



# Finders Resources Limited

(ASX:FND)

Capital Raising Presentation - May 2014

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# Disclaimer

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# *Executive Summary*

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- ❑ Finders Resources Limited (“Finders” or the “Company”) is undertaking an equity raising (“Equity Raising”) to complete the funding for the expansion of its Wetar Copper Project (95% owned by Finders)
- ❑ The Wetar Copper Project is located in Maluku Province, Indonesia
- ❑ Permitted mining has commenced at the Wetar Project with the first shipment of 102.5 tonnes of cathode announced on 15 May 2014
- ❑ The copper cathode solvent extraction and electrowinning plant (“3Kt SX-EW plant”) is operating at its nameplate capacity of 8 tonnes per day (“tpd”)
- ❑ A new Bankable Feasibility Study has been completed with positive results announced to the ASX
- ❑ Senior debt facility of \$US165m has been secured with a banking syndicate of BNP Paribas, CBA, HSBC and Societe Generale
- ❑ Project equity investment of \$US45m by Daewoo International Corporation
- ❑ Finders is proposing to raise up to \$15.3m through a Placement and Non Renounceable Entitlement Offer to complete funding for the expansion of the Wetar Copper Project
- ❑ The Project is fully permitted and the Equity Raising is the final piece required to commence construction of the Wetar Copper Project, targeted for Q3 CY2014
- ❑ First cathode from 25,000 tonnes per annum (“tpa”) plant expected in 2015
- ❑ For further information on Finders and the Wetar Copper Project, refer to the Investor Presentation lodged with the ASX on 15 May 2014

# Overview of the Equity Raising

Offer	<ul style="list-style-type: none"> <li>▪ Equity Raising of up to \$15.3m, at an offer price of \$0.14 per share by way of a:             <ul style="list-style-type: none"> <li>- Institutional Placement to raise up to \$10.0m (12.6% of issued capital)<sup>1</sup>; and</li> <li>- A Non Renounceable Entitlement Offer to raise approximately \$5.3m (6.7% of issued capital).</li> </ul> </li> </ul>
Entitlement Offer	<ul style="list-style-type: none"> <li>▪ 1 for 15 Non Renounceable Entitlement Offer</li> <li>▪ A top up facility will be available by which eligible shareholders will have the right to apply for additional shares in excess of their entitlement for any shortfall<sup>2</sup></li> <li>▪ Proposed to be underwritten if agreed with Morgans Corporate Limited and Blackswan Equities Limited</li> </ul>
Use of proceeds	<ul style="list-style-type: none"> <li>▪ Funds raised from the Placement and Entitlement Offer will complete the funding component for the expansion of its Wetar Copper Project in Indonesia as well as provide working capital and funding for further exploration</li> </ul>
Pricing	<ul style="list-style-type: none"> <li>▪ The Placement and Entitlement Offer will be undertaken at an Offer Price of \$0.14 per share:             <ul style="list-style-type: none"> <li>- 12.5% discount to the last traded price of \$0.160 on 26 May 2014</li> <li>- 11.0% discount to the 5 day VWAP of \$0.157</li> <li>- 10.7% discount to the Theoretical Ex Rights Price (“TERP”) of \$0.157<sup>3</sup></li> </ul> </li> </ul>
Timing	<ul style="list-style-type: none"> <li>▪ Trading Halt and Placement undertaken: 27 &amp; 28 May 2014</li> <li>▪ Shares trade ex entitlement: 2 June 2014</li> <li>▪ Entitlement Offer Period: 5 – 17 June 2014</li> </ul>
Other	<ul style="list-style-type: none"> <li>▪ New shares issued through the Placement and Entitlement Offer will rank pari passu with existing FND shares</li> <li>▪ Placement shares are not eligible to participate in the Entitlement Offer</li> </ul>

1. Shares under the Placement are being issued pursuant to Listing Rule 7.1 Placement Capacity and shareholder approval will not be sought
2. The Top Up Facility Allocation Policy is set out in the Entitlement Offer Booklet
3. Theoretical Ex Rights Price is the theoretical price of Finders shares after the ex-rights date for the Entitlement Offer also taking into account the dilution from the Placement. The actual trading price may differ to the TERP

# Use of funds

- Funds raised through the capital raising will complete the financing of the expansion of the Wetar Copper Project as well as provide capital for further exploration of surrounding tenements and working capital
- On completion of the proposed Equity Raising, Finders expects to be fully funded through to production under the full capacity Wetar Copper Project plant

## Use of Funds<sup>1</sup>

Additional Equity Requirement under Bank Facility	\$5.7m
Exploration	\$3.2m
Costs of the offer	\$0.9m
Contingency / working capital	\$5.5m
<b>Total</b>	<b>\$15.3m</b>

1. Assumes total funds raised through the capital raising of \$15.3m

# Details of the Offer

- Institutional Placement to raise up to \$10.0m through the issue of approximately 71.4m new fully paid ordinary shares utilising the Company’s Listing Rule 7.1 placement capacity without shareholders’ approval followed by a 1 for 15 Non Renounceable Entitlement Offer to raise approximately \$5.3m through the issue of 37.8m new fully paid ordinary shares
- A top up facility will be available under the Entitlement Offer by which eligible shareholders will have the right to apply for additional shares in excess of their entitlement for any shortfall, subject to the Board’s discretion
- Offer price of \$0.14 per new share
- Shares issued through the Placement and Entitlement Offer will rank equally in all respects with existing ordinary Finders shares from allotment

## Equity raising details

Current shares on issue	566,994,184
Placement Shares	71,430,000
Entitlement Offer Shares	37,799,612
<b>Shares on issue post Equity Raising</b>	<b>676,223,796</b>

## Offer Price and discounts

Equity raising price	\$0.14
Discount to closing price	12.5%
Discount to TERP	10.7%
Discount to 5 day VWAP	11.0%
Discount to 30 day VWAP	18.6%

# Indicative Timetable

Key Dates - Placement	
Trading halt and Capital Raising announced	Tuesday, 27 May 2014
Finders shares recommence trading	Thursday, 29 May 2014
Settlement of Placement	Wednesday, 4 June 2014
Allotment of Placement shares <sup>1</sup>	Thursday, 5 June 2014
Placement shares trade on ASX	Thursday, 5 June 2014

Key Dates – Entitlement Offer	
Ex Date	Monday, 2 June 2014
Record Date for determining entitlement	7pm (AEST) Wednesday, 4 June 2014
Entitlement Offer opens	Thursday, 5 June 2014
Entitlement Offer closes	5pm (AEST) Tuesday, 17 June 2014
New shares quoted on a deferred basis	Wednesday, 18 June 2014
Allotment of Entitlement Offer shares and despatch of holding statements	Tuesday, 24 June 2014
Normal trading of Entitlement Offer shares	Wednesday, 25 June 2014

*All dates and times are Sydney time and are indicative only and subject to change at the discretion of Finders*

1. Placement shares will be issued ex entitlement



# Investment Highlights

<b>High quality copper project</b>	<ul style="list-style-type: none"> <li>High grade open pit 8.9Mt @ 2.4% Cu ore reserve</li> <li>Low strip ratio &lt;1:1</li> <li>Proven heap leach</li> </ul>
<b>High potential operating margins</b>	<ul style="list-style-type: none"> <li>First quartile cash costs ~88c/lb at full capacity</li> <li>Net cashflow \$135m/year @28ktpa and US\$7,000/tonne Cu</li> <li>12 month payback</li> <li>Finders interest – 95%</li> </ul>
<b>Potential Exploration upside</b>	<ul style="list-style-type: none"> <li>Copper / gold prospects at Meron, Karkopang and possible porphyry identified</li> </ul>
<b>Targeting construction Q3 2014</b>	<ul style="list-style-type: none"> <li>BFS completed with positive results announced to ASX</li> <li>3,000 tpa operating and producing copper cathode</li> <li>First cathode from proposed expansion to full capacity (25,000 tpa plant additional to the existing 3,000 tpa operation described above) targeted in 2015</li> </ul>
<b>Fully permitted</b>	<ul style="list-style-type: none"> <li>Mining Approval – awarded 2011 for 20 years</li> <li>Forestry Approval – awarded 2013 for 18 years</li> <li>Operating Permits (building, power generation for 20MW, pipelines and transmission lines, water use permit, explosives permits, transport&amp; sales, sand &amp; gravel, limestone)</li> <li>Produces cathode. Unaffected by current Indonesia moves to limit ore exports</li> </ul>
<b>Wetar Project fully funded</b>	<ul style="list-style-type: none"> <li>Post completion of the equity raising, the Wetar Copper Project will be fully funded</li> <li>Daewoo International Corporation to invest US\$45m to acquire between 24-27% project level interest</li> <li>Banking syndicate of BNP Paribas, CBA, HSBC and Societe Generale provide US\$165 million senior loan facilities:</li> <li>Finders to retain ~70% economic interest</li> </ul>



## *Appendices*



# Wetar Copper Project Location



Darwin ●

Wetar Copper Project

# WETAR COPPER Ore Reserve

## Wetar Copper Project Ore Reserves as at 15 July 2013

Wetar Copper Project - Ore Reserve Estimate			
	Category	Tonnage (Mt)	Cu %
<b>Kali Kuning</b>	Proved	5.4	2.4
Cut-off Grade	Probable	0.9	2.1
0.4% Cu	<b>Total Ore</b>	<b>6.3</b>	<b>2.4</b>
	Waste	5.9	
	Ratio	0.9	
<b>Lerokis</b>	Proved	2.1	2.3
Cut-off Grade	Probable	0.4	2.0
0.5% Cu	<b>Total Ore</b>	<b>2.5</b>	<b>2.3</b>
	Waste	1.9	
	Ratio	0.8	
<b>Total</b>	Proved	7.5	2.4
Cut-off Grade as above	Probable	1.4	2.1
	<b>Total Ore</b>	<b>8.9</b>	<b>2.4</b>
	Waste	7.8	
	Ratio	0.9	

Important Note: The tonnes and grades are stated to a number of significant digits reflecting the confidence of the estimate. Since each number and total is rounded individually the columns and rows in the above table may not show exact sums or weighted averages of the reported tonnes and grades. "Ratio" refers to the ratio of the waste to the ore tonnage.

- Any references in this Presentation to exploration results, estimates of mineral resources or estimates of ore reserves (as those terms are defined in the Listing Rules) have been previously announced by the Company on ASX's Market Announcements Platform.
- The Company is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of mineral resources or estimates of ore reserves, all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified.

# Key Risks

## Key Risks in relation to Finders

This section discusses some of the key risks associated with an investment in shares in Finders. A number of risks and uncertainties, which are both specific to Finders and of a more general nature, may adversely affect the operating and financial performance or position of Finders, in turn affecting the value of Finders shares and the value of an investment in Finders.

The risks and uncertainties described below are not an exhaustive list of the risks facing Finders in connection with the capital raising or associated with an investment in Finders. Additional risks and uncertainties may also become important factors that adversely affect Finders' operating and financial performance or position.

Before investing in Finders shares, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on Finders (such as that available on the websites of Finders and ASX), carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

## General Risks

### Economic conditions

- Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates (amongst others) are outside Finders' control and have the potential to have an adverse impact on Finders and its operations.

### Stock market fluctuations

- There are risks associated with any investment in a company listed on the ASX. The value of Finders' shares may rise above or fall below the current price depending on the financial and operating performance of Finders and external factors over which Finders and its Directors have no control. These external factors include economic conditions in Australia and overseas, changing investor sentiment in the local and international stock markets, changes in domestic or international fiscal, monetary, regulatory and other government policies and developments and general conditions in the markets in which Finders operates or proposes to operate and which may impact on the future value and pricing of shares.

### Government Policy Changes

- Government policies are subject to review and changes from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability as well as the Company's capacity to explore and mine. At present, the Company is not aware of any reviews or changes that would affect its tenements. However, changes in community attitudes on matters such as taxation, competition policy, environment and indigenous lands right issues may bring about reviews and possibly changes in government policies. There is a risk that such changes may affect the Company's plans or its rights and obligations in respect of its tenements. Any such government action may also require increased capital or operating expenditures and could prevent or delay certain operations by the Company.

### Environmental Risks

- The operations of the Company are subject to laws and regulations concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly in relation to mining and production. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

# Key Risks

## Finders Specific Risks

### Additional funding requirements

- Through development of the Wetar project and further exploration, expenditure may be incurred that has not been taking into consideration by management and further funding may be required. There is no guarantee that the Company will be able to raise further capital through debt or equity. If the Company is unable to raise the required funding, this may adversely impact on the Company's projects and valuation

### Commodity Price Volatility

- Substantially all of the Company's future revenues and cash flows will be derived from the sale of copper (although no guarantee is made by the Company or any other person as to whether future revenues or cash flows will eventuate). Therefore the financial performance of the Company is sensitive to the price prevailing at the time those commodities are sold. Commodity prices are affected by numerous factors and events that are beyond the control of the Company. If the copper, gold or silver prices should fall below or remain below the Company's forecast costs of production for any sustained period due to these or other factors and events, the Company's exploration and production could be delayed or even abandoned which could have a material adverse effect on the Company's production, earnings and financial position. The Company's financial position and financial performance may also be detrimentally impacted in future by movements in other commodity priced such as gold and silver.

### No geographical diversification

- The Company's projects are all located in Indonesia. Any circumstance or event which negatively impacts Indonesia could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base

### Sovereign risk

- Possible sovereign risks associated with operating in Indonesia include, without limitation, changes in the terms of mining legislation, changes in the foreign ownership requirements in Indonesia, changes to royalty arrangements, changes to taxation rates and concessions, expropriation by the government or private entities and changes in the ability to enforce legal rights. Any of these factors may, in the future, adversely affect the financial performance of the Company and the market price of its shares. No assurance can be given regarding future stability in Indonesia or any other country in which the Company may, in the future, have an interest.

### Reliance on Key Management

- The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment. The Company's future ability to recruit and retain highly qualified management personnel will also be critical to its success.

# Key Risks

## Finders Specific Risks

- Project Finance**
- As announced to ASX on 12 May 2014, the Company has entered into a term sheet with leading international trading house, Daewoo International Corporation (Daewoo) to provide US\$45 million in project level equity for the Wetar Copper Project. The term sheet is non-binding but has investment committee approval. The Company has also entered into a commitment letter with BNP Paribas Commonwealth Bank of Australia, Hong Kong and Shanghai Banking Corporation (HSBC) and Societe Generale (the Senior Lenders) to provide US\$165 million of senior loan facilities in relation to development of the Wetar Copper Project (Senior Lenders Financing). Both agreements are subject to conditions precedent which are described further in the announcement.
  - While the Company is confident that the conditions attached to the Daewoo Project Financing and the Senior Lenders Financing will all be satisfied, it is unable to guarantee that this will occur expeditiously or at all and therefore there are risks that the financing may not be available to the Company. If this was to occur it would have a materially adverse impact on the Company and its plans to develop the Wetar Copper Project.
- Operating and Development Risks**
- There are many risks associated with developing and operating a copper mine such as cost overruns, availability of labour, environmental hazards, industrial accidents, cave-ins, rock bursts, grade and metallurgical recovery, etc. Some of which are unpredictable and outside the control of the Company. Such occurrences could result in damage to, or destruction of, production facilities, personal injury or death, environmental damage, delays in mining, increased production costs and other monetary losses and possible legal liability to the owner or operator of the mine. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible. In addition, the Company's financial performance could be adversely affected if for any reason its production and processing of copper or mine development is unexpectedly interrupted or slowed.
- Mine development**
- Future further development of mining operations at any of the Company's projects is dependent on a number of factors including, but not limited to, the acquisition and/or delineation of further economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services. No assurance can be given that the Company will achieve commercial viability through the development or mining of its projects and treatment of ore.
- Uninsured Loss and Liability**
- Development and production of minerals involves hazards and risks that could result in the Company incurring losses and liabilities to third parties. There is a risk that the Company may not be insured against all losses or liabilities that could arise from its operations. If the Company incurs losses or liabilities which are not covered by its insurance policies, the funds available for exploration and development will be reduced and the value and/or tenure of the Company's assets may be at risk.

# Key Risks

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## Finders Specific Risks

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- Currency risk**
- The majority of the Company's revenues (if any) and most costs will be in USD. The Company's financial performance and share price could be detrimentally affected by an appreciation in the value of the Indonesian Rupiah or the Australian Dollar, in either case against the USD. The Company makes no forecast as to whether it will be profitable in the future.
- Estimates of mineral resources and ore reserves**
- Mineral resources and ore reserves are estimates only and no assurance can be given that any particular yield of minerals from them will in fact be realised or that an identified ore reserve will ever qualify as a commercially mineable project that can be economically exploited. Mineral resource and ore reserve estimates are expressions of judgment based on knowledge, experience and industry practice.
  - The estimating of mineral resources and ore reserves is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgments made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the Company's reported estimates. The exploration for minerals is speculative in nature and is frequently unsuccessful. The Company may be unable to successfully discover and exploit new mineralisation.
  - Estimated mineral resources and ore reserves may have to be recalculated based on changes in commodity prices, further exploration or development activity or actual production experience. This could have a material adverse effect on estimates of the volume, estimated yield, the value of the reserves or other important factors that influence reserve or resource estimates. Market price fluctuations for commodities, increased production costs or reduced yields, or other factors may render mineral resources and ore reserves uneconomical or unprofitable to develop at a particular site or sites.
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