

31 March 2016

## Takeover bid update

Dear fellow shareholder,

Flinders Mines Limited (“Flinders” or the “Company”) provides shareholders with the following update on the status of the **unsolicited takeover bid** (“Offer”) received by your Company from TIO (NZ) Limited (“TIO”), a wholly-owned subsidiary of New Zealand’s Todd Corporation.

On 31 March 2016, the TIO Bidder’s Statement was dispatched to Flinders shareholders. The Directors of Flinders are currently reviewing the Bidder’s Statement in the context of strategic alternatives available to the Company.

Your Directors reiterate their **unanimous** view that shareholders should take no action, nor make any decision in relation to their shareholding in Flinders Mines, until your Board has finalised its evaluation of the Offer and issued its recommendation.

In respect to the Offer, the Directors note the following:

- If you sell your FMS shares on-market, you will not be able to participate in any higher offer or offers from TIO, should that occur;
- The current Offer values Flinders at approximately \$38.15m which is \$26.85m **below the “low” estimated fair market value** of the consideration under the former Option and Sale Agreement with PIO Mines Pty Ltd (a subsidiary of Todd Corporation) for PIOP announced on 11 May 2015 (Option and Sale Agreement). The then “low” estimated fair market value of the consideration of \$65m under the Option and Sale Agreement was assessed by the Deloitte Independent Expert Report (see ASX release of General Meeting documents dated 24 August 2015). Flinders’ shareholders rejected the proposal under the Option and Sale Agreement;
- The total consideration payable by TIO in the event it acquires the remainder of Flinders shares it does not own at the current offer price of \$0.013 per share, equals approximately \$31.13M. This represents less than **1% of the estimated initial capital expenditure of \$3.5 - 3.6bn for construction of a 25mtpa stand-alone mine, rail and port project in WA\***; and
- The current bid price is **below the volume weighted average price** of Flinders shares in the 12 months prior to the bid being lodged of \$0.0138 per share.

Your Company continues to prioritise the development of the PIOP by having ongoing discussions with third party infrastructure owners in the Pilbara that are located within a reasonable distance of the project.

The Directors look forward to providing shareholders with a formal recommendation in the Company's Target Statement which will be issued within 15 days after dispatch of the Bidder's Statement.

Yours sincerely

Robert Kennedy  
Chairman

\* Source: TIO Bidder's Statement dated 17 March 2016 & Flinders ASX release dated 18 September 2014

**For further information contact:**

Ian Gordon  
Managing Director  
Mob: 0427 306 947