

## ASX ANNOUNCEMENT

6 November 2017

### Flinders secures \$5m loan facility to complete maturation work at Pilbara Iron Ore Project

Flinders Mines Limited (ASX: FMS) (**Flinders** or **Company**) advises that it has entered into a loan facility agreement (**Loan Facility**) with PIO Mines Pty Limited, a subsidiary of the Company's major shareholder TIO (NZ) Limited to continue the progression of its Pilbara Iron Ore Project. Both PIO Mines and TIO are subsidiaries of Todd Corporation.

The short term Loan Facility is for a total of A\$5.0 million to assist Flinders in completing the maturation phase of its Pilbara Iron Ore Project, and to meet short term capital requirements. The Facility is available for drawing in two tranches: Tranche 1 for \$3,000,000 is available for immediate draw down until 10 November 2017, and Tranche 2 for \$2,000,000 is available for draw down between 15 January and 15 February 2018.

The Loan Facility is unsecured and was struck on attractive commercial terms including an interest rate equivalent to the 6-Month Bank Bill Swap Rate (**BBSW**) Mid-Rate plus 2% per annum with the repayment of the principal outstanding to occur on or before 30 June 2018. Flinders may voluntarily prepay any of the principal outstanding at any time before 30 June 2018. Key loan terms are summarised in the annexure to this announcement.

**Mr Neil Warburton, Chairman of Flinders, said** *“The asset maturation phase is an important step we are undertaking to de-risk the Pilbara Iron Ore Project and maximise its value ahead of a proposed rights issue next year to progress the development of the project.*

*“The Board considered a range of funding options to complete the maturation work and decided that an unsecured loan was the optimal approach for the business and all shareholders given our future funding plans.”*

Flinders proposes to undertake a pro rata rights issue following the completion of the maturation work before the end of the 2018 financial year to repay the Loan Facility, progress feasibility and mine scheduling studies, and supplement working capital requirements. The issue price and entitlement ratio will be determined at the time and will allow all shareholders to participate.

Further, Flinders and TIO have entered into a subscription agreement under which TIO has agreed to subscribe for the number of Flinders' shares under the Rights Issue equal to the lesser of its pro rata entitlement and any amount of the Loan Facility principal outstanding divided by the subscription price subject to (amongst other things):

- final TIO board approval once the terms of the Rights Issue are determined; and
- launch of the Rights Issue no later than 30 June 2018.

For further information please contact:

**Shareholders**

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**About Flinders Mines Limited**

Flinders Mines Limited is an ASX-listed (ASX: FMS) exploration and development company focused on the commercialisation of its large, high quality hematite resource - the Pilbara Iron Ore Project (PIOP).

## ANNEXURE

### Loan Agreement Summary of Key Terms

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<b>Borrower</b>	Flinders Mines Limited (ACN 091 118 044).
<b>Lender</b>	PIO Mines Pty Limited (ACN 605 697 461).
<b>Loan Amount (the Commitment)</b>	Tranche 1 - A\$3,000,000 Tranche 2 – A\$2,000,000
<b>Security</b>	The facility is unsecured.
<b>Availability Period</b>	Tranche 1 available for draw down from the date of the agreement until 10 November 2017; and Tranche 2 available for draw down between 15 January 2018 and 15 February 2018.
<b>Termination Date</b>	30 June 2018
<b>Payment of Interest</b>	Interest is payable on the Termination Date. The interest rate is the 6-Month Bank Bill Swap (BBSW) Mid-Rate plus 2% per annum.
<b>Repayment of Principal</b>	The Borrower must repay the principal outstanding (being the amount of the Commitment) on the Termination Date. The Borrower can voluntarily prepay any of the principal outstanding at any time before the Termination Date. After the date of the Loan Agreement, any net proceeds from any funds raised by the Borrower (whether in the form of debt or equity) must, within 7 Business Days of receipt, be applied towards prepaying the principal outstanding and any other moneys owing under the Loan Agreement.
<b>Use of Funds</b>	The funds drawn under the loan must be used to meet the Borrower's payment obligations under existing agreements as and when they fall due, to complete all work programmes associated with the Maturation Work undertaken at the Pilbara Iron Ore Project (as announced to ASX on 27 July 2017 and 25 September 2017), including site activities, associated test work and future feasibility studies from those work programmes, and to otherwise assist with

	its ongoing working capital requirements and any other purpose that the Lender approves.
<b>Conditions Precedent to Drawdown</b>	<p>The Lender is not obliged to provide loan funds until the following conditions are fulfilled to the Lender's satisfaction:</p> <ul style="list-style-type: none"> <li>• <b>Officer's certificate:</b> an officer's certificate in the specified form is given in respect of the Borrower and dated no more than 3 Business Days before the relevant Funding Date;</li> <li>• <b>Authorisations:</b> the Lender has received evidence that the Borrower has obtained all Authorisations required in connection with the entry into and performance of the Transaction Documents to which it is a party;</li> <li>• <b>Funding Notice:</b> the Borrower has delivered a Funding Notice to the Lender requesting the Funding Portion;</li> <li>• <b>Funding Date:</b> the Funding Date for the Funding Portion is a Business Day within the corresponding Availability Period;</li> <li>• <b>Funding Portion:</b> the amount of the Funding Portion is consistent with clause 4.4 (ie. that the Borrower must ensure that a Funding Notice is only given in relation to the full amount of the relevant Commitment);</li> <li>• <b>Commitment:</b> the relevant Commitment will not be exceeded by providing the corresponding Funding Portion; and</li> <li>• <b>No Default:</b> no Default has occurred which is continuing and no Default will occur as a result of the Funding Portion being provided.</li> </ul>
<b>Representations and Warranties</b>	The Loan Agreement includes representations and warranties given by the Borrower in favour of the Lender which are typical for agreements of this nature. These include representations regarding the Borrower being duly incorporated, having corporate power and authority to enter into the Loan Agreement and that the transactions under the Loan Agreement constitute binding obligations on the Borrower and are permitted under its constitution and under law.
<b>Other Key Undertakings</b>	<p>The Loan Agreement contains certain restrictions on the conduct of the Borrower's business, including undertakings to:</p> <ul style="list-style-type: none"> <li>• conduct business in the usual and ordinary course and on a basis consistent with past practice;</li> <li>• preserve and maintain the value of its business and assets, and its relationships with government agencies, customers, suppliers, employees and others with whom they have business dealings;</li> <li>• not enter into any offtake agreements, other than on arm's length terms;</li> <li>• ensure that its insurances do not lapse (unless immediately renewed); and</li> </ul>

	<ul style="list-style-type: none"> <li>• notify the Lender if it becomes aware of any material errors in its public filings or if any of its representations and warranties to the Lender are false or misleading. Notwithstanding the above provisions, the Borrower is permitted to raise capital by way of a pro-rata rights issue without the Lender's consent.</li> </ul>
<p><b>Events of Default</b></p>	<p>The Loan Agreement includes Events of Default which are typical for agreements of this nature, such as failure to pay amounts owing within 2 Business Days of the due date, failure to perform an obligation under the Loan Agreement where that failure cannot be remedied, an application being made to wind up the Borrower, insolvency of the Borrower etc. Additionally, it will be an Event of Default if:</p> <ul style="list-style-type: none"> <li>• the Borrower fails to perform any obligation under the Loan Agreement and the failure is remediable but is not remedied within 10 Business Days after receipt by the Borrower of a written notice from the Lender in respect of the failure; or</li> <li>• a Prescribed Occurrence occurs.</li> </ul> <p>'Prescribed Occurrence' means the occurrence of any of the following without the prior written consent of the Lender:</p> <ul style="list-style-type: none"> <li>• 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, other than to a directly or indirectly wholly-owned Subsidiary of the Borrower or via a pro-rata rights issue to its shareholders as contemplated in the agreement;</li> <li>• a member of the Flinders Group issuing or agreeing to issue securities convertible into shares otherwise than via a pro-rata rights issue to its shareholders as contemplated in the agreement;</li> <li>• a member of the Flinders Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property, trading inventories and consumables in the ordinary and usual course of business;</li> <li>• a member of the Flinders Group 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 that is not on arm's length terms;</li> <li>• a member of the Flinders Group permitting or creating, or agreeing to permit or create, any mortgage, charge, lien or other Encumbrance over the whole, or a substantial part, of its business or property, including the Mining Tenements;</li> <li>• the Borrower paying or distributing, to its members, any dividend, bonus or other share of its profits or assets or returning any capital to its members;</li> </ul>

	<ul style="list-style-type: none"><li>• the Borrower 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; or</li><li>• 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.</li></ul>
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