



For ASX Market Release: 31 October 2017

Finders Takeover Offer Update

Background

Finders Resources Limited (ASX: FND) (“**Finders**” or “**The Company**”) refers to the proposed off-market takeover offer for Finders by Eastern Field Developments Limited (“**Eastern Field**”), a special purpose vehicle jointly owned by Procap Partners Limited (“**Provident**”), PT Saratoga Investama Sedaya Tbk (IDX: SRTG) and PT Merdeka Copper Gold Tbk (IDX: MDKA) (the “**Offer**”). Eastern Field’s bidder’s statement in relation to the Offer (“**Bidder’s Statement**”) was released on ASX on 24 October 2017.

Independent Finders Directors

The Finders Board has appointed a sub-committee of the Board comprising the independent directors, being Mr Gary Comb, Mr Barry Cahill and Mr Gordon Galt (with his alternate, Mr Michael Anderson) (together, the “Independent Finders Directors” for the purposes of the Offer) to advise Finders shareholders in relation to the Offer. Mr Gavin Caudle, as a director and representative of Provident, is not an Independent Finders Director for the purposes of the Offer, and has not been involved in the Independent Finders Directors’ consideration of the Offer and makes no recommendation in this announcement.

The Independent Finders Directors reiterate their advice that Finders shareholders **TAKE NO ACTION** in relation to the Offer at this stage, until they receive further information from Finders, including a formal recommendation from the Independent Finders Directors.

The Independent Finders Directors have appointed Salient Corporate as Corporate Advisor and Ashurst as Legal Advisor in relation to the Offer. In addition, Deloitte has been appointed as Independent Expert to prepare a report for inclusion in the Finders Target’s Statement, which will include an opinion from the Independent Expert as to whether the Offer is fair and reasonable for Finders shareholders.

Timing of the opening of the Offer period and provision of the Finders Target’s Statement

The Offer period has not yet opened and will not open until the Bidder’s Statement has been dispatched by Eastern Field to Finders shareholders (the earliest that this can occur is Monday, 6 November 2017). Once the Offer period opens, it must remain open for at least one month.



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Within 15 days after the Bidder's Statement has been sent by Eastern Field to Finders shareholders, Finders will dispatch its Target's Statement in relation to the Offer to Finders shareholders. The Target's Statement will contain the Independent Finders Directors' formal recommendation to Finders shareholders in relation to the Offer and the reasons for that recommendation, as well as the Independent Expert's Report from Deloitte.

Accordingly, Finders shareholders have plenty of time within which to consider the Offer, and are again urged to **TAKE NO ACTION** until they have received the formal recommendation of the Independent Finders Directors.

In the meantime, the Independent Finders Directors provide the following initial response in respect of certain statements made in the Bidder's Statement.

Offer pricing analysis in Bidder's Statement disregards Finders most recent trading prices

Eastern Field has quoted in the Bidder's Statement a range of price comparators (including volume weighted average prices ("VWAP") of Finders shares) and compared these to the Offer price of \$0.23 per Finders share.

However, the Bidder's Statement does not contain a comparison of the Offer price against VWAPs of Finders' shares for periods of less than 60 days prior to the announcement of the Offer or the closing price of Finders' shares on the trading day immediately prior to announcement of the Offer, notwithstanding the Takeover's Panel's Guidance that share price information at the most recent practicable date prior to announcement of an offer should be provided.

In order to provide a more meaningful comparison to Finders' shareholders, the Finders Independent Directors note the following, more recent pricing metrics¹:

- The Offer price of \$0.23 per Finders' share represents **no premium** to the price of Finders' shares at the close of trading on the ASX of \$0.23 per share on 5 October 2017 (the day before the Offer was announced);
- The Offer price of \$0.23 per Finders' share represents a **discount** of approximately 1% to the 5 day VWAP of Finders' shares prior to announcement of the Offer of \$0.232 per Finders' share; and
- The Offer price of \$0.23 per Finders' share represents a **discount** of approximately 0.6% to the 30 day VWAP of Finders' Shares prior to announcement of the Offer of \$0.231 per Finders' share.

Ore Reserve and Copper Recoveries

The Bidder's Statement references copper recoveries for Kali Kuning of 75% and Lerokis of 50% at 720 days made in the 30 June 2016 Ore Reserve update³. The average recovery for all ore types quoted for Lerokis in the summary section of that Ore Reserve update is incorrect and should have been 62.9%. The correct recovery was, however, applied for the purposes of calculating the Lerokis Ore Reserve.

Importantly, it is worth noting that the recovery of copper from the sulphide heap leach pads at the Wetar Copper Project ("**Wetar**" or "**the Project**") does not suddenly terminate at 720 days. This imposed cut-off is an assumption that was used for the purposes of the Bankable Feasibility Study ("**BFS**") and Base Case Financial Model.

¹ Source: IRESS price and volume data. Sourced without the consent of IRESS.

³ ASX announcement dated 16 December 2016

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Recoveries at Kali Kuning have been as high as 87.5%⁴ and the average copper recovery assumption used in the BFS was 74%⁵. Estimated recoveries in the BFS at 1,200 days for the various copper sulphide minerals in the heap leach range from 84% for Kali Kuning transitional PBx ore, 81% for Kali Kuning massive sulphide ore and 66% for Lerokis massive sulphide ore. The mineralogy of the orebody varies between chalcocite, covellite, chalcopyrite, bornite, enargite and tetrahedrite-tennantite and in practice is not able to be separated from heap to heap. Therefore, the actual performance of each heap varies significantly against the “standardised average” recovery curve.

Heap leach and recovery are the areas that the management of the Project are most focussed on. Optimising the parameters of this unique sulphide heap leach process has been the key driver of the positive Project performance to date. The performance of each heap is optimised by adjusting each set of unique parameters including stacking, agglomeration, aeration, irrigation and temperature and the success of the leaching is measured in high copper output, unit costs in the lowest quartile of the cost curve and high margins of profitability.

Sulphide heap leach as undertaken at Wetar is a long term treatment method that can extend over 1,200 days. Actual terminal recoveries take significant time to be achieved. Management have been continuously working on improving both the rate of recovery and the terminal recovery from the operating heaps. While undertaking the construction, commissioning and operation of the Project, management have continued to expand their knowledge and understanding of the heaps whilst leaching. This has resulted in a consistent state of performance that has delivered +USD20M EBITDA per quarter for the current 2017 calendar year, despite it being only the first full year of production for the Project.

Ownership of the Wetar Copper Project

The Bidder’s Statement suggests that divestment of Finders’ ownership of mining licences in the Project may apply from the commencement of the demonstration plant in December 2008. This suggestion is entirely without merit.

Finders notes that the mining licences for the Project are held by PT Batutua Kharisma Permai, the mining entity for the Project (“BKP”), which in turn is 70% owned by PT Batutua Tembaga Raya, the smelting and refining company for the Project, which is 78% owned by Finders through its wholly owned subsidiary Banda Minerals Pty Ltd.

Conversion of BKP’s previous Kuasa Pertambangan (“KP”) under the former Indonesian mining legislation to the current Izin Usaha Pertambangan (“IUP”) or Permit for Production Operation at Wetar was effective as at 9 June 2011. Furthermore, **the actual commencement date of production was 8 March 2014.**

The divestment requirements under the regulations for this IUP commences from the 5th year of production where, by the 6th year of production, Indonesian interests shall own 20% of BKP until the 10th year of production when Indonesian interests shall own 51% of BKP, with intermediate divestment milestones during that period.

Currently 30% of BKP is held by Indonesian interests. The remaining divestments in BKP will not occur until 2021 (-7%), 2022 (-7%) and 2023 (-7%) when 51% Indonesian ownership is required.

This matter has been the subject of extensive due diligence by Finders and others as part of the BFS, funding and financing of the Project, with the latest legal due diligence completed in April 2015 confirming this.

⁴ ASX announcement dated 17 May 2012

⁵ ASX announcement dated 20 November 2013

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The Independent Finders Directors' recommendation will follow in due course

Again, the Independent Finders Directors strongly advise that Finders shareholders **TAKE NO ACTION** in respect of the Offer until they have received further information from Finders, including the formal recommendation of the Independent Finders Directors and reasons for that recommendation, which will be contained in the Target's Statement.

The Independent Finders Directors will continue to keep shareholders informed of all relevant material developments as they occur.

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