

Second Supplementary Target's Statement by Finders Resources Limited

ACN 108 547 413

In response to the offer by Eastern Field Developments Limited BVI Co No 1955552 (**Eastern Field**) to acquire all of your ordinary shares in Finders Resources Limited ACN 108 547 413 (**Finders**)

The Independent Directors recommend that Finders Shareholders should now CONSIDER ACCEPTING THE OFFER, while it remains open to them to do so

1. INTRODUCTION

This document is a supplementary target's statement for the purposes of section 644 of the Corporations Act and is issued by Finders (**Second Supplementary Target's Statement**).

This Second Supplementary Target's Statement is issued in response to the offer by Eastern Field to acquire all of your ordinary shares in Finders made pursuant to its Replacement Bidder's Statement dated 17 November 2017.

This document supplements, and must be read together with, Finders' Target's Statement dated 5 December 2017 (**Original Target's Statement**), and Finders' First Supplementary Target's Statement dated 22 December 2017 (**First Supplementary Target's Statement**) issued in response to the Offer.

Capitalised terms used in this Second Supplementary Target's Statement have the same meaning given in the Original Target's Statement, unless the context otherwise requires. Section 11 of the Original Target's Statement also sets out certain rules of interpretation, which apply equally to this Second Supplementary Target's Statement.

This Second Supplementary Target's Statement prevails over the Original Target's Statement and the First Supplementary Target's Statement to the extent of any inconsistency.

This Second Supplementary Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial advice. You should seek independent legal, financial and taxation advice before making a decision as to whether or not to accept Eastern Field's Offer.

If you have sold all of your Finders Shares, please disregard this document.

2. UPDATE REGARDING THE OFFER

On 13 March 2018, Eastern Field gave notice declaring that its Offer Price of \$0.23 is final. **This means that Eastern Field now cannot increase the Offer Price.**

As at 19 March 2018, Eastern Field had a relevant interest in 60.22% of Finders shares in aggregate, as a result of further acceptances of the Offer and on-market purchases of Finders shares at the Offer price of \$0.23. This means that Eastern Field has now acquired a controlling interest in Finders. Eastern Field is now able to cast the majority of votes at a general meeting of Finders, enabling it to control the composition of the Board and ultimately the senior management of Finders, and consequently the outcome of decisions about Finders' financial and operating policies.

The Offer Period will close at **7.00pm (Perth time) on Friday, 30 March 2018** (unless further extended by Eastern Field). There is no certainty that Eastern Field will extend the Offer Period.

As at the date of this Second Supplementary Target's Statement, the Independent Directors confirm that they have not received a superior offer from another party, nor any indication that a superior offer may be forthcoming.

3. CHANGE TO THE INDEPENDENT DIRECTORS' RECOMMENDATION

The Independent Directors still believe that the Offer does not reflect the fair value of Finders, and the opinion of the Independent Expert is that the Offer is neither fair nor reasonable.

However, now that Eastern Field has acquired a controlling interest in Finders and there is no prospect of Eastern Field increasing the Offer Price of \$0.23 per Finders Share, the Independent Directors recommend that Finders Shareholders now consider accepting the Offer, while it remains open to them to do so, given the risks summarised below.

The Independent Directors note that the Offer is currently due to close at 7.00 pm (Perth time) on Friday, 30 March 2018. Because Friday 30 March 2018 is Good Friday and a public holiday throughout Australia, **if you wish to accept the Offer you will need to make sure that your acceptance is received by Eastern Field by no later than Thursday, 29 March 2018.**

Finders Shareholders who choose not to accept the Offer should only do so if they understand and are comfortable with the risks of remaining as a minority shareholder in Finders.

A more detailed explanation of the risks associated with remaining a minority shareholder in Finders and the reasons why the Independent Directors now recommend that Finders Shareholders consider accepting the Offer follows below.

3.1 There are specific risks associated with remaining a minority shareholder in Finders, now that Eastern Field has acquired a controlling interest

Minority ownership consequences

In sections 5.3 and 5.4 of the Bidder's Statement, Eastern Field describes its intentions in respect of Finders depending on the level of control of Finders that Eastern Field obtains.

Now that Eastern Field has a relevant interest in more than 60% of Finders Shares (and its interest is likely to increase further before the close of the Offer Period), other Finders Shareholders who do not accept the Offer will become minority shareholders in Finders, which will be controlled by Eastern Field.

The implications of this include the following:

- (a) Eastern Field will be able to cast the majority of votes at a general meeting of Finders enabling it to control the composition of the Board and ultimately the senior management of Finders, and consequently control the outcome of decisions by the Board regarding Finders' dividend policy and the strategic direction of Finders. Eastern Field has stated that it intends to replace some or all of the members of the Board with Eastern Field's nominee directors and that the number of directors it seeks to appoint will depend on its level of voting power in Finders.
- (b) Finders may undertake equity raisings in the future, which could dilute minority shareholders. Eastern Field has specifically stated in its Bidder's Statement that:

*Eastern Field intends to ensure more funding is available to fast track much needed exploration and development efforts. **This may require further equity raisings.***
(Emphasis added)
- (c) The Independent Directors believe that the liquidity of Finders Shares will be reduced, including because other investors may not want to be minority shareholders in Finders when it is controlled by Eastern Field.
- (d) If Eastern Field acquires 75% or more of the Finders Shares, it will be able to pass special resolutions at a general meeting of Finders Shareholders. Amongst other things, this will enable Eastern Field to amend Finders' constitution.

Compulsory acquisition

If Eastern Field becomes entitled to exercise any compulsory acquisition rights under the Corporations Act then it may exercise those rights.

Eastern Field stated in section 5.2 of the Bidder's Statement that it has made no decision as to whether it would compulsorily acquire any outstanding Finders Shares if it becomes entitled to do so under the Corporations Act, and that any decision will only be made following, amongst other things, a review of the tax considerations of Finders becoming a wholly owned subsidiary and the consequential delisting of Finders from the ASX.

The circumstances in which Eastern Field would be entitled to compulsorily acquire any outstanding Finders Shares are described in section 6.13 of the Finders' Target's Statement.

Delisting

Eastern Field might seek to remove Finders from the official list of the ASX even if it acquires less than 90% of Finders Shares, in circumstances where there is illiquidity and the ASX Listing Rules permit.

Companies may apply to ASX to be removed from the official list of ASX in a number of circumstances. ASX will usually require that certain conditions are satisfied before it will act on a request from an entity for removal from the official list. Such conditions might include the requirement for shareholder approval, but this is not always the case. ASX Guidance Note 33 Removal of Entities from the ASX Official List provides detailed information in this regard.

3.2 There are a number of other risks associated with rejecting the Offer

The price of Finders Shares is likely to fall

While there are many factors that influence the market price of Finders Shares, the Independent Directors believe that the market price of Finders Shares is likely to fall below the Offer Price of \$0.23 following the close of the Offer, on the basis that Eastern Field has now acquired a controlling interest in Finders.

Effect of change of control of Finders on the Wetar Facility Agreement

Finders is a guarantor under the Wetar Facility Agreement. As at the date of this Second Supplementary Target's Statement, the amount outstanding under the Wetar Facility Agreement totalled US\$60.5 million.

A "Review Event" has now occurred for the purposes of the Wetar Facility Agreement, by virtue of the Offer being unconditional and Eastern Field controlling more than 50% of Finders Shares (which together constitute a change of control for the purposes of the Wetar Facility Agreement).

As explained in section 10.7(a) of the Original Target's Statement, Finders and the majority lenders under the Wetar Facility Agreement are now required to consult in good faith for a period of 30 days in relation to the change of control and its implications for the Wetar Copper Project.

If, after the 30 day negotiation period, the facility agent (acting on behalf of the majority lenders) notifies BTR that it does not consider the change of control of Finders to be acceptable, BTR must refinance the facility within 90 days of the facility agent providing that notice.

Failure to refinance the facility within 90 days in the circumstances will constitute an event of default under the Wetar Facility Agreement, which the Independent Directors believe would have a materially adverse effect on Finders (and, consequently, remaining Finders Shareholders).

General risks associated with holding Finders Shares

There are a number of risks which may affect the future operating and financial performance of Finders and the value of Finders Shares.

These may be risks that are general risks associated with any form of business, or specific risks associated with Finders' business and its involvement in the mining industry, many of which are largely beyond the control of Finders and the Directors.

The general risks associated with a continued holding of Finders Shares are discussed in further detail in section 9.2 of this Target's Statement.

3.3 The Offer is unconditional and provides for a certain cash value to Finders Shareholders who accept the Offer

The Offer is unconditional and provides a certain cash value of \$0.23 per Finders Share.

Finders Shareholders who accept the Offer will not incur any brokerage fees, and will receive the \$0.23 cash per Finders Share by the earlier of:

- (a) 21 days after the end of the Offer Period (the Offer is currently due to close at 7.00pm (Perth time) on Friday, 30 March 2018, but can be extended by Eastern Field at any time prior to that time); and
- (b) one month after the date you accept the Offer.

4. CHANGE TO THE INDEPENDENT DIRECTORS' INTENTIONS

In the Original Target's Statement, the Independent Directors stated that they intended to reject the Offer for any Finders Shares that they own or control.

However, having regard to the matters and reasons set out above, the Independent Directors now intend to accept the Offer for any Finders Shares that they own or control.

Gary Comb and Barry Cahill intend to repay the loans in respect of their respective Finders Incentive Shares that were issued at an issue price of \$0.2008 (ie one third of their aggregate Finders Incentive Shares). Once they have repaid those loans and the relevant Finders Incentive Shares have been freed from the restrictions that currently apply to them, Mr Comb and Mr Cahill intend to accept the Offer in respect of those Finders Incentive Shares.

As set out above, the Independent Directors recommend that Finders Shareholders now consider accepting the Offer, while it remains open to them to do so.

5. HOW TO ACCEPT THE OFFER

The Independent Directors note that the Offer is currently due to close at 7.00 pm (Perth time) on Friday, 30 March 2018, which is Good Friday and a public holiday throughout Australia. Finders Shareholders who wish to accept the Offer will therefore need to make sure that their acceptance is received by Eastern Field by no later than Thursday, 29 March 2018 and should act quickly.

Depending on the nature of a Finders Shareholder's holding (ie whether their holding is an issuer sponsored holding or a CHESS sponsored holding), there are different ways to accept the Offer.

Instructions as to how to accept the Offer are set out in Eastern Field's Bidder's Statement, which was mailed to all Finders shareholders who held Finders shares on 24 October 2017 (the "Register Date" for the purposes of the Offer) and was released on the ASX on 20 November 2017 – see, in particular, pages 3 and pages 36 to 30 of the Bidder's Statement. Shareholders should also have received an Acceptance Form with their Bidder's Statement.

For convenience, Finders has replicated Eastern Field's instructions on how to accept the Offer on the Finders website (findersresources.com).

Finders shareholders who have any questions about the Offer, or how to accept it, should call the Finders Shareholder Information Line on 1300 648 874 (within Australia) or +61 2 8355 1000 (outside Australia).

6. **ASIC RELIEF**

As permitted by ASIC Class Order 13/521 this Second Supplementary Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to ASX. Pursuant to this ASIC Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Second Supplementary Target's Statement. Any Finders Shareholder who would like to receive a copy of any of those documents may obtain a copy free of charge during the Offer Period by contacting the Finders Shareholder Information Line on 1300 648 874 (within Australia) or +61 2 8355 1000 (from outside Australia).

7. **ASIC AND ASX DISCLAIMER**

A copy of this Second Supplementary Target's Statement was provided to ASIC and ASX on 19 March 2018. None of ASIC, ASX or any of their respective officers takes any responsibility for its contents.

8. **SHAREHOLDER INFORMATION LINE**

If you have any questions about the Offer or this Second Supplementary Target's Statement, please contact the Finders Shareholder Information Line on 1300 648 874 (within Australia) or +61 2 8355 1000 (from outside Australia).

9. **AUTHORISATION**

This Second Supplementary Target's Statement is dated 19 March 2018 and has been approved by a resolution passed by the Independent Directors.

Signed for and on behalf of Finders Resources Limited:



Gary Comb

Chairman