

17 November 2015

## **Fitzroy Resources Ltd – Supplementary Target’s Statement**

The Board of Fitzroy Resources Ltd (**Fitzroy** or the **Company**) advises a copy of 4D-S Limited’s Supplementary Statement is attached in relation to the Company’s proposed merger with 4D-S Limited, which was announced to the market on 13 August 2015.

**For and on behalf of Fitzroy Resources Limited**

Peter Webse  
**Director.**

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**-Ends-**

## 4D-S LIMITED (ACN 124 234 395)

### Supplementary Target's Statement

#### 1 Introduction

- 1.1 This document is a supplementary target's statement under section 644 of the Corporations Act 2001 (Cth). It is the first supplementary target's statement (**Supplementary Target's Statement**) issued by 4D-S Limited (ACN 124 234 395) (**4DS** or **the Company**) in relation to the off-market takeover bid for all the issued ordinary shares of 4DS by Fitzroy Resources Limited (ACN 145 590 110) (ASX: FRY) (**Fitzroy**). This Supplementary Target's Statement supplements, and should be read together with, 4DS's Target's Statement dated 7 October 2015 (**Target's Statement**).
- 1.2 Words and phrases defined in the Target's Statement have the same meaning in this Supplementary Target Statement (unless otherwise defined).

#### 2 Update on Status of the Offers

- 2.1 As at the date of the Supplementary Target's Statement Fitzroy has received acceptances for 1,034,884 4DS Ordinary Shares representing 85.9% of the total 4DS Ordinary Shares on issue and 1,690,393 4DS Preference shares representing 90.6% of the 4DS Preference Shares on issue.
- 2.2 Fitzroy has extended the closing date of the Offers to 5.00pm (WST) on 14 December 2015.
- 2.3 Fitzroy has also notified 4DS that the condition requiring Fitzroy Shareholders to approve the Essential Resolutions has been fulfilled.
- 2.4 Fitzroy has not notified 4DS of the fulfilment or waiver of any of the other Conditions.

#### 3 Additional Information About Fitzroy

- 3.1 Since the issue of the Target's Statement Fitzroy has lodged with ASX a number of announcements detailing information in relation to Fitzroy. A list of these announcements is as follows:

Lodgement Date	Description of Document
11/11/2015	First Supplementary Bidder's Statement
30/10/2015	Supplementary Prospectus

<b>Lodgement Date</b>	<b>Description of Document</b>
30/10/2015	Quarterly Activities Report
30/10/2015	Quarterly Cashflow Report
23/10/2015	Results of Annual General Meeting
23/10/2015	Suspension from Official Quotation
19/10/2015	Prospectus
16/10/2015	Executive Appointments
16/10/2015	Securities Trading Policy
13/10/2015	Appendix 3B
07/10/2015	Receipt of Target's Statement
07/10/2015	Lodgment of Bidder's Statement
07/10/2015	ZNC: Develin Creek – Huntsman copper-zinc target upgraded

3.2 These announcements are available in electronic form on the ASX website at [www.asx.com.au](http://www.asx.com.au) or on the Fitzroy website at [www.fitzroyresources.com.au](http://www.fitzroyresources.com.au).

#### 4 **Effect of Offers on Capital Structure of Fitzroy**

- 4.1 Section 3.2 of the Supplementary Prospectus released by Fitzroy to ASX on 30 October 2015 sets out detailed information in relation to the potential effect of the Offers and the Prospectus Offer (which is itself a Condition of the Offers) on the capital structure of Fitzroy, including the potential effect of exercise of Fitzroy Options and conversion of Fitzroy Class 1 Preference Shares.
- 4.2 A copy of the Supplementary Prospectus is enclosed with this Supplementary Target's Statement. Whilst the information concerning Fitzroy has not been independently verified by 4DS, 4DS are not aware of any information that would suggest the information is not accurate and complete.
- 4.3 4DS also notes that Fitzroy currently has on issue a total of 6,666,689 Fitzroy Existing Performance Shares where the milestone for conversion cannot be met. As noted in the Target's Statement these shares will convert to a nominal number of Fitzroy Shares. 4DS have been advised by Fitzroy that the nominal number of shares to which they will be converted is 4 Fitzroy Shares.

## 5 **Fitzroy Class 1 Performance Shares**

- 5.1 The Target's Statement made reference to the Milestone that is required to be satisfied for the Fitzroy Class 1 Performance Shares to be converted into Fitzroy Shares, with reference to the terms of the Fitzroy Class 1 Preference Shares as set out in clause 1(b) of Annexure E to the Bidder's Statement.
- 5.2 A summary of the Milestone is also set out in section 4.7 of the Bidder's Statement.
- 5.3 If the Milestone is not met each holder of Fitzroy Class 1 Performance Shares will receive only 1 Fitzroy Share in relation to their entire holding of Fitzroy Class 1 Performance Shares and accordingly the Fitzroy Class 1 Performance Shares will be of nominal value only.
- 5.4 If the Milestone is met each Fitzroy Class 1 Performance Share will convert into 1 Fitzroy Share.

## 6 **Evaluation Leading to Recommendation of the Offers**

- 6.1 The key reasons 4DS Directors consider it appropriate to recommend 4DS Shareholders accept the Offers (in the absence of a Superior Proposal) are set out in the Target's Statement, including in the Chairman's Letter and section 2.
- 6.2 In determining the content of the Target's Statement, including the recommendation, 4DS's Board took into account the factors which are relevant to assessing an offer. The Board of 4DS has a mix of technical and commercial skill sets and specifically considerable experience in the emerging technology sector. The Board also consulted extensively with its financial and legal advisers when evaluating the Offers and deciding whether it should recommend the Offers.
- 6.3 The Board concluded the following factors may affect an assessment of the value of 4DS Shares:
- (a) There was no appropriate conventional methodology for valuing 4DS Shares given the negative net asset position (as disclosed in the financial information in the Bidder's Statement and in 4DS's 2015 Annual Financial Report), the absence of a secondary market as 4DS Shares are not listed or otherwise traded in a liquid market, and the inability to make reasonably based assumptions about future financial performance which would be required if, for example, attempting to apply a discounted cash flow method of valuation.

- (b) The substance of the transaction was to achieve a listing of the 4DS business whereby the majority of the listed merged entity would be held by the existing holders of 4DS Securities.
- (c) The transaction terms were negotiated at arm's length with Fitzroy and Fitzroy had no pre-existing Voting Power in 4DS.
- (d) There is no market price or liquidity for 4DS Shares in the absence of the Offers.
- (e) There is no apparent special value of 4DS for Fitzroy to consider as Fitzroy is essentially a shell company.
- (f) There is no apparent control position for the Board to consider as if the Offers proceed the existing holders of 4DS Securities will in fact collectively hold a majority of Fitzroy Shares.
- (g) The Board is not aware of any alternative bidders and therefore the likelihood of an alternative offer, let alone a Superior Proposal, is low.

6.4 Section 3.1 of the Target's Statement sets out the implied value of the Offers per 4DS Share based on Fitzroy's closing Share price on 10 August 2015 (being the last day Fitzroy Shares traded on the ASX prior to the Announcement Date) as follows:

- (a) US\$3.87 (based on a A\$/US\$ exchange rate of \$0.70) excluding the value of Fitzroy Shares issued upon conversion of the Fitzroy Class 1 Performance Shares); and
- (b) a further US\$0.72 (based on the same share price and exchange rate assumptions) in the event the Milestone is met and the Fitzroy Class 1 Performance Shares are assessed to have the same value as a Fitzroy Share.

6.5 An alternative method of establishing an implied value for the Offers is to calculate the implied value based on the price at which Fitzroy is raising new share capital as a Condition of the Offers pursuant to the Prospectus Offer.

6.6 The Prospectus Offer being undertaken by Fitzroy at a price of A\$0.025 per Fitzroy Share, implies a value for 4DS Shares. Specifically, the notional price of the 4DS Shares under the Offers is calibrated to the price of the Prospectus Offer so that a successful Prospectus Offer will validate the pricing inherent in the structure. If the Prospectus Offer does not succeed then the Conditions will not be met, and no 4DS Shares will be acquired by Fitzroy pursuant to the Offers.

6.7 On that basis, the Offers, which offer 110.4400015 Fitzroy Shares and 20.5905086 Fitzroy Class 1 Performance Shares per 4DS Share value each 4DS Share at between:

- (a) \$2.76, or US\$1.93 at a A\$/US\$ exchange rate of 0.70 (if Fitzroy Class 1 Performance Shares are assumed to have a nil value on the basis the Milestone is not met); and
- (b) \$3.28, or US\$2.29 at a A\$/US\$ exchange rate of 0.70 (if Fitzroy Class 1 Performance Shares are assumed to have the same value as a Fitzroy Share on the event the Milestone is met).

6.8 By way of comparison to the implied values set out in section 3.1 of the Target's Statement and section 6.7 of this Supplementary Target's Statement, the most recent capital raising by 4DS was through the issue of 4DS Convertible Notes in 2015 which were convertible at the election of 4DS in the event the Offers were made based on an approximate 19% discount to the price of the Fitzroy Prospectus Offer, or if the Offers were not made at the election of the noteholder at a conversion price for 4DS Shares of US\$2.00 in the period commencing 1 January 2016 and ending on 31 December 2016. There is no indication that any of the 4DS Convertible Notes would have been converted at US\$2.00 (had they not been converted by 4DS as a consequence of the Offers) or that 4DS would be able to raise capital at US\$2.00 to fund the company going forward including repayment of any 4DS Convertible Notes that did not convert. 4DS notes in any event that the conversion price is substantially lower than the implied value of 4DS Shares under the scenario outlined in the Target's Statement, even if no value is attributed to the Fitzroy Class 1 Performance Shares and is not materially different to the implied value of 4DS Shares under the scenario outlined in this Supplementary Target's Statement, even if no value is attributed to the Fitzroy Class 1 Performance Shares.

## 7 **Date & Lodgment with ASIC**

This Supplementary Target's Statement is dated 17 November 2015. A copy of this Supplementary Target's Statement was lodged with ASIC on the same date. Neither ASIC or any of its officers take any of responsibility for its contents.

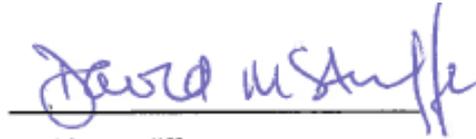
**8 Authorisation**

This Supplementary Target's Statement has been approved by a resolution passed by the Board of 4DS.

Signed for and on behalf of 4DS:

Date: 17 November 2015

Signature:



Name:

David McAuliffe

Position:

Director