unmarketable Parcel on the relevant record date will receive a letter outlining the process and a share retention form. If a shareholder holding an Unmarketable Parcel wishes to sell their Flinders shares under the Unmarketable Parcels Sale Process without incurring brokerage or handling costs, they do not need to take any action.

The Company has discretion under section 9 of the Constitution to sell the Unmarketable Parcels for a price per share not below a price equal to the average of the sale price quoted on the ASX for the 10 trading days immediately preceding this announcement. In accordance with that discretion, the Company intends to seek to one or more buyers for the Unmarketable Parcels during the 6 Week Period at a price of not less than \$0.075 per share, representing the 30 day VWAP calculated from and including the share price at the close of trading on Wednesday, 12 December 2018. TIO NZ has agreed that it will acquire any Unmarketable Parcels that are not offered to be bought at \$0.075 per share after the 6 Week Period. If the Company is unable to find any buyers for any of the Unmarketable Parcels during the 6 Week Period, TIO NZ's subsequent acquisition of the Unmarketable Parcels will have a negligible impact on TIO NZ's overall shareholding in the Company, increasing it by a maximum of 0.09% to 55.65% of total shares on issue.

Rights Issue

Following the conclusion of the Buy-Back, the Company proposes to undertake the Rights Issue, which may occur before or after the De-Listing. The proceeds of the Rights Issue will be used to repay the Loan Facility with the subsidiary of TIO NZ and provide working capital to progress the PIOP. The Rights Issue price per share will equal the VWAP paid by the Company under the Buy-Back. All shareholders will have the opportunity to participate in the Rights Issue.

The Company has entered into a Commitment Agreement with TIO NZ (**Commitment Agreement**). Under the Commitment Agreement, TIO NZ has agreed to subscribe for a number of Flinders' shares under the Rights Issue equal to no less than any amount of the Loan Facility principal outstanding (**Committed Amount**). The Rights Issue will be sized such that TIO NZ's pro rata participation in the Rights Issue will be sufficient to repay the Committed Amount, with any additional funds raised to provide additional working capital to progress the PIOP. The obligations contained in the Commitment Agreement are subject to, among other things, shareholder approval of the De-Listing.

Indicative Timetable

The indicative timetable for the Transactions is set out below. Firm dates will be provided to shareholders in due course. Subject to the Act and the ASX Listing Rules, Flinders reserves the right to amend this timetable without prior notice to shareholders.

EVENT	DATE
1. De-Listing	
Formal application submitted to the ASX to De-List	Thursday 13 December 2018
Notice of meeting dispatched to shareholders to approve De-Listing	Wednesday 19 December 2018
Shareholder meeting to approve De-Listing	Late January 2019
Suspension date – suspension of trading on the ASX	To be determined, following close of the Buy-Back or Rights Issue but no earlier than approximately early March 2019
Removal of the Company from the official list of the ASX	To be determined, following close of the Buy-Back or Rights Issue but no earlier than approximately early March 2019
2. Unmarketable Parcels Sale Process	
Letter dispatched to holders of Unmarketable Parcels	Monday 17 December 2018
Closing date for receipt of share retention forms (Unmarketable Parcel Closing Date)	Late January 2019
Estimated Unmarketable Parcels payment date	Early February 2019
3. Buy-Back	
Commence Buy-Back	Late January 2019
Buy-Back closes	To be determined, but the shorter of 1 month and the time taken to reach 10% of issued share capital
4. Rights Issue	
Announcement of Rights Issue	To be determined, following the close of the Buy-Back
Rights Issue offer booklet dispatched	Approximately 1 week following the announcement of Rights Issue
Rights Issue closes	Approximately 7 business days following dispatch of the Rights Issue offer booklet

Flinders is being advised by Greenhill & Co and MinterEllison on the Transactions.

For further information please contact:

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