

9 May 2016

Flinders recommends acceptance of improved 2.5 cents per share TIO cash offer

HIGHLIGHTS

- Improved all-cash unconditional takeover offer of **\$0.025 (two and a half cents) cash per Flinders Share**
- Improved offer price is **best and final** and will not be increased in the absence of an alternative proposal or competing proposal from a third party
- The Flinders Board recommends Shareholders **ACCEPT** the offer in the absence of a Superior Proposal
- Improved offer is **92% higher** than TIO's initial takeover offer price
- Represents a **significant premium** to the closing price and the VWAPs of Flinders before TIO announced its initial takeover offer
- Provides **certainty and prompt payment** for Flinders Shareholders
- Improved offer will close at 7.00pm (Sydney time) on 6 June 2016 (unless extended or withdrawn)

INCREASED CASH OFFER

Flinders Mines Limited (ASX:FMS) ("Flinders") is pleased to announce that it has entered into a bid implementation agreement ("Implementation Agreement") with TIO (NZ) Limited ("TIO") (a wholly-owned subsidiary of Todd Corporation), under which TIO has agreed to vary its offer to increase the cash consideration initially offered from \$0.013 ("Initial Offer") to \$0.025 per Flinders Share ("Improved Offer").

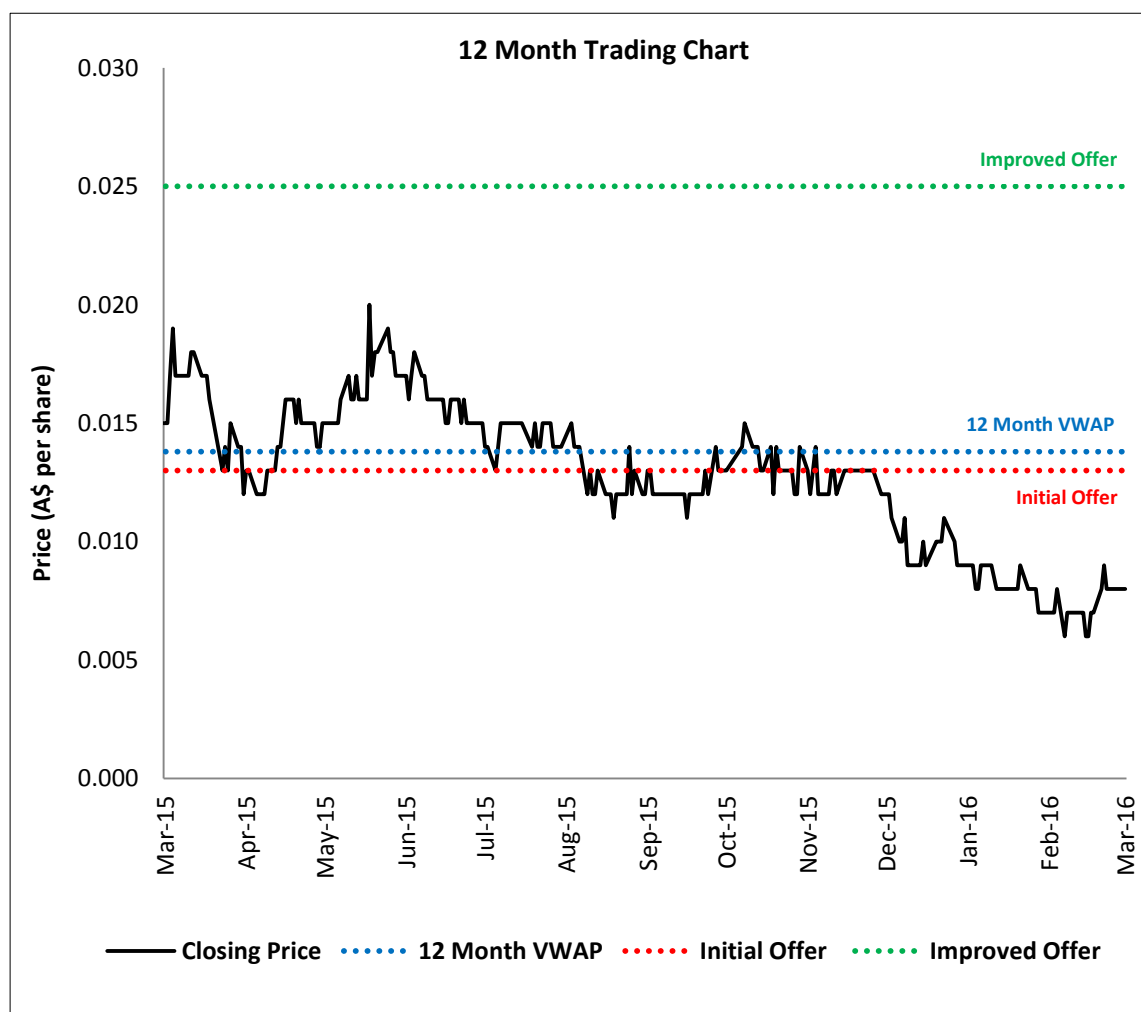
The Directors of Flinders unanimously recommend that Flinders Shareholders ACCEPT the Improved Offer and intend to accept, or procure the acceptance of, the Improved Offer in respect of any Flinders Shares that they own or control, in the absence of a Superior Proposal.

Your Directors recommend acceptance of the Improved Offer for the following reasons:

1. The Improved Offer represents a significant premium for control of Flinders

TIO has significantly improved its Initial Offer by 92%. The Improved Offer represents a 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.

The Improved Offer price also represents a significant premium to the VWAPs of Flinders before TIO announced the Initial Offer.



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.

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.

Your Directors note that Flinders Shares have not traded above the Improved Offer price since 17 September 2014.

2. The 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.

3. The Improved Offer provides certainty to Flinders Shareholders

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.

A copy of the Implementation Agreement is annexed to this announcement. Unless the context otherwise requires, terms defined in the Implementation Agreement have the same meaning as in this announcement.

For further information, please don't hesitate to contact:

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Flinders Mines Limited
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ANNEXURE – BID IMPLEMENTATION AGREEMENT



HERBERT
SMITH
FREEHILLS

Execution version

Agreement

Bid implementation agreement



Bid implementation agreement

Date ► 6 May 2016

Between the parties

TIO

TIO (NZ) Limited

(New Zealand Company No. 3744171) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6011 New Zealand
(TIO)

Flinders

Flinders Mines Limited

(ACN 091 118 044) of Level 1, 135 Fullarton Road, Rose Park, South Australia 5067
(Flinders)

Recitals

- 1 TIO has made a Takeover Bid to acquire all of the Flinders Shares.
 - 2 TIO is proposing to announce a variation of the terms of the Takeover Bid to increase the consideration offered.
 - 3 The Flinders Directors are proposing to recommend TIO's varied Takeover Bid on the terms of this agreement.
 - 4 It is a pre-requisite to the Takeover Bid being varied and the Flinders Directors making the recommendation that the parties enter into this agreement.
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The parties agree as follows:

1 Definitions, interpretation and agreement components

1.1 Definitions

The meanings of the terms used in this agreement are set out below.

Term	Meaning
Agreed Disclosure (Flinders)	an ASX announcement concerning the Takeover Bid, substantially in the form set out in Schedule 3, or as otherwise agreed by the parties in writing.
Agreed Disclosure (TIO)	a public announcement concerning the Takeover Bid, substantially in the form set out in Schedule 3A, or as otherwise agreed by the parties in writing.
Agreed Bid Terms	the terms of the increased Offer set out in Schedule 2.
Application	the application in relation to Western Australian tenement number L47/731.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12 of the Corporations Act as if subsection 12(1) of the Corporations Act included a reference to this agreement and Flinders was the designated body.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
Bidder's Statement	the bidder's statement dated 17 March 2016 issued by TIO.
Business Day	a day on which banks are open for business in Sydney, New South Wales, Adelaide, South Australia and Wellington, New Zealand, excluding a Saturday, Sunday or public holiday.
Claim	any claim, demand, legal proceedings or cause of action including any claim, demand, legal proceedings or cause of action: 1 based in contract (including breach of any warranty); 2 based in tort (including misrepresentation or negligence);

Term	Meaning
	3 under common law or equity; or 4 under statute (including the Australian Consumer Law (being Schedule 2 of the <i>Competition and Consumer Act 2010</i> (Cth) (CCA)) or Part VI of the CCA, or like provisions in any state or territory legislation), in any way relating to this agreement or the transaction contemplated by it, and includes a claim, demand, legal proceedings or cause of action arising under an indemnity in this agreement.
Competing Proposal	any proposal, agreement, arrangement or transaction: 1 with a Third Party in relation to or in connection with PIOP or which permits or creates any Security Interest in respect of PIOP; 1A 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; or 2 which, if entered into or completed, would mean a Third Party (either alone or together with any Associate) may: a. directly or indirectly acquire a Relevant Interest in, or have a right to acquire, a legal, beneficial or economic interest in, or control of, 10% or more of the Flinders Shares or of the share capital of any material Subsidiary of Flinders; b. directly or indirectly acquire Control of Flinders or a Subsidiary of Flinders; c. directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire, a legal, beneficial or economic interest in, or control of, all or a material part of Flinders' business or assets or the business or assets of Flinders Group; d. otherwise directly or indirectly acquire or merge with Flinders or a material Subsidiary of Flinders; or e. require Flinders to terminate this agreement, whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement or other transaction or arrangement.
Control	has the meaning given in section 50AA of the Corporations Act.



Term	Meaning
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Exclusivity Period	the period from the date of this agreement until the earlier of: 1 the date of termination of this agreement; 2 the end of the Offer Period; and 3 the date that is 6 months after the date of this agreement.
Flinders Board	the board of directors of Flinders and a ' Flinders Board Member ' means any director of Flinders comprising part of the Flinders Board.
Flinders Director	a director of Flinders.
Flinders Group	Flinders and each of its Subsidiaries, and a reference to a ' Flinders Group Member ' or a ' member of Flinders Group ' is to Flinders or any of its Subsidiaries.
Flinders Incentive Rights Plan	the Flinders Mines Limited Employee Incentive Rights Plan.
Flinders Right	an Incentive Right and a Performance Right.
Flinders Share	an ordinary share in the capital of Flinders, including all shares on issue as at the end of the Offer Period.
Flinders Shareholder	a registered holder of Flinders Shares.
Flinders Warranty	the warranties and representations given by Flinders set out in clause 2.2(a), 8.1 and 8.2.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
Incentive Right	a right to acquire a Flinders Share under the Flinders Incentive Rights Plan, which vests on the successful achievement of

Term	Meaning
	specified performance objectives.
Insolvency Event	means, in relation to an entity: 1 the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity (other than where the order is set aside within 14 days); 2 a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets; 3 the entity executing a deed of company arrangement; 4 the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of this agreement; 5 the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation); or 6 the entity being deregistered as a company or otherwise dissolved.
Listing Rules	the official listing rules of ASX.
Mining Tenements	Western Australia: 1 E58/232; 2 E58/236; 3 E58/282; 4 E47/1560; 5 L47/728; 6 L47/730; 7 L47/734; 8 M47/1451; and South Australia: 9 EL 5739; 10 EL 5761; 11 EL 5762; 12 EL 5763; and 13 EL 5557 and includes the Application if granted prior to the end of the Offer Period.

Term	Meaning
Offer	the offers dated 31 March 2016 to acquire the Flinders Shares pursuant to the Bidders Statement, to be varied in accordance with clause 2.1 of this agreement.
Offer Period	the period during which the Offer is open for acceptance.
Performance Right	a right to acquire a Flinders Share under the Flinders Performance Rights Plan, which vests on the successful achievement of specified performance objectives.
PIOP	the Pilbara Iron Ore Project owned by Flinders.
Prescribed Occurrence	means the occurrence of any of the following without the prior written consent of TIO: 1 Flinders converting all or any of its shares into a larger or smaller number of shares; 2 a member of the Flinders Group resolving to reduce its share capital in any way; 3 a member of the Flinders Group: • entering into a buy-back agreement; or • resolving to approve the terms of a buy-back agreement under the Corporations Act; 4 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), other than: • to a directly or indirectly wholly-owned Subsidiary of Flinders; or • the issue of shares under Flinders Incentive Rights Plan or Flinders Performance Rights Plan, but only if the securities issued under it have been disclosed to ASX before the date of this agreement; 5 a member of the Flinders Group issuing or agreeing to issue securities convertible into shares; 6 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 5763 and other than trading inventories and consumables in the ordinary and usual course of business); 7 a member of the Flinders Group entering, or agreeing to enter into, an agreement, arrangement or transaction with a Third Party in relation to or in connection with PIOP of the type contemplated in clauses 1 or 1A of the definition of Competing Proposal, other than a Superior Proposal entered into in

Term	Meaning
	compliance with clause 7; 8 a member of the Flinders Group permitting or creating, or agreeing to permit or create, any mortgage, charge, lien or other Security Interest over the whole, or a substantial part, of its business or property, including the Mining Tenements; 9 an Insolvency Event occurs in relation to a member of the Flinders Group; 10 Flinders paying or distributing, to its members, any dividend, bonus or other share of its profits or assets or returning any capital to its members; 11 Flinders amending or proposing to amend its constitution; 12 Flinders releasing, discharging or modifying, or agreeing to release, discharge or modify, any obligation owed to it in excess of \$250,000 by any person, firm or body corporate; 13 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 applicable Flinders Group Member has commenced a recruitment process for such position prior to the date of this agreement); 14 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; or 15 any member of the Flinders Group agreeing, offering, or announcing an intention to, take out any of the actions referred to in the foregoing paragraphs.
Related Body Corporate	has the meaning given in section 50 of the Corporations Act.
Related Person	1 in respect of a party or its Related Bodies Corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate; and 2 in respect of any financial adviser retained by a party in relation to the transactions contemplated by this agreement or a Competing Proposal, each director, officer, employee or contractor of that financial adviser.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Security Interest	has the meaning given in section 51A of the Corporations Act.

Term	Meaning
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Superior Proposal	a publicly announced, bona fide Competing Proposal of the kind referred to in any of paragraphs 1, 1A, 2b, 2c and 2d of the definition of Competing Proposal (and not resulting from a breach by Flinders of any of its obligations under clause 7 of this agreement (it being understood that any actions by the Related Persons of Flinders in breach of clause 7 shall be deemed to be a breach by Flinders for the purposes hereof)) which the Flinders Board, acting in good faith, and after receiving written legal advice from its legal adviser and written advice from its financial adviser, determines: 1 is reasonably capable of being valued and completed in a timely fashion taking into account all aspects of the Competing Proposal (including the nature and contingency of the consideration, any timing considerations relating to entering into such proposal and its ultimate outcome, any conditions precedent and the identity of the proponent); and 2 would, if completed substantially in accordance with its terms, be more favourable to Flinders Shareholders (as a whole) than the Takeover Bid (as the Takeover Bid may be amended or varied following application of the matching right set out in clause 7.4), taking into account all terms and conditions of, and after giving an appropriate risk weighting to any contingent consideration involved in, the Competing Proposal.
Takeover Bid	the off-market takeover bid by TIO for all of the Flinders Shares made in accordance with Chapter 6 of the Corporations Act on the terms set out in the Bidder's Statement.
Target's Statement	the target's statement dated 15 April 2016 issued by Flinders.
Third Party	a person other than TIO and its Related Bodies Corporate.
TIO Group	TIO and each of its Subsidiaries, and a reference to a ' TIO Group Member ' or a ' member of the TIO Group ' is to TIO or any of its Subsidiaries.

1.2 Interpretation

In this agreement:

- headings and bold type are for convenience only and do not affect the interpretation of this agreement;
- the singular includes the plural and the plural includes the singular;



- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this agreement have a corresponding meaning;
- (e) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this agreement;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this agreement) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to a party to a document includes that party's successors and permitted assignees;
- (j) a reference to an agreement other than this agreement includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing;
- (k) a reference to liquidation or insolvency includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure or, where applicable, changes in the constitution of any partnership or person, or death;
- (l) no provision of this agreement will be construed adversely to a party because that party was responsible for the preparation of this agreement or that provision;
- (m) a reference to '\$', 'A\$' or 'dollar' is to the lawful currency of Australia;
- (n) a reference to any time, unless otherwise indicated, is to the time in Sydney, New South Wales, Australia;
- (o) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (p) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (q) if an act prescribed under this agreement to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day;
- (r) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1.1, has the same meaning when used in this agreement; and
- (s) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

1.3 Interpretation of inclusive expressions

Specifying anything in this agreement after the words 'including', 'includes', 'for example' or similar expression does not limit what else is included unless there is express wording to the contrary.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Agreement components

This agreement includes any schedule.

2 The Takeover Bid

2.1 Varying the Takeover Bid

TIO agrees to vary the Offer made pursuant to the Takeover Bid by increasing the consideration to be offered for each Flinders Share in accordance with the terms of the Agreed Bid Terms, as soon as practicable after the execution of this agreement.

2.2 Flinders Directors' recommendation

- (a) Flinders represents and warrants that:
 - (1) the Flinders Board has met and considered the possibility of TIO agreeing to vary the Offer; and
 - (2) each Flinders Director has informed Flinders that, if TIO publicly states an intention to comply with clause 2.1, that each Flinders Director will recommend that Flinders Shareholders accept the Offer (as varied in accordance with clause 2.1) made to them under the Takeover Bid in the absence of a Superior Proposal.
- (b) Subject to clause 2.2(c) and 2.2(d), Flinders must until the earlier of the end of the Offer Period and the date that is 6 months after the date of this agreement:
 - (1) 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, including meeting with key Flinders Shareholders, analysts, management, customers and media if requested to do so by TIO;
 - (2) 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;
 - (3) procure that the Flinders Board collectively, and each Flinders Director individually, do not change, withdraw or modify its, his or her recommendation for Flinders Shareholders to accept the Offer;
 - (4) include in all public statements relating to the Takeover Bid, a statement to the effect the Flinders Directors unanimously recommend that Flinders Shareholders accept the Offer made to them in the absence of a Superior Proposal.
- (c) Flinders' obligations under clause 2.2(b) will cease to apply if:

- (1) Flinders has received, other than as a result of a breach of clause 7, and continues to be in possession of, a Superior Proposal;
- (2) TIO's rights under clause 7.4 have been exhausted; and
- (3) the Flinders Board has determined in good faith, after consultation with its legal adviser and financial adviser, that compliance with the matters in clause 2.2(b) would be likely to be inconsistent with the Flinders Directors' statutory or fiduciary duties.
- (d) If the Flinders Board makes a determination of the type referred to in clause 2.2(c)(3) in respect of a Superior Proposal and TIO has not exhausted its rights under clause 7.4 in respect of that Superior Proposal, Flinders' obligations under clause 2.2(b) will be suspended until such time as TIO has exhausted all of its rights under clause 7.4 (**Determination Period**), provided that the only public statement that the Flinders Board can make during the Determination Period in relation to, or in connection with, the Superior Proposal and the Offer is that Flinders Shareholders take no action in relation to the Superior Proposal or the Offer.

3 Public announcement of variation of Takeover Bid

Immediately after the execution and exchange of this agreement:

- (a) Flinders must issue the Agreed Disclosure (Flinders); and
- (b) TIO must issue the Agreed Disclosure (TIO).

4 Access to information

From the date of this agreement until the end of the Exclusivity Period, Flinders must:

- (a) provide TIO with a copy of the register of members of Flinders in electronic form within two Business Days after a request from TIO;
- (b) provide TIO with a copy of the register of members of Flinders in electronic form within two Business Days after Flinders receives a copy from its share registry each time a copy is obtained by Flinders; and
- (c) comply with any reasonable request of TIO to give directions to Flinders Shareholders pursuant to Part 6C.2 of the Corporations Act, provided that such request may only relate to no more than one hundred Flinders Shareholders.

5 Conduct of business

- (a) From the date of this agreement up to and including the end of the Exclusivity Period, and without limiting any other obligations of Flinders under this agreement:
 - (1) Flinders must procure that no Prescribed Occurrence occurs.
 - (2) Flinders must, and must procure that its Subsidiaries:

- (A) conduct their 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;
- (B) with the exception of EL 5763, endeavour to preserve and maintain the value of their business and assets, and their relationships with Government Agencies, customers, suppliers, employees and others with whom they have business dealings. For the avoidance of doubt, this includes:
 - using reasonable endeavours to obtain consents from Third Parties to any change of control provisions which TIO reasonably requests in contracts or arrangements to which Flinders or any Subsidiary is a party;
 - using best endeavours to procure the grant of the Application;
 - keeping the assets of the Flinders Group in good standing, including by paying any annual rental fees and mining rehabilitation levies payable in relation to each Mining Tenement, as and when they become due;
 - preparing and lodging any applications for extension of term (renewals) for Mining Tenements that are due to expire before the end of the Exclusivity Period, or within 60 days of the end of the Exclusivity Period; and
 - complying with all of the conditions of the Mining Tenements and ensuring (to the extent it is within the reasonable control of the Flinders Group) that the Mining Tenements are not amended, varied, terminated or withdrawn, cancelled or surrendered in whole or in part;
 - ensuring that Flinders and its Subsidiaries (as applicable) remain at all times the legal and beneficial holder of their assets; and
 - promptly providing TIO with a copy of all material notices received by Flinders from any Governmental Authority or Third Party in relation to the Mining Tenements;
- (C) not enter into any contract, arrangement or understanding for the sale or purchase of any product produced or extracted from the Mining Tenements;
- (D) not enter into any line of business or other activity in which Flinders or its Subsidiaries are not engaged as of the date of this agreement;
- (E) do not permit any of their insurances to lapse (unless immediately renewed) or do anything that would make any policy of insurance void or voidable; and
- (F) do 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.

- (b) From the date of this agreement up to and including the end of the Exclusivity Period, Flinders must promptly notify TIO of anything of which it becomes aware that:
- (1) makes any material information publicly filed by Flinders to be, or reasonably likely to be, incomplete, incorrect, untrue or misleading in any material respect; or
 - (2) makes any Flinders Warranty false, inaccurate, misleading or deceptive in any material respect.

6 Takeover Bid – variation and extension

6.1 Variation

TIO may vary the terms and conditions of the Takeover Bid in any manner which is permitted by the Corporations Act, provided that the varied terms and conditions are not less favourable to Flinders Shareholders than the terms set out in the Agreed Bid Terms.

6.2 Extension

Subject to the Corporations Act, TIO may extend the Offer Period under the Takeover Bid at any time.

7 Exclusivity

7.1 No shop and no talk

During the Exclusivity Period, Flinders must not, and must ensure that none of its Related Bodies Corporate and none of their Related Persons directly or indirectly:

- (a) **(no shop)** solicit, invite, encourage or initiate (including by the provision of non-public information to any Third Party) any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or communicate to any person an intention to do anything referred to in this clause 7.1(a); or
- (b) **(no talk)** subject to clause 7.2:
 - (1) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or participate in or continue any negotiations or discussions with respect to any actual, proposed or potential Competing Proposal;

- (2) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
- (3) disclose or otherwise provide any non-public information about the business or affairs of Flinders Group to a Third Party (other than a Government Agency) with a view to obtaining, or which would reasonably be expected to encourage or lead to receipt of, an actual, proposed or potential Competing Proposal (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of Flinders Group); or
- (4) communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause 7.1(b).

7.2 Fiduciary exception

Clause 7.1(b) does not prohibit any action or inaction by Flinders, its Related Bodies Corporate or any of their Related Persons in relation to an actual, proposed or potential Competing Proposal if compliance with that clause would, in the opinion of the Flinders Board, formed in good faith after receiving written advice from its external legal adviser, constitute, or would be likely to constitute, a breach of any of the fiduciary or statutory duties of the Flinders Directors, provided that the actual, proposed or potential Competing Proposal was not directly or indirectly brought about by, or facilitated by, a breach of clause 7.1(a).

7.3 Notification of approaches

- (a) During the Exclusivity Period, Flinders must as soon as possible notify TIO in writing if it, its Related Bodies Corporate or any of its Related Persons, becomes aware of any:
 - (1) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any inquiry, expression of interest, offer, proposal or discussion in relation to an actual, proposed or potential Competing Proposal;
 - (2) proposal made to Flinders, its Related Bodies Corporate or any of its Related Persons, in connection with, or in respect of any exploration or completion of, an actual, proposed or potential Competing Proposal; or
 - (3) provision by Flinders, its Related Bodies Corporate or any of its Related Persons of any non-public information concerning the business or operations of Flinders or Flinders Group to any Third Party (other than a Government Agency) in connection with an actual, proposed or potential Competing Proposal,

whether direct or indirect, solicited or unsolicited, and in writing or otherwise. For the avoidance of doubt, any of the acts described in clause 7.3(a)(1), clause 7.3(a)(2) and clause 7.3(a)(3) may only be taken by Flinders if not proscribed by clause 7.1 or if permitted by clause 7.2.
- (b) A notification given under clause 7.3(a) must include the identity of the relevant person making or proposing the relevant actual, proposed or potential Competing Proposal, together with all material terms and conditions of the actual, proposed or potential Competing Proposal.

7.4 Matching right

- (a) Without limiting clause 7.1, during the Exclusivity Period, Flinders:
- (1) must not enter into (and must procure that no Related Body Corporate enters into) any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, Flinders, a Related Body Corporate of Flinders or all of them proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
 - (2) must use its best endeavours to procure that none of the Flinders Directors change their recommendation in favour of the Takeover Bid to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Takeover Bid),
- unless:
- (3) the Flinders Board acting in good faith and in order to satisfy what the members of the Flinders Board consider to be their statutory or fiduciary duties (having received the requisite written advice from its legal adviser and financial adviser) determines that the Competing Proposal would be or would be likely to be an actual, proposed or potential Superior Proposal;
 - (4) Flinders has provided TIO with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price and the identity of the Third Party making the actual, proposed or potential Competing Proposal;
 - (5) Flinders has given TIO at least 5 Business Days after the date of the provision of the information referred to in clause 7.4(a)(4) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal; and
 - (6) any of the following has occurred:
 - (A) TIO has not announced a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal by the expiry of the 5 Business Day period in clause 7.4(a)(5) above;
 - (B) TIO has announced a revised proposal by the expiry of the 5 Business Day period in clause 7.4(a)(5) above, but the Flinders Board, acting reasonably and in good faith, has determined that such proposal would not provide an equivalent or superior outcome for Flinders Shareholders as a whole compared with the Competing Proposal, taking into account all of the terms and conditions of the proposal; or
 - (C) TIO proposes to Flinders, or announces, amendments to the terms of the Takeover Bid that constitute a matching or superior proposal to the terms of the actual, proposed, or potential Competing Proposal (**Bidder Counterproposal**) by the expiry of the 5 Business Day period in clause 7.4(a)(5) above and the Flinders Board, acting reasonably and in good faith, has determined that the Bidder Counterproposal would provide an equivalent or superior outcome for Flinders Shareholders as a whole compared with the Competing Proposal, taking into account all of the terms and conditions of the Bidder Counterproposal, but (despite Flinders having



acted in good faith and used its best endeavours in accordance with clause 7.4(b)), Flinders and TIO have not agreed the amendments to this agreement that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, within 30 days of Flinders receiving the Bidder Counterproposal from TIO.

- (b) If TIO proposes to Flinders, or announces a Bidder Counterproposal by the expiry of the 5 Business Day period in clause 7.4(a)(5) above, Flinders must procure that the Flinders Board considers the Bidder Counterproposal and if the Flinders Board, acting reasonably and in good faith, determines that the Bidder Counterproposal would provide an equivalent or superior outcome for Flinders Shareholders as a whole compared with the Competing Proposal, taking into account all of the terms and conditions of the Bidder Counterproposal, then Flinders and TIO must use their best endeavours to agree the amendments to this agreement that are reasonably necessary to reflect the Bidder Counterproposal and to implement the Bidder Counterproposal, in each case as soon as reasonably practicable, and Flinders must use its best endeavours to procure that each of the Flinders Directors continues to recommend the Takeover Bid (as modified by the Bidder Counterproposal) to Flinders Shareholders, unless and until the event referred to in clause 7.4(a)(6)(C) occurs.

7.5 Shareholder approval

Without limiting the other provisions in this clause 7, if, during the Exclusivity Period, Flinders or any Related Body Corporate enters into any legally binding agreement, arrangement or understanding (whether or not in writing) with any Third Party in respect of an actual, proposed or potential Competing Proposal, which does not relate solely to the acquisition of Flinders Shares under a takeover bid or scheme of arrangement (**Alternative Proposal**), Flinders must procure that completion of the Alternative Proposal is conditional on Flinders Shareholders approving the Alternative Proposal by ordinary resolution in a general meeting (**Alternative Proposal Resolution**).

7.6 Cease discussions

Flinders must, and must procure that its Related Bodies Corporate and that the respective Related Persons of Flinders and of its Related Bodies Corporate, immediately cease any discussions or negotiations existing as at the date of this agreement relating to:

- (a) any actual, proposed or potential Competing Proposal; or
- (b) any transaction that would, or would reasonably be expected to, reduce the likelihood of success of the Takeover Bid.

7.7 Provision of information

During the Exclusivity Period, Flinders must as soon as possible provide TIO with:

- (a) in the case of written materials, a copy of; and
- (b) in any other case, a written statement of,

any material non-public information about the business or affairs of Flinders or Flinders Group disclosed or otherwise provided to any Third Party after execution of this agreement in connection with an actual, proposed or potential Competing Proposal that

has not previously been provided to TIO. For the avoidance of doubt, any such provision of information to a Third Party may only be undertaken if permitted by clause 7.2.

8 Warranties

8.1 Mutual warranties

Each party represents and warrants to the other that, as at the date of this agreement and until the expiry of the Exclusivity Period:

- (a) **(incorporation)** it is validly incorporated, organised and subsisting under the laws of the place of its incorporation;
- (b) **(power and capacity)** it has full power and capacity to enter into and perform its obligations under this agreement;
- (c) **(due execution)** this agreement has been duly executed and is a legal, valid and binding agreement, enforceable against the party in accordance with its terms;
- (d) **(authorisations)** all necessary authorisations for the execution, delivery and performance by it of this agreement in accordance with its/their terms have been obtained;
- (e) **(no contractual restrictions)** it is not bound by any agreement that would prevent or restrict it from entering into and performing its obligations under this agreement or the transaction contemplated by it;
- (f) **(no insolvency)** no resolutions have been passed or steps taken, and no petition or other process has been presented or threatened in writing against it, for winding-up or dissolution, and no receiver, receiver and manager, liquidator, administrator or like official has been appointed, or is threatened or expected to be appointed, over the whole or any part of its assets; and
- (g) **(no adverse regulatory action)** no regulatory action of any nature has been taken that would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement.

8.2 Flinders Warranties

- (a) In addition to the warranties set out in clause 8.1, Flinders represents and warrants that, as at the date of this agreement, and except where otherwise specified, each day up to and including the last day of the Exclusivity Period:

- (1) **(capital structure)**

- (A) the only shares, options, performance rights, convertible notes and other securities that Flinders has on issue are in aggregate:

- 2,937,152,568 Flinders Shares;
- 10,000,000 Performance Rights; and
- 2,930,000 Incentive Rights,

and there are no other securities on issue, or that might be issued as a result of the exercise of any options, convertible securities or other rights (other than as a result of the

- conversion of the Flinders Rights referred to in this clause 8.2(a)(1)(A));
- (B) neither Flinders nor any of its Subsidiaries has granted any person the right, whether contingent or otherwise, to call for the issue or allotment of any Flinders Shares, options or other securities in the Flinders Group (other than as a result of the conversion of the Flinders Rights referred to in clause 8.2(a)(1)(A)); and
 - (C) no person has any agreement, option, warranty, right (whether contingent or otherwise) or privilege (whether contractual or otherwise) capable of becoming an agreement for the purpose, acquisition, subscription or, issuance of, conversion into or exchange for, any of the Flinders Shares or other securities of Flinders or its Subsidiaries (other than as a result of the conversion of the Flinders Rights referred to in clause 8.2(a)(1)(A));
- (2) **(filings and Listing Rules):**
- (A) other than for the Takeover Bid, any other matter which TIO is aware, and the status of the Third Party discussions as disclosed in the Agreed Disclosure (Flinders), as at the date of this agreement Flinders is not relying on the carve-out in Listing Rule 3.1 to withhold any information from public disclosure; and
 - (B) Flinders has complied in all material respects with the requirements of the Listing Rules, including guidance notes issued in relation to the Listing Rules; and
- (3) **(incentive plan rules)** as at the date of this agreement, Flinders has provided to TIO a full and correct copy of the Flinders Incentive Rights Plan and all other incentive plan rules in relation to Flinders.

8.3 Reliance on representations and warranties

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.
- (c) Each party acknowledges and confirms that clause 8.3(a) and clause 8.3(b) do not prejudice any rights a party may have in relation to information which has been filed by the other party with ASIC, ASX or the New Zealand Companies Office (as applicable).

8.4 Notification

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations and warranties given by it under this clause 8.

8.5 No action against officers and employees

Each party waives, and must procure that its Related Bodies Corporate waives, all rights and claims that it may have personally against the officers and employees of the other party in relation to any matter arising directly or indirectly in connection with this agreement or the Offer, except to the extent that such rights or claims arise out of the fraud, wilful misconduct or wilful default of such person.

9 Termination

9.1 Termination for material breach

- (a) A party may terminate this agreement by written notice to the other party if at any time after the date on which the variation of the Takeover Bid is announced under clause 3 and before the end of the Offer Period:
 - (1) other than in respect of a breach of representation or warranty given by Flinders or TIO under clause 8 (which are dealt with under clause 9.2), the other party has materially breached this agreement, the party entitled to terminate has given written notice to the party in breach of this agreement setting out the relevant circumstances and stating an intention to terminate this agreement and, to the extent that the breach is capable of remedy, that breach is not remedied by that other party within 5 Business Days (or any shorter period ending at the end of the Offer Period) after the date on which the notice is given;
 - (2) a court or Government Agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Takeover Bid, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review; or
 - (3) TIO withdraws the Takeover Bid or the Takeover Bid lapses for any reason.
- (b) TIO may terminate this agreement by written notice to Flinders at any time before the end of the Offer Period if any Flinders Director fails to recommend the Takeover Bid or any Flinders Director withdraws, adversely revises or adversely modifies his or her recommendation that Flinders Shareholders accept the Offer or any Flinders Director makes a public statement indicating that they no longer recommend the Takeover Bid or recommending, supporting or endorsing another transaction (including any Competing Proposal).

9.2 Termination for breach of representations and warranties

- (a) TIO may, at any time before the end of the Offer Period, terminate this agreement for breach of a representation or warranty given by Flinders under clause 8 only if:
 - (1) TIO has given written notice to Flinders setting out the relevant circumstances and stating an intention to terminate the agreement;
 - (2) the relevant breach continues to exist 5 Business Days (or any shorter period ending at the end of the Offer Period) after the date on which the notice is given under clause 9.2(a)(1); and

- (3) the relevant breach is material in the context of the Takeover Bid taken as a whole.
- (b) Flinders may, at any time before the end of the Offer Period, terminate this agreement for breach of a representation or warranty given by TIO under clause 8 only if:
 - (1) Flinders has given written notice to TIO setting out the relevant circumstances and stating an intention to terminate the agreement;
 - (2) the relevant breach continues to exist 5 Business Days (any shorter period ending at the end of the Offer Period) after the date on which the notice is given under clause 9.2(b)(1); and
 - (3) the relevant breach is material in the context of the Takeover Bid taken as a whole.
- (c) TIO may, at any time before the end of the Offer Period, terminate this agreement with immediate effect by notice to Flinders for breach by Flinders of the warranty in clause 8.1(f).
- (d) Flinders may, at any time before the end of the Offer Period, terminate this agreement with immediate effect by notice to TIO for breach by TIO of the warranty in clause 8.1(f).

9.3 Effect of termination

If this agreement is terminated by a party under this clause 9, this clause 9.3 will survive termination and:

- (a) each party will be released from its obligations under this agreement, except its obligations under clause 2.2(b), clause 7.5, clause 10 and clause 12.2 will survive termination and remain in force;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
- (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Takeover Bid.

10 GST

10.1 Interpretation

In this clause 10, a word or expression defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) has the meaning given to it in that Act.

10.2 GST gross up

- (a) Subject to clause 10.2(b), if a party makes a supply under or in connection with this agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 10.2 (**GST exclusive consideration**) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.

- (b) Clause 10.2(a) does not apply to any consideration that is expressed in this agreement to be inclusive of GST.

10.3 Reimbursements and indemnifications

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 10.2.

10.4 Tax invoice

A party need not make a payment for a taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

11 Notices

11.1 Form of Notice

A notice or other communication to a party under this agreement (**Notice**) must be:

- (a) in writing and in English; and
- (b) addressed to that party in accordance with the details nominated in Schedule 1 (or any alternative details nominated to the sending party by Notice).

11.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By pre-paid post to the nominated address	At 9.00am (addressee's time) on the second Business Day after the date of posting
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

11.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than email as permitted in clause 11.2).

12 General

12.1 Governing law and jurisdiction

- (a) This agreement is governed by the law in force in South Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in South Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this agreement. Each party irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum

12.2 Service of process

Without preventing any other mode of service, any document in an action (including any writ of summons or other originating process or any third or other party notice) may be served on any party by being delivered to or left for that party at its address for service of Notices in Schedule 1.

12.3 Duty, costs and expenses

- (a) TIO must pay all stamp duty in respect of the execution, delivery and performance of this agreement, and any document required by this agreement.
- (b) Except as otherwise provided in this agreement, each party must pay its own legal costs and expenses in respect of the negotiation, preparation, execution, delivery and completion of this agreement.

12.4 Invalidity and enforceability

- (a) If any provision of this agreement is invalid under the law of any jurisdiction, the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 12.4(a) does not apply where enforcement of the provision of this agreement in accordance with clause 12.4(a) would materially affect the nature or effect of the parties' obligations under this agreement.

12.5 Waiver

No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.

The meanings of the terms used in this clause 12.5 are set out below.



Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this agreement and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

12.6 Variation

A variation of any term of this agreement must be in writing and signed by the parties.

12.7 Assignment of rights

- (a) A party may not assign, novate, declare a trust over or otherwise transfer or deal with any of its rights or obligations under this agreement without the prior written consent of the other party.
- (b) A breach of clause 12.7(a) by a party shall be deemed to be a material breach for the purposes of clause 9.1(a)(1).
- (c) Clause 12.7(b) does not affect the construction of any other part of this agreement.

12.8 Acknowledgement

Each party acknowledges that the remedy of damages may be inadequate to protect the interests of the parties for a breach of clause 7 and that TIO is entitled to seek and obtain without limitation injunctive relief if Flinders breaches clause 7.

12.9 Further action to be taken at each party's own expense

Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this agreement and the transactions contemplated by it.

12.10 Entire agreement

This agreement states all the express terms agreed by the parties in respect of its subject matter. It supersedes all prior discussions, negotiations, understandings and agreements in respect of its subject matter.

12.11 Counterparts

This agreement may be executed in any number of counterparts.



12.12 Relationship of the parties

- (a) Nothing in this agreement gives a party authority to bind any other party in any way.
- (b) Nothing in this agreement imposes any fiduciary duties on a party in relation to any other party.

12.13 Remedies cumulative

Except as provided in this agreement and permitted by law, the rights, powers and remedies provided in this agreement are cumulative with, and not exclusive of, the rights, powers and remedies provided by law independently of this agreement.

12.14 Exercise of rights

- (a) Unless expressly required by the terms of this agreement, a party is not required to act reasonably in giving or withholding any consent or approval or exercising any other right, power, authority, discretion or remedy, under or in connection with this agreement.
- (b) A party may (without any requirement to act reasonably) impose conditions on the grant by it of any consent or approval, or any waiver of any right, power, authority, discretion or remedy, under or in connection with this agreement. Any conditions must be complied with by the party relying on the consent, approval or waiver.

Schedule 1

Notice details

TIO

Address	Level 30, 363 George Street, Sydney NSW 2000
Attention	Michael Wolley / Ben Webb
Email	Michael.Wolley@toddcorporation.com / Ben.Webb@toddcorporation.com
Copy to:	
Address	Herbert Smith Freehills ANZ Tower, 161 Castlereagh Street, Sydney New South Wales Australia
Attention	Andrew Rich / Stephen Dobbs
Email	Andrew.Rich@hsf.com / Stephen.Dobbs@hsf.com

Flinders

Address	Level 1, 135 Fullarton Road, Rose Park, SA 5067
Attention	Justin Nelson
Email	jnelson@dmawlawyers.com.au
Copy to:	
Address	DMAW Lawyers Level 3, 80 King William Street Adelaide, South Australia Australia
Attention	Justin Nelson
Email	jnelson@dmawlawyers.com.au

Schedule 2

Agreed Bid Terms

1 Consideration

The consideration under the Offer is increased to \$0.025 (2.5 cents) for each Flinders Share.

2 Offer Period

The Offer Period shall be extended so that it will close no earlier than on 6 June 2016.



Schedule 3

Agreed Disclosure (Flinders)

[Attached]

9 May 2016

Flinders recommends acceptance of improved 2.5 cents per share TIO cash offer

HIGHLIGHTS

- Improved all-cash unconditional takeover offer of **\$0.025 (two and a half cents) cash per Flinders Share**
- Improved offer price is **best and final** and will not be increased in the absence of an alternative proposal or competing proposal from a third party
- The Flinders Board recommends Shareholders **ACCEPT** the offer in the absence of a Superior Proposal
- Improved offer is **92% higher** than TIO's initial takeover offer price
- Represents a **significant premium** to the closing price and the VWAPs of Flinders before TIO announced its initial takeover offer
- Provides **certainty and prompt payment** for Flinders Shareholders
- Improved offer will close at 7.00pm (Sydney time) on 6 June 2016 (unless extended or withdrawn)

INCREASED CASH OFFER

Flinders Mines Limited (ASX:FMS) ("Flinders") is pleased to announce that it has entered into a bid implementation agreement ("Implementation Agreement") with TIO (NZ) Limited ("TIO") (a wholly-owned subsidiary of Todd Corporation), under which TIO has agreed to vary its offer to increase the cash consideration initially offered from \$0.013 ("Initial Offer") to \$0.025 per Flinders Share ("Improved Offer").

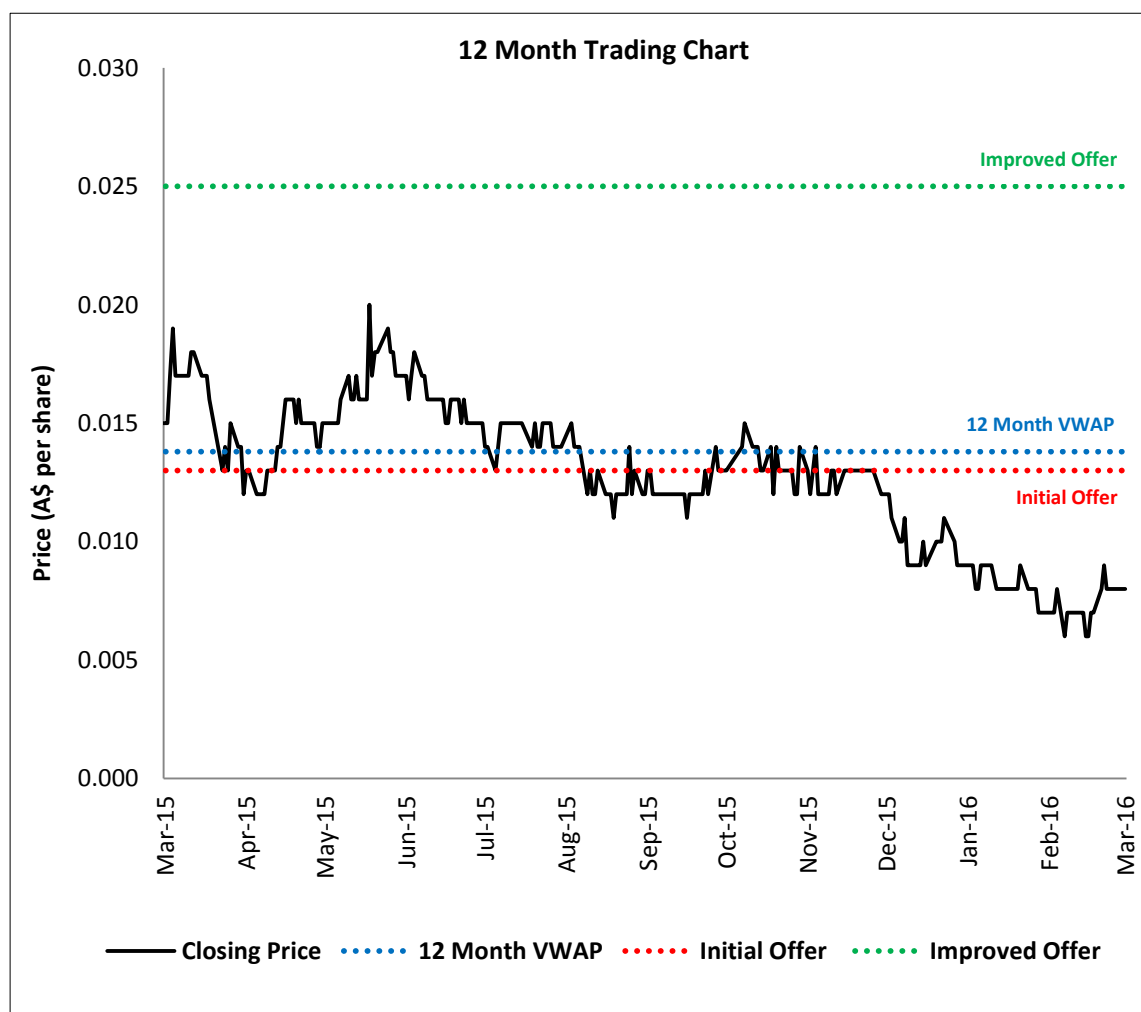
The Directors of Flinders unanimously recommend that Flinders Shareholders ACCEPT the Improved Offer and intend to accept, or procure the acceptance of, the Improved Offer in respect of any Flinders Shares that they own or control, in the absence of a Superior Proposal.

Your Directors recommend acceptance of the Improved Offer for the following reasons:

1. The Improved Offer represents a significant premium for control of Flinders

TIO has significantly improved its Initial Offer by 92%. The Improved Offer represents a 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.

The Improved Offer price also represents a significant premium to the VWAPs of Flinders before TIO announced the Initial Offer.



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.

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.

Your Directors note that Flinders Shares have not traded above the Improved Offer price since 17 September 2014.

2. The 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.

3. The Improved Offer provides certainty to Flinders Shareholders

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.

A copy of the Implementation Agreement is annexed to this announcement. Unless the context otherwise requires, terms defined in the Implementation Agreement have the same meaning as in this announcement.

For further information, please don't hesitate to contact:

Ian Gordon
Managing Director
Flinders Mines Limited
Mob: 0427 306 947

Duncan Gordon
Executive Director
Adelaide Equity Partners Limited
Mob: 0404 006 444

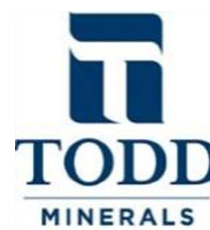
ANNEXURE – BID IMPLEMENTATION AGREEMENT

Schedule 3A

Agreed Disclosure (TIO)

[Attached]

9 May 2016



TIO ANNOUNCES IMPROVED TAKEOVER OFFER – FLINDERS BOARD RECOMMENDS SHAREHOLDERS ACCEPT

Highlights

- TIO announces improved all-cash unconditional takeover offer of \$0.025 (2 and a half cents) cash per Flinders Share (**Improved Offer Price**).
- **The Flinders Board unanimously recommends that Flinders Shareholders ACCEPT the improved offer, in the absence of a Superior Proposal.**
- The Improved Offer Price represents a significant premium of 213% to the closing price and the VWAPs of Flinders Shares before TIO announced its initial takeover offer on 17 March 2016.
- The Improved Offer Price is **best and final and will not be increased**, in the absence of an alternative proposal or competing proposal from a third party.
- The Improved Offer Price is also 92% higher than TIO's Initial Offer price and values Flinders at \$73.8 million.
- The Improved Offer Price provides compelling value, certainty and prompt payment for Flinders Shareholders.
- The improved offer will close at 7.00pm (Sydney time) on 6 June 2016 (unless extended or withdrawn).

TIO (NZ) Limited (**TIO**) (a wholly-owned subsidiary of The Todd Corporation Limited) announces that it has agreed to vary its takeover offer to increase the consideration offered from \$0.013 (**Initial Offer**) to \$0.025 per Flinders Share (**Improved Offer**).

TIO and Flinders Mines Limited (ASX:FMS) (**Flinders**) have also entered into a bid implementation agreement (**Implementation Agreement**), under which the directors of Flinders have agreed to unanimously recommend that Flinders Shareholders **ACCEPT** the Improved Offer, in the absence of a Superior Proposal.

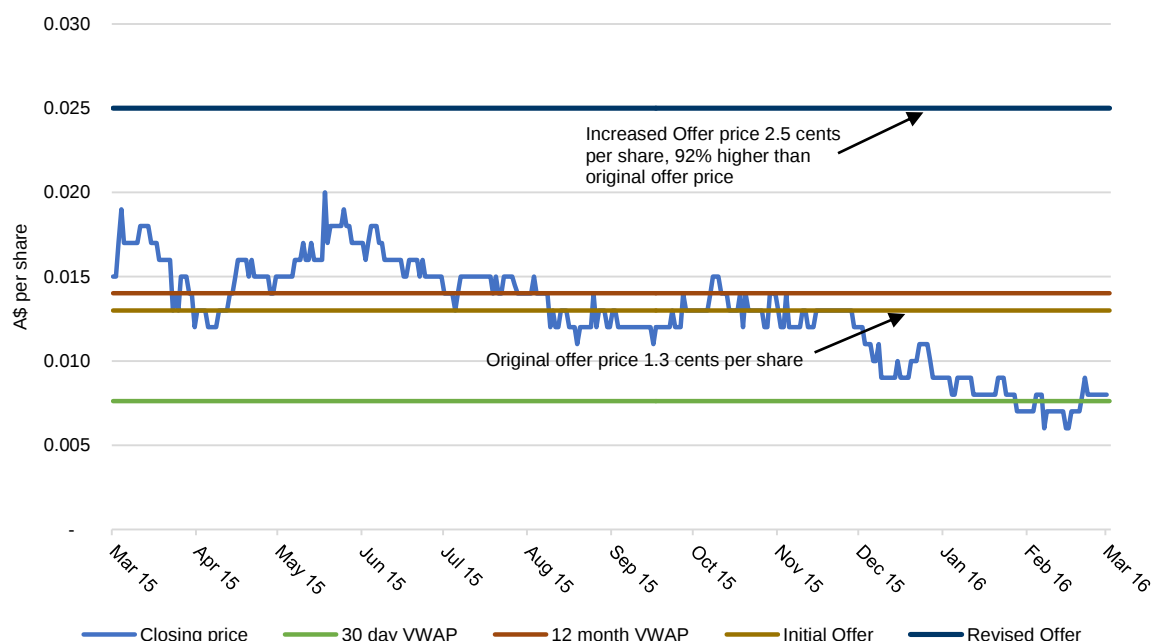
The Flinders Directors have also announced that they intend to accept, or procure the acceptance of, the Improved Offer in respect of any Flinders Shares that they own or control, in the absence of a Superior Proposal.

Key features of the Improved Offer

1. **The Improved Offer represents a significant premium of 213% to the closing price and VWAPs of Flinders Shares before the Initial Offer was announced**

The Improved Offer represents a 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.

As illustrated in the chart below, the Improved Offer Price also represents a significant premium to the VWAPs of Flinders before TIO announced the Initial Offer.



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.

2. The Improved Offer Price is best and final

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

3. The Improved Offer is 92% higher than the Initial Offer

TIO has listened to feedback from Flinders Shareholders and the Flinders Board and has significantly improved its Initial Offer by 92%.

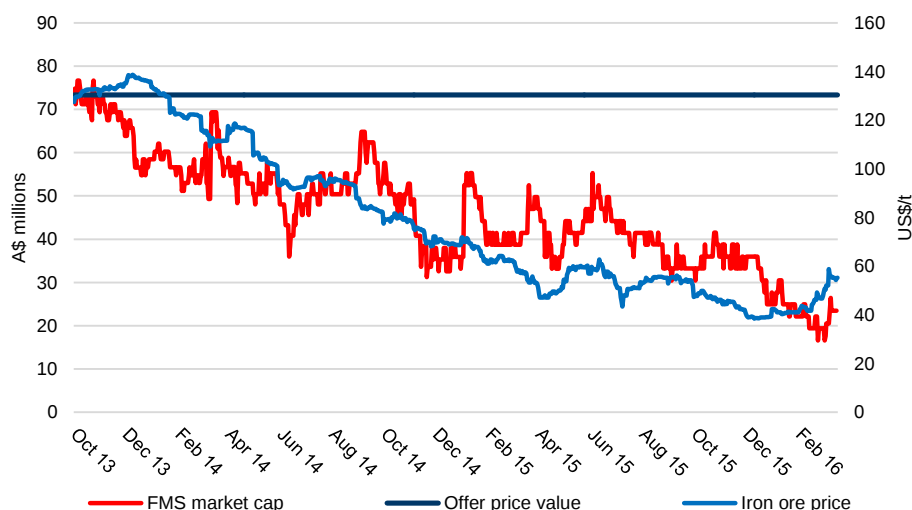
4. The Improved Offer values Flinders at approximately \$73.8 million²

The Improved Offer values Flinders at approximately \$73.8 million.

Further, the market capitalisation of Flinders has not exceeded the value implied by the Improved Offer Price (being \$73.8 million) since 23 October 2013 when iron ore was trading at approximately US\$133/t as illustrated in the chart below.

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

² This amount is based on the total number of Flinders Shares and Flinders Rights on issue as at the date of this announcement (being 2,937,152,568 Flinders Shares and 12,930,000 Flinders Rights) multiplied by the Improved Offer Price of \$0.025 per Flinders Share.



5. Discussions with third parties have not resulted in an alternate proposal

TIO has been informed by Flinders that its discussions with third parties in relation to the development of PIOP have not resulted in any firm commitments or proposals. Flinders has also confirmed that the Flinders Board is of the opinion that the certainty of the TIO offer represents a more attractive proposition than the uncertain future outcomes associated with these incomplete discussions. The Flinders Board has agreed to cease any existing discussions and to not solicit competing proposals from third parties for Flinders and PIOP while TIO's takeover bid remains open.

Details of these arrangements are contained in the Implementation Agreement – they will also be summarised in the supplementary bidder's statement that TIO intends to publish and send to Flinders Shareholders (**Supplementary Bidder's Statement**).

6. The Improved Offer provides certain value to Flinders Shareholders

The Improved Offer provides Flinders Shareholders with an attractive opportunity to realise certain value for their shares. Payment will be despatched to Flinders Shareholders who accept the Improved Offer within 7 Business Days after the date that their acceptance is received.

7. The Improved Offer avoids the need for Flinders Shareholders to participate in any future capital raisings and being exposed to future risks associated with Flinders, its projects and the iron ore market

The continued uncertainty and volatility in the iron ore market and a lack of an existing transportation infrastructure solution make development of PIOP by Flinders very challenging.

Flinders Shareholders who accept the Improved Offer in respect of all their Flinders Shares will avoid:

- the requirement to participate in any future equity raisings by Flinders to fund its ongoing activities or risk having their shareholding diluted if they do not participate;
- the uncertainty of timing, project development and operational risks associated with Flinders' projects, in particular PIOP; and
- the inherent risks and uncertainties associated with holding shares in a listed entity such as Flinders.

8. The trading price of Flinders Shares may fall after TIO's takeover bid closes

In the absence of TIO's takeover bid, it is expected that Flinders Shares would trade below the price of the Improved Offer and could fall to or even below the level at which Flinders Shares traded before the Initial Offer was announced.

Furthermore, it could be more difficult for Flinders Shareholders to sell their Flinders Shares on-market at an attractive price in the future if the market for Flinders Shares is less liquid or active once the TIO takeover bid closes.

How to accept the Improved Offer

Section 10.3 of the Bidder's Statement and the accompanying acceptance form included detailed instructions on how to accept the offer. TIO will also send a replacement acceptance form to Flinders Shareholders with the Supplementary Bidder's Statement.

Additional payment if you have already accepted the Offer

Within seven days after the date of this announcement, Flinders Shareholders who have already accepted the Initial Offer, will automatically be sent a further \$0.012 (1.2 cents) per Flinders Share that they accepted.³

If you have only partially accepted the takeover offer, you may still accept in relation to your remaining Flinders Shares.

Further information

Under the Implementation Agreement, TIO has also agreed to extend the Offer Period so that the Improved Offer will close at 7.00pm (Sydney time) on 6 June 2016 (unless extended or withdrawn).

TIO has instructed its broker, Patersons Securities Limited, to purchase on its behalf all Flinders Shares offered for sale to it on market from open of trading today at up to the price of the Improved Offer of \$0.025 per Flinders Share. If Flinders Shareholders sell their Flinders Shares on market to TIO they will be paid two ASX trading days (T+2) after the date on which the relevant trade takes place.

TIO will separately release to ASX the Supplementary Bidder's Statement in relation to the Improved Offer. A copy of the Implementation Agreement will also be separately released to ASX. Unless the context otherwise requires, terms defined in the Implementation Agreement have the same meaning as in this announcement.

If Flinders Shareholders have any further questions about the Improved Offer, they can call the Offer Information Line on 1300 782 998 (toll-free within Australia) or + 61 3 9415 4197 (from outside Australia).

- Ends -

³ As noted in the Bidder's Statements, those Flinders Shareholders who sold their Flinders Shares on-market on the ASX to TIO before the increase in the Offer Price will not be entitled to receive the benefit of the increase in the Offer Price.



HERBERT
SMITH
FREEHILLS

Signing page

Executed as an agreement

Signed by
TIO (NZ) Limited
by

sign here ►

Company Secretary/Director

print name

Michael BMW Wolke

sign here ►

Director

print name

JONATHAN FERENCE YOUNG

Signed by
Flinders Mines Limited
by

sign here ►

Company Secretary/Director

print name

sign here ►

Director

print name



HERBERT
SMITH
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Flinders Mines Limited
by

sign here ►

Company Secretary/Director

sign here ►

Director

print name

Robert Kennedy

print name

Ian Gordon
