

10 October 2016

The Manager
ASX Market Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

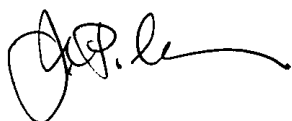
Dear Sir/Madam

Letter to Shareholders

Please find attached for release to the market a Letter to Shareholders in relation to the non-renounceable Entitlement Offer for Flinders Mines Limited (**FMS**).

The Letter has been sent to all shareholders.

Yours faithfully



Justin Nelson
Company Secretary

10 October 2016

FMS
 MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Dear Shareholder,

Non-Renounceable Entitlements Issue

On 7 October 2016, Flinders Mines Limited (**Flinders** or **Company**) announced a 1 for 10 non-renounceable entitlement offer of ordinary shares in the Company (**New Shares**) at an issue price of \$0.017 (1.7 cents) per share (**Entitlement Offer**).

The Entitlement Offer seeks to raise approximately \$5 million, through the issue of up to approximately 295 million New Shares.

Flinders invites shareholders who are registered as shareholders of the Company at 7.00pm (AEST) on Wednesday, 12 October 2016 (**Record Date**), and who have a registered address in Australia and New Zealand (**Eligible Shareholders**) to participate in the Entitlement Offer.

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 issue. 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 the number of shareholders in the places where the offer would be made, the number and value of the rights that would be offered, and the cost of complying with the legal requirements in those places.

Full details of the Entitlement Offer are contained in the Offer Booklet lodged with ASX on Friday, 7 October 2016. The Offer Booklet together with the Entitlement and Acceptance Form will be mailed to all Eligible Shareholders on Monday, 17 October 2016. A copy of the Offer Booklet is available on the Flinders website. Pursuant to section 708AA of the Corporations Act, the Company is not required to prepare a disclosure document for the Entitlement Offer.

Key dates which shareholders should note are as follows:

Date	Event
Wednesday, 12 October	Entitlements Issue Record Date
Monday, 17 October	Entitlements Issue opens and Offer Booklet dispatched
Friday, 4 November	Entitlements Issue offer closes
Wednesday, 9 November	Entitlements Issue shortfall notified to ASX
Friday, 11 November	Entitlements Issue shares allotted
Monday, 14 November	Trading of New Shares commences

The above dates are indicative and may be subject to change. The Company reserves the right to amend this timetable subject to the Corporations Act and the ASX Listing Rules.

Use of funds

The proceeds of the Entitlement Offer will be used to:

- repay the loan (including interest) from PIO Mines Pty Ltd (a subsidiary of TIO (NZ) Limited);
- meet minimum tenement expenditure commitments for PIOP for the next 12 months;
- meet the cost of the reviews proposed by TIO in sections 7.3(d), (e), and (f) of the original Bidder's Statement (if implemented); and
- provide working capital to the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Robert Kennedy', with a large loop at the end.

Robert Kennedy
Executive Chairman