



FLINDERS MINES LIMITED

ABN 46 091 118 044

ENTITLEMENT OFFER BOOKLET

For a pro rata non-renounceable Entitlement Offer of approximately 295 million New Shares at an issue price of \$0.017 (1.7 cents) each on the basis of 1 New Share for every 10 Ordinary Shares held to raise approximately \$5 million (before issue costs).

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your financial or other professional adviser.

Please read the instructions on the accompanying Entitlement and Acceptance Form if you wish to subscribe for the New Shares.

CORPORATE DIRECTORY

Directors

Mr Robert Kennedy (Chairman)

Mr Kevin Malaxos (Non Exec. Director)

Mr Ewan Vickery (Non Exec. Director)

Company Secretary

Mr Justin Nelson

Registered Office

Level 1, 135 Fullarton Road

Rose Park, South Australia, 5067

Telephone – (08) 8132 7950

Facsimile – (08) 8132 7999

Share Registry

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street

Adelaide, South Australia, 5000

Enquiries (within Australia): 1300 556 161

Enquiries(outside Australia):+613 9415 4000

Stock Exchange Listing

Australian Securities Exchange

ASX Code: FMS

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IMPORTANT NOTICES

This Offer Booklet is dated 7 October 2016. This Offer Booklet is not a prospectus and has not been lodged with ASIC. This Offer Booklet does not contain all the information that an investor would find in a prospectus or on which an investor would expect to make an informed decision as to whether or not to accept the Offer.

This Offer is being made without a disclosure document in accordance with section 708AA of the Corporations Act.

This is an important document. Before deciding to apply for New Shares you should consider whether they are a suitable investment for you. Persons wishing to subscribe for New Shares should carefully read this Offer Booklet and consult their professional advisers for the purpose of evaluating whether or not to participate in the Entitlement Offer.

Representations

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Booklet. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, sent to Eligible Shareholders with this Offer Booklet.

Overseas Shareholders

No action has been taken to permit the offer of New Shares under this Offer Booklet in any jurisdiction other than Australia and New Zealand. The distribution of this Offer Booklet in any jurisdiction other than Australia or New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Offer Booklet does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Booklet or make such an offer.

NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

Forward looking statements

This Offer Booklet may contain forward looking statements, based on information and assumptions the Company knows now. They are subject to risks and uncertainties, many of which are outside the Company's control. Actual results may differ from the forward looking statements in this Offer Booklet. For example, the Company's results will be affected by the risks referred to in section 3.

Information publicly available

Information about the Company can be obtained from the Company's website and www.asx.com.au. The contents of any public filing do not form part of this Offer Booklet; however, this Offer Booklet is intended to be read in conjunction with information lodged by the Company with ASX.

Glossary

Terms used in this Offer Booklet are defined in the glossary contained in section 5.

CHAIRMAN'S LETTER

7 October 2016

Dear Fellow Shareholder,

Non-Renounceable Entitlement Offer

I am pleased to write to you regarding the Flinders Mines Limited (**Flinders** or **Company**) 1 for 10 non-renounceable Entitlement Offer at a price of \$0.017 (1.7 cents) per New Share.

The Entitlement Offer seeks to raise approximately \$5 million. The Company intends to apply the funds raised from the Offer as set out in section 1.1 of the Offer Booklet. The Entitlement Offer price of \$0.017 per New Share allows existing Flinders shareholders to subscribe for New Shares at a discount of approximately 32% to the 30-day volume weighted average price of the Company's shares on the ASX for the period ending 30 September 2016.

You will find enclosed the following important information:

- summary of important dates;
- key terms for the Offer;
- risk factors associated with the Offer;
- instructions on "How to Participate in the Entitlement Offer" setting out how to accept all or part of your Entitlement under the Entitlement Offer; and
- a personalised Entitlement and Acceptance Form which details your entitlement, to be completed in accordance with the instructions provided.

It is important to note that the Entitlement Offer closes at 5.00 pm (Adelaide time) on Friday, 4 November 2016. To participate, you need to ensure that your completed Entitlement and Acceptance Form is received by Flinders before this time and date OR you have paid your application monies via the BPay® facility pursuant to the instructions set out on the Entitlement and Acceptance Form.

Entitlements to New Shares under the Offer are non-renounceable and will not be tradable on ASX, or otherwise transferable.

If you have any questions in respect of the Offer, please call the Company on (08) 8132 7950 between 9.00 am and 5.00 pm (Adelaide time) Monday to Friday before the Closing Date or, alternatively consult your stockbroker, accountant or other professional adviser.

On behalf of the Board, I encourage you to consider this investment opportunity and look forward to your continuing support of Flinders.

Yours faithfully



Robert Kennedy
Chairman

SUMMARY OF IMPORTANT DATES

ASX announcement of Entitlement Offer and lodgement of Appendix 3B, Cleansing Notice and Offer Booklet with ASX	7 October 2016
Despatch of notices to shareholders informing them of the Offer	10 October 2016
Securities quoted on an ex-basis	11 October 2016
Record Date to determine entitlements to New Shares	12 October 2016
Despatch of Offer Booklet and Entitlement and Acceptance Forms	17 October 2016
Offer Opens	17 October 2016
Offer Closes	5.00 pm (Adelaide time) 4 November 2016
New Shares quoted on a deferred basis	7 November 2016
Company notifies shortfall to ASX	9 November 2016
Issue date for New Shares	11 November 2016
Normal (T+2) trading starts	14 November 2016

NOTE

These dates are indicative only. The Company reserves the right to vary the above dates subject to the Corporations Act, ASX Listing Rules and other applicable laws.

1. KEY TERMS OF THE ENTITLEMENT OFFER

1.1 The Offer

The Company is making a pro rata non-renounceable Entitlement Offer of approximately 295 million New Shares to Eligible Shareholders at an issue price of \$0.017 (1.7 cents) per New Share on the basis of 1 New Share for every 10 Ordinary Shares held at the Record Date.

Where the determination of the right to any Eligible Shareholder results in a fraction of a New Share, such a fraction will be rounded up to the nearest whole New Share.

The Company is seeking to raise up to \$5,010,159 (before issue costs). Based on current information and budgets, the Company intends to apply the money raised from the Offer under this Offer Booklet as outlined in the table below.

Use of proceeds if full amount is raised	Amount
Costs related to the Entitlement Offer	\$93,748
Repayment of loan (including interest) from PIO Mines Pty Ltd (a subsidiary of TIO)	\$2,020,883
Minimum tenement expenditure commitments for PIOP for the next 12 months	\$1,752,650
Reviews referred to in sections 7.3(d),(e) and (f) of the Original Bidder's Statement (if implemented) ¹ , general working capital and administration expenses	\$1,142,878
Total	\$5,010,159

If less than \$5,010,159 is raised, it is intended that the gross proceeds of the Offer will be used in accordance with the table set out below

Use of proceeds if less than the full amount is raised	Amount
Costs related to the Entitlement Offer	The first \$93,748
Repayment of loan (including interest) from PIO Mines Pty Ltd (a subsidiary of TIO)	The next \$2,020,883
Minimum tenement expenditure commitments for PIOP	The next \$1,752,650
Reviews referred to in sections 7.3(d),(e) and (f) of the Original Bidder's Statement (if implemented) ¹ , general working capital and administrative expenses	The balance of the proceeds raised

Notes: 1. Summary of reviews referred to in section 7.3(d), (e) and (f) of the Original Bidder's Statement:

General review of Flinders' business

A general review of Flinders' business in particular, to:

- evaluate Flinders' performance, profitability, costs, capabilities and prospects;
- assess possible operational and strategic opportunities; and
- identify opportunities for operating synergies.

Detailed review of PIOP

A detailed review of PIOP be undertaken in particular, to assess:

- the various possible future development options for PIOP;
- the likely economic viability and timing of such development options;
- the sources and availability of funding for such development options; and
- the possibility that future iron ore market conditions may be favourable to such development options.

Review of Flinders' Canegrass and South Australian projects

A detailed review of Flinders' Canegrass and South Australian projects be undertaken to assess whether they are projects that are in the best interests of Flinders' shareholders to pursue further.

The above tables are a statement of current intentions as at the date of this Offer Booklet. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the proceeds are ultimately applied. The Directors reserve the right to alter the way proceeds are applied on that basis.

1.2 Effect of the Offer on the Capital Structure of the Company

On the basis of the Company's capital structure as at 7 October 2016, the capital structure of the Company following completion of the Offer (assuming 294,715,257 New Shares are issued under the Offer) will be as follows:

Shares	Number
Shares on issue at 7 October 2016	2,947,152,568
New Shares issued under the Offer	294,715,257
Total Shares on issue at completion of the Offer	3,241,867,825

On the basis of the Company's cash balance as at 30 September 2016, the pro-forma cash balance of the Company following completion of the Offer (assuming the Offer is fully subscribed) will be as follows:

	Cash A\$
Cash at 30 September 2016	1,726,778
Proceeds of Entitlement Offer (net of costs of the Offer)	4,915,961
Cash following Entitlement Offer	6,642,739

1.3 Underwriting

The Offer is not underwritten.

1.4 Subscription Agreement

The Company and TIO have entered into a subscription agreement dated 29 July 2016, amended via a deed of variation dated 6 October 2016 (**Subscription Agreement**) under which TIO has agreed to subscribe for the number of New Shares equal to its pro rata entitlement under the Offer subject to (amongst other things):

1.4.1 final TIO Board approval; and

1.4.2 the funds raised under the Offer not exceeding A\$5,010,160.

There is no guarantee that TIO will subscribe for the number of New Shares equal to its pro rata entitlement or any New Shares under the Offer.

TIO will not receive any commissions or other financial benefits from the Company in connection with the Subscription Agreement. Any New Shares issued pursuant to the Subscription Agreement will be issued subject to the terms of this Offer Booklet.

1.5 Entitlements and Acceptance

The right of Eligible Shareholders to participate in the Offer will be determined on the Record Date. The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form accompanying this Offer Booklet. If you do not take up all or part of your Entitlement by the Closing Date your Entitlement will lapse.

The Entitlement Offer is non-renounceable meaning there will be no rights trading on the ASX and you may not dispose of your Entitlement to any other party.

Eligible Shareholders may take any of the following actions:

- (a) take up all of your Entitlement;
- (b) take up part of your Entitlement; or
- (c) allow all or part of your Entitlement to lapse.

A completed and lodged Entitlement and Acceptance Form, together with payment for the number of New Shares accepted, cannot be withdrawn and

constitutes a binding application for, and acceptance of, the number of New Shares specified in the Entitlement and Acceptance Form on the terms set out in this Offer Booklet. The Entitlement and Acceptance Form does not need to be signed to be binding.

Further details in respect to actions required by Eligible Shareholders are outlined in section 2.

1.6 **Opening and Closing Dates**

The Entitlement Offer will open for receipt of acceptances on 17 October 2016 and will close at 5:00 pm (Adelaide time) on 4 November 2016. The Directors reserve the right to close the Entitlement Offer early or to extend the Closing Date, subject to the ASX Listing Rules. Investors are urged to lodge their Entitlement and Acceptance Forms as soon as possible.

1.7 **ASX Quotation**

Application has been made for the New Shares offered under this Entitlement Offer to be granted Official Quotation by the ASX. The fact that ASX may grant Official Quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares offered for subscription.

1.8 **Register**

The Company will not be issuing certificates to investors. Instead, investors will be provided with a statement that sets out the number of New Shares allotted to them under this Offer Booklet. The notice will also advise holders of their Holder Identification Number (HIN) or Shareholder Reference Number (SRN).

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

1.9 **Minimum Capital Raising**

There is no minimum amount of capital to be raised under the Offer.

1.10 **No Shortfall Offer**

There is no shortfall facility as part of the Offer. Neither Eligible Shareholders nor any other parties may apply for Shortfall Shares.

1.11 **Rights Attaching to Shares**

The New Shares issued will rank equally with existing Ordinary Shares on issue. The rights and liabilities attaching to the New Shares are set out in the Constitution of the Company and in the Corporations Act.

1.12 **Non-Resident Shareholders**

This Offer is only being extended to Shareholders with registered addresses in Australia and New Zealand. All other Shareholders (**Non-Resident Shareholders**) will not be offered Entitlements under this Offer. The Company has determined, in accordance with the Corporations Act and the

ASX Listing Rules, that it would be unreasonable to make the Offer to Non-Resident Shareholders having regard to:

- 1.12.1 the number of Shareholders in the places where the offer would be made;
- 1.12.2 the number and value of the rights that would be offered; and
- 1.12.3 the cost of complying with the legal requirements in those places.

No Entitlement and Acceptance Forms are being sent to Non-Resident Shareholders. This Offer Booklet or a summary of the details of the Offer may be sent to Non-Resident Shareholders for information purposes only.

Neither this Offer Booklet nor the Entitlement and Acceptance Form constitute an offer of, or an invitation by or on behalf of the Company to subscribe for or purchase any of the New Shares in any jurisdiction or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Offer Booklet and Entitlement and Acceptance Form, and the offering of New Shares, in certain jurisdictions may be restricted by law. Persons into whose possession such documents come should inform themselves about and comply with those restrictions.

1.13 **Appointment of Foreign Holder Nominee**

Pursuant to section 615 of the Corporations Act and for the purposes of Listing Rule 7.7, the Company has appointed Euroz Limited as the Company's foreign holder nominee (Nominee). The Company has applied to ASIC to approve the appointment of the Nominee. However, as at the date of this Offer Booklet, ASIC has not approved the appointment of the Nominee. Pursuant to the arrangement with the Nominee, the Nominee will subscribe for the New Shares which Non-Resident Shareholders would be entitled to if they were eligible to participate in the Offer (Nominee Shares). The Nominee will then sell the Nominee Shares and remit the net proceeds from the sale of the Nominee Shares (if any) to the Non-Resident Shareholders in proportion to their respective shareholdings. The Nominee will have the absolute and sole discretion to determine the timing and price at which the Nominee Shares must be sold and the manner of any such sale. Any interest earned on the proceeds of the sale of the Nominee Shares will firstly be applied against expenses of the sale, including brokerage, and any balance will form part of the proceeds payable to the Non-Resident Shareholders (if any). The Company will forward the proceeds of the sale of the Nominee Shares (if any) as soon as reasonably practicable to the Non-Resident Shareholders in proportion to their respective shareholdings (after deducting the subscription price, brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company. Notwithstanding that the Nominee must sell the Nominee Shares, Non-Resident Shareholders may nevertheless receive no net proceeds if the subscription price plus costs of the sale is greater than the sale proceeds. The Company will pay the Nominee \$10,000 plus GST. Both the Company and the Nominee take no responsibility for the outcome of the sale of the Nominee Shares.

1.14 **Taxation**

Taxation implications may vary depending upon the particular circumstances of individual Eligible Shareholders. Eligible Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Booklet.

1.15 **Enquiries**

Enquiries concerning the Entitlement and Acceptance Form or this Offer Booklet can be made by contacting the Company by telephone on (08) 8132 7950.

2. **HOW TO PARTICIPATE IN THE ENTITLEMENT OFFER**

2.1 **What you may do**

The number of New Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form. You may:

2.1.1 **Take up all or part of your Entitlement**

If you wish to take up all or part of your Entitlement, you will need to submit an Entitlement and Acceptance Form in accordance with the instructions in this Offer Booklet and on the Entitlement and Acceptance Form.

2.1.2 **Allow all or part of your Entitlement to lapse**

If you decide not to apply for all or part of your Entitlement to New Shares, or fail to apply by the Closing Date, your Entitlement will lapse. As the Entitlement Offer is non-renounceable you will not receive any value or consideration for any of your Entitlements that lapse. You should note that if you do not participate in the Entitlement Offer for all of your Entitlement, you will have your percentage holding in the Company diluted.

2.2 **Payment methods**

If you are paying for your New Shares by cheque, send your completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach the Company's share registry by 5:00 pm (Adelaide time) on the Closing Date.

Your cheque must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to "Flinders Mines Limited Entitlement Offer" and crossed "Not Negotiable".

You must ensure your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonors your cheque your application will be rejected. The Company will not re-present any dishonored cheques.

For payment by BPAY®, please follow the instructions on your personalised Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY®, you do not need to submit the personalised acceptance form but are taken to have made the declarations on that Entitlement and Acceptance Form. Your BPAY® payment must be received by 5.00pm (Adelaide time) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times in regard to electronic payment and you should take this into account when making payment.

Entitlement and Acceptance Forms must be accompanied by payment of A\$0.017 (1.7 cents) per Share. Receipts will not be issued.

2.3 Lodgement methods

If you are making payment by cheque you must deliver your Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post or by hand (during normal business hours) to the Company, to be received no later than **5:00 pm (Adelaide time) on the Closing Date** at the following address:

Flinders Mines Limited Entitlement Offer
C/- Computershare Investor Services Pty Limited

GPO Box 2987
Adelaide SA 5001

Completed Entitlement and Acceptance Forms and application monies will not be accepted if sent to another address.

3. SUMMARY OF RISKS

As with all investments, investors should be aware that the market price of shares may fall as well as rise. The potential returns of the Company will be exposed to risks specific to the Company and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the following particular risks:

3.1 Key Risks

Going concern

The Company's auditor, Grant Thornton Audit Pty Ltd noted in respect of the full-year financial report for the period ended 30 June 2016 the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Future Capital Requirements

The Company may require additional capital to fund further exploration/development of its existing or new projects. The Company's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to it will vary according to a number of factors including

(without limitation) the prospects of new projects (if any), the results of exploration and subsequent feasibility studies, stock market and industry conditions and the price of relevant commodities.

Exploration and Development

Exploration by its nature contains elements of significant risk. Ultimate success depends on the discovery of economically recoverable resources, obtaining the necessary titles and governmental regulatory approvals and obtaining and servicing of funding for mining operations if and when a decision to mine is made.

There can be no assurance that the Company's existing projects or any other projects or tenements that the Company may acquire in the future will result in the discovery of significant resources. Even if significant resources are identified, there can be no guarantee that they will be able to be economically exploited.

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- limitations on activities due to seasonal weather patterns;
- alterations to joint venture programs and budgets;
- the availability of drilling rigs and other machinery necessary for the Company to undertake its activities;
- unanticipated operational and technical difficulties encountered in survey, drilling and production activities;
- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals (including clearance of work programs pursuant to existing, and any future access agreements entered into with the traditional land owners).

3.2 Risks Specific to the Company

Native Title & Aboriginal Heritage

Some of the Company's tenements are located within areas that are the subject of claims or applications for native title determination. The *Native Title Act 1993* (Cth) and related State native title legislation and aboriginal heritage legislation may affect the Company's ability to obtain access to certain of its

exploration areas or to obtain mining production titles. Settling any such claims will incur costs to the Company. The degree to which this may impact on the Company's activities will depend on a number of factors, including the status of particular tenements and their locations. At this stage, the Company is not able to quantify the impact, if any, of such matters on its operations.

Title, Environmental Bonds & Conditions

All mining tenements which the Company may acquire either by application, sale and purchase or farm-in are regulated by applicable state mining legislation. There is no guarantee that applications will be granted as applied for. Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of a tenement to the Company.

Environment

The Company's projects are subject to State and Federal laws and regulations regarding environmental matters. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. Resource activities can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws.

Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans altered in a way which could impact adversely on the operations of the Company.

Agreements with Third Parties

The Company is and will be subject to various contracts and agreements with third parties. There is a risk of financial failure or default by counterparty to these arrangements. Any breach or failure may lead to penalties or termination of the relevant contract. In addition, the Company's interest in the relevant subject matter may be jeopardised.

3.3 Risks Specific to the Offer

Dilution Risk

If you decide to take up only part of your Entitlement or not to accept any of your Entitlement, your Entitlement will lapse and your ownership of the Company will be diluted to that extent.

3.4 General Risks

General Market Conditions

The price of the Shares on ASX may rise or fall due to numerous factors including:

- general economic conditions, including inflation rates and interest rates;
- variations in the local and global markets for listed shares in general, or for mining stocks in particular;
- changes to government policy, legislation (including any emissions trading scheme legislation) or regulation;
- competition in the industry in which the Company operates; and
- general operational and business risks.

In particular, the share prices of many companies have in recent times been subject to wide fluctuations, which in many circumstances arise by reason of matters outside the control of the Company, including global hostilities and tensions and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the New Shares.

There can also be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few, or many potential buyers or sellers of the New Shares on the ASX at any given time. This may increase the volatility of the market price of the New Shares, and the prevailing market price at which shareholders are able to sell their New Shares.

The matters set out above may result in Shareholders receiving a price for their New Shares that is more or less than the Offer price.

Commodity Prices

The Company is exploring for commodities, predominantly iron ore. Any decision to mine ore containing economic quantities of these commodities will be closely related to the price of these commodities.

The demand for and price of commodities is influenced by a variety of factors including the level of forward selling by producers, costs of production, general economic conditions, the level of inflation, interest rates and currency exchange rates.

Changes in government policy

Changes in government policy may affect the amount and timing of the Company's future cash flows and profits, and its viability and profitability. The activities of the Company are subject to various federal, state and local laws governing exploration, development, production, taxes and other matters.

3.5 Other Risks

As noted in section 4.2 below, the Todd Corporation Group (including TIO) has a relevant interest in 52.6% of Flinders' Shares. As such, Flinders' shareholders other than TIO are minority shareholders in Flinders. An implication of remaining a minority shareholder is that TIO will be in a position to cast the majority of votes at a general meeting of Flinders (subject to any resolution which requires a voting exclusion applicable to TIO). This will enable TIO to control the composition of the Flinders' Board and senior management, determine Flinders' dividend policy and control the strategic direction of the business of Flinders and its subsidiaries. TIO has made a number of statements in the Original Bidder's Statement regarding its intentions on acquiring 50.01% or more but less than 90% of all Flinders' Shares, including that it may seek to remove Flinders' listing on the ASX. If Flinders is delisted, it will result in Flinders' shareholders holding shares in an unlisted company for which there may not be a liquid market.

4. **ADDITIONAL INFORMATION**

4.1 **Reliance on Offer Booklet**

This Offer Booklet has been prepared pursuant to section 708AA of the Corporations Act for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Booklet was lodged with the ASX on 7 October 2016.

Section 708AA of the Corporations Act requires companies to lodge with the ASX a Cleansing Notice. The Company lodged a Cleansing Notice with the ASX on 7 October 2016.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of the Company, refer to the documents lodged and the disclosures made by the Company on the ASX (which are available for inspection on the ASX website at www.asx.com.au) and seek advice from your financial or professional adviser.

4.2 **Control implications of the Entitlement Offer**

The potential effect the Entitlement Offer will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including the demand from existing Shareholders. The primary consequences are that:

- if all Eligible Shareholders take up their entitlement to New Shares, the Entitlement Offer would have no immediate effect on the control of the Company because the Eligible Shareholders would continue to hold the same percentage interest in the Company;
- if some Eligible Shareholders do not take up their full entitlement, such Shareholders' control would be diluted relative to those who did take up their full Entitlement.

Based on publicly available information, the substantial Shareholders in the Company prior to the Entitlement Offer as well as their respective Entitlements are set out below:

Name	Number of shares held	Percentage of issued shares pre Offer	Entitlement
TIO (NZ) Limited	1,551,482,738	52.6%	155,148,274
OCJ Investments (Australia) Pty Ltd	586,600,000	19.9%	58,660,000

TIO (NZ) Limited

As set out in section 1.4, the Company and TIO have entered into a Subscription Agreement under which TIO has agreed to subscribe for the number of New Shares equal to its pro rata entitlement under the Offer, subject to certain conditions. There is no guarantee that TIO will subscribe for the number of New Shares equal to its pro rata entitlement or any New Shares under the Offer. The potential effect that the issue of New Shares to TIO under the Offer will have on the control of the Company is set out in table 1 below. Table 1 illustrates the potential effect of the Offer on TIO's voting power in scenarios where the Offer is 60%, 75% and fully subscribed and in the unlikely event that no other Shareholders take up their Entitlement under the Offer. These scenarios are based on the assumption that TIO takes up its full Entitlement under each scenario. For example, the reference to the Offer being 60% subscribed refers to 60% of the rights being subscribed inclusive of TIO taking up its rights in full. The actual effect of the Offer on the voting power in the Company of TIO will depend on the level of subscription by Eligible Shareholders to the Offer.

Table 1 TIO (NZ) Limited

Event	Shares held by TIO	Total shares on issue	Voting power of TIO
Offer fully subscribed with no shortfall	1,706,631,012	3,241,867,825	52.6%
Offer 75% subscribed	1,706,631,012	3,168,189,011	53.9%
Offer 60% subscribed	1,706,631,012	3,123,981,723	54.6%
No other Shareholders take up their Entitlement	1,706,631,012	3,102,300,842	55.0%

In the unlikely event that all Shareholders other than TIO were to take up their Entitlements under the Offer the voting power of TIO would decrease from 52.6% pre-Offer to 50.3%.

OCJ Investments (Australia) Pty Ltd

The potential effect that the issue of New Shares to OCJ under the Offer will have on the control of the Company is set out in the tables below. Table 2 illustrates the potential effect of the Offer on OCJ's voting power in scenarios where the Offer is 75% and fully subscribed and in the unlikely event that no other Shareholders take up their Entitlement under the Offer. These scenarios are based on the assumption that OCJ and TIO take up their full Entitlement under each scenario. For example, the reference to the Offer being 75% subscribed refers to 75% of the rights being subscribed inclusive of OCJ and TIO taking up their rights in full. The actual effect of the Offer on the voting power in the Company of OCJ will depend on the level of subscription by Eligible Shareholders to the Offer.

Table 2 TIO (NZ) Limited and OCJ Investments (Australia) Pty Ltd

Event	Shares held by OCJ	Total shares on issue	Voting power of OCJ
Offer fully subscribed with no shortfall	645,260,000	3,241,867,825	19.9%
Offer 75% subscribed	645,260,000	3,168,189,011	20.4%
No other Shareholders take up their Entitlement	645,260,000	3,160,960,842	20.4%

Table 3 illustrates the potential effect of the Offer on OCJ's voting power in scenarios where the Offer is 25%, 45% and fully subscribed and in the unlikely event that no other Shareholders take up the Entitlement under the Offer. The scenarios are based on the assumption that OCJ takes up its full Entitlement under each scenario and TIO does not take up any of its Entitlement under the latter three scenarios set out in table 3.

Table 3 OCJ Investments (Australia) Pty Ltd

Event	Shares held by OCJ	Total shares on issue	Voting power of OCJ
Offer fully subscribed with no shortfall	645,260,000	3,241,867,825	19.9%
Offer 45% subscribed	645,260,000	3,079,774,434	21.0%
Offer 25% subscribed	645,260,000	3,020,831,383	21.4%
No other Shareholders take up their Entitlement	645,260,000	3,005,812,568	21.5%

4.3 Director's Interests in Securities

No Director (or their associates) has a relevant interest in any Shares. Accordingly, as at the date of this Offer Booklet, the Directors are not eligible to be offered Entitlements under this Offer. The Directors do not intend to acquire any Shares prior to the Record Date. Accordingly, the Directors will not be eligible to participate in the Offer.

4.4 Expenses of the Offer

On the assumption that the Offer is fully subscribed, the total expenses connected with the Offer, including legal and other advisory fees, listing, printing and other miscellaneous expenses are estimated to be approximately \$93,748 comprised as follows:

Expenses	Cost
Advisory fees	\$10,000
Legal fees	\$20,000
ASX listing fees, printing, postage and share registry	\$63,748
Total estimated costs	\$93,748

4.5 Privacy

The Company will collect information about each Shareholder who accepts the Entitlement Offer provided on the Entitlement and Acceptance Form for the purposes of processing the application and, if the application is successful, to administer the Shareholder's shareholding in the Company.

By submitting an Entitlement and Acceptance Form, you will be providing information to the Company (directly or through the Company's share registry). The Company will collect, hold and use that information to assess your application. The Company may disclose your personal information for purposes related to your shareholding in the Company, including its share registry, agents, contractors and third party service providers, and to the ASX and regulatory bodies. To make a request for access to your personal information held by (or on behalf of) the Company, please contact the Company through its share registry.

4.6 Governing Law

The Entitlement Offer and contracts formed on acceptance of the Entitlement and Acceptance Forms are governed by the law in force in South Australia. Each shareholder submits to the exclusive jurisdiction of the courts of South Australia.

5. GLOSSARY

In this Offer Booklet, unless the context otherwise requires:

\$ means Australian dollars (and references to cents are to Australian cents);

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited or the Australian Securities Exchange operated by it (as the context requires);

ASX Listing Rules means the Listing Rules of ASX;

Board means the board of directors of the Company;

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a Business Day;

Cleansing Notice means the cleansing notice to be lodged by the Company pursuant to section 708AA(2)(f) of the Corporations Act;

Closing Date means the closing date of the Offer, which is 4 November 2016 (unless extended);

Company or **Flinders** means Flinders Mines Limited (ACN 091 118 044);

Constitution means the constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Directors mean the Directors of the Company;

Eligible Shareholders means on the Record Date, Shareholders recorded on the register of members of the Company as holders of Ordinary Shares, that have registered addresses in Australia or New Zealand and are eligible under all applicable securities laws to receive an Offer without any requirement for a prospectus, disclosure document, or any lodgement, filing registration or qualification;

Entitlement means the right of an Eligible Shareholder to apply for a number of New Shares under the Entitlement Offer;

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Booklet;

New Shares means Ordinary Shares in the Company issued pursuant to the Entitlement Offer;

Non-Resident Shareholders has the meaning given in section 1.12;

OCJ means OCJ Investments (Australia) Pty Ltd (ACN 123 064 862) of 85 Mary Avenue, Wheelers Hill, Victoria;

Official List means the Official List of ASX;

Official Quotation means the grant by ASX of "Official Quotation" (as that term is used in the ASX Listing Rules) of all the New Shares when allotted which if conditional may only be conditional on the allotment of the New Shares;

Offer or **Entitlement Offer** means the offer of New Shares under the Entitlement Offer;

Offer Booklet means this document, including the Entitlement and Acceptance Form;

Original Bidder's Statement means TIO's bidder's statement dated 17 March 2016;

Ordinary Shares means fully paid ordinary shares in the Company;

PIOP means the Pilbara Iron Ore Project in respect of which an iron ore mine is proposed under the *Mining Act 1978* (WA) in the Pilbara region of Western Australia comprising predominantly M47/1451 and E47/1560;

Record Date means the record date to determine the Shareholders entitled to participate in the Entitlement Offer, being 7.00pm (AEST) on 12 October 2016;

Shareholder means a holder of Ordinary Shares;

Shares means fully paid Ordinary Shares in the Company;

TIO means TIO (NZ) Limited (New Zealand Company No 3744171) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6011, New Zealand.