

## Notice of Annual General Meeting

**FLINDERS MINES LIMITED** ABN 46 091 118 044

Notice is hereby given that the Annual General Meeting of the shareholders of Flinders Mines Limited (**the Company**) will be convened at **10.00 a.m.** on **Wednesday, 22 October 2014**, at **Crowne Plaza, Level 15, Hindmarsh Room 3, 16 Hindmarsh Square, Adelaide SA**, to consider, and if thought fit, to pass the following resolutions.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form. The completed proxy form must be received by the Company at least 48 hours before the commencement of the meeting.

### AGENDA

#### ORDINARY BUSINESS

##### Financial Report

To receive and consider the Company's financial statements and reports of the Directors and the independent auditor for the year ended 30 June 2014.

The Annual Report incorporating the financial statements is available at:  
<http://www.flindersmines.com/Investors/reports>

##### RESOLUTION 1 – Adoption of the Remuneration Report

To consider, and if thought fit, pass the following non-binding resolution as an ordinary resolution:

“That the Remuneration Report required by section 300A of the *Corporations Act 2001 (Cth)*, as contained in the Company's Directors' Report for the year ended 30 June 2014 be adopted.”

##### Voting Exclusion

In accordance with the Corporations Act, the Company will disregard any votes cast in relation to this resolution:

- by or on behalf of a member of the key management personnel (**KMP**), named in the Company's Remuneration Report or their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the KMP or their closely related parties.

However, the Company will not disregard a vote if the vote is cast as proxy for a person entitled to vote in respect of this resolution:

- in accordance with the directions on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

**Note: The vote on this resolution is advisory only and does not bind the Directors or the Company.**

## **RESOLUTION 2 – Re-election of Mr Robert Kennedy as a Director**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That Mr Robert Kennedy, being a Director of the Company who retires by rotation in accordance with the Company’s Constitution, and being eligible, is re-elected as a Director of the Company.”

A summary of Mr Kennedy’s qualifications and experience is set out in the Explanatory Statement accompanying this Notice.

## **SPECIAL BUSINESS**

### **RESOLUTION 3 – Ratification of a previous issue of shares**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given for the purpose of ASX Listing Rule 7.4 and for all other purposes, for the issue of two hundred and seventy four million (274,000,000) fully paid ordinary shares at \$0.025 per fully paid ordinary share on 10 March 2014.”

#### **Voting Exclusion**

The Company will disregard any votes cast in relation to this resolution by or on behalf of a person who participated in the issue and any associate of those persons. However, in respect of this resolution, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the Chairman of the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **RESOLUTION 4 – Approval of Incentive Rights Plan**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given for the purpose of ASX Listing Rule 7.2, exception 9 and for all other purposes, to issues of securities under the Flinders Mines Limited Incentive Rights Plan summarised in the Explanatory Statement accompanying this Notice.”

#### **Voting Exclusion**

In accordance with the ASX Listing Rules and the Corporations Act, the Company will disregard any votes cast in relation to this resolution:

- by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); or
- as a proxy by a person who is a member of the KMP or their closely related parties.

However, the Company will not disregard a vote if the vote is cast as proxy for a person entitled to vote in respect of this resolution:

- in accordance with the directions on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

## RESOLUTION 5 – Approve an issue of Performance Rights to the Managing Director

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given for the purpose of ASX Listing Rule 10.14 and for all other purposes, to an issue of ten million (10,000,000) Performance Rights to the Company’s Managing Director, Mr Ian Gordon under an employee share scheme operated by the Company on the terms set out in the Explanatory Statement accompanying this Notice.”

### Voting Exclusion

In accordance with the ASX Listing Rules and the Corporations Act, the Company will disregard any votes cast in relation to this resolution:

- by or on behalf of Mr Gordon and any Director of the Company who is eligible to participate in the employee share scheme and their associates, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of the KMP or their closely related parties.

However, the Company will not disregard a vote if the vote is cast as proxy for a person entitled to vote in respect of this resolution:

- in accordance with the directions on the proxy form; or
- by the Chairman of the meeting pursuant to an express authorisation to exercise the proxy.

### OTHER BUSINESS

To transact any further business that may be lawfully brought forward.

Further information regarding the business to be transacted at the Annual General Meeting is set out in the accompanying Explanatory Statement.

Dated this 19th day of September 2014.

### BY ORDER OF THE BOARD



Justin Nelson  
Company Secretary

## EXPLANATORY STATEMENT

This Explanatory Statement accompanies and forms part of the Notice of Annual General Meeting dated 19 September 2014 (**Notice**) and has been prepared to provide shareholders with material information to enable them to make an informed decision on the business to be conducted at the Annual General Meeting of the Company. Amongst other things, this Explanatory Statement provides shareholders with the information required to be provided to shareholders by the Corporations Act 2001 and the Listing Rules of the ASX (**ASX Listing Rules**).

The Explanatory Statement sets out an explanation of each of the resolutions to be put to shareholders. Shareholders should read this Explanatory Statement carefully before determining how to vote in respect of the resolutions.

### FINANCIAL REPORT

The first item of the Notice is to receive and consider the Annual Financial Report and accounts for the Company for the year ended 30 June 2014, comprising the financial statements and notes together with the Directors' Report and the Auditor's Report. No resolution is required in respect of this agenda item. However, it provides shareholders with the opportunity to ask questions of the Company's management and auditors in relation to the Company's results and operations for that financial year. The Financial Report may be found on the Company's website.

### RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

In accordance with section 250R of the Corporations Act 2001 the Company submits to shareholders for consideration and adoption by way of a non-binding resolution its Remuneration Report for the year ended 30 June 2014. The Remuneration Report is a distinct section of the Directors' Report that deals with the remuneration of Directors and key management personnel of the Company and can be located on pages 17 to 23 in the 2014 Annual Report and also on the Company's website at: [www.flindersmines.com](http://www.flindersmines.com).

The Remuneration Report sets out the Company's remuneration arrangements for its Directors, officers and senior management. Shareholders will be given reasonable opportunity at the meeting to discuss the report.

***The Directors recommend shareholders vote in favour of adopting the Remuneration Report.***

### RESOLUTION 2 – RE-ELECTION OF MR ROBERT KENNEDY AS A DIRECTOR

Under the Company's Constitution, one third of the Directors (excluding the Managing Director) must retire at the Annual General Meeting. The Director will be eligible for re-election. The Director required to retire under the above framework is Mr Robert Kennedy. Mr Kennedy has indicated that he will offer himself for re-election by members at the meeting.

In accordance with clause 48 of the Company's Constitution, Mr Kennedy retires and being eligible, has offered himself for re-election. A brief summary of Mr Kennedy's qualifications and experience follows.

#### **Robert Michael Kennedy, ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD**

With the exception of Mr Kennedy's temporary role of Executive Chairman from mid-April 2013 to mid-June 2014, he has been an independent non-executive Chairman of Flinders Mines Limited, since December 2001. Mr Kennedy is a Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. Mr Kennedy brings to the Board his expertise and extensive experience as Chairman and non-executive Director of a range of listed public companies in the resources sector.

He conducts the review of the Board including the Managing Director in his executive role. Mr Kennedy leads the development of strategies for the development and future growth of the Company. Apart from his attendance at Board and committee meetings, Mr Kennedy leads the Board's external engagement of the Company, meeting with Government, investors and is engaged with the media. He is a regular attendee of audit committee functions of the major accounting firms.

Mr Kennedy is also a Director of ASX listed companies Ramelius Resources Limited (since 2003), Maximus Resources Limited (since 2004), Tychean Resources Limited (since 2006), Monax Mining Limited (since 2004), Marmota Energy Limited (since 2006) and Tellus Resources Limited (since 2013).

***The Directors (except Mr Kennedy, who abstains) recommend shareholders vote in favour of the re-election of Mr Kennedy***

## RESOLUTION 3 – RATIFICATION OF A PREVIOUS ISSUE OF SHARES

The Company has issued 274,000,000 fully paid ordinary shares at \$0.025 per fully paid ordinary share in a placement to sophisticated and professional investors.

These shares were issued on 10 March 2014 and were issued on the same terms and conditions as other existing ordinary shares in the Company quoted on the Australian Securities Exchange.

The funds raised by the placement have and will be used to:

- conduct further drilling on the Company's Pilbara Iron Ore Project (**PIOP**) with a view to upgrading existing inferred resources to indicated status;
- commence a bankable feasibility study and detailed design studies; and
- provide working capital to the Company.

ASX Listing Rule 7.1 provides that, except in limited circumstances, prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period.

The issue of the shares detailed in resolution 3 did not exceed the 15% limit referred to above.

ASX Listing Rule 7.4 provides that where a company ratifies an issue of securities, the issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1, thereby refreshing the company's 15% capacity and enabling it to issue further securities up to that limit.

Resolution 3 proposes the ratification and approval of the allotment and issue of 274,000,000 shares to sophisticated and professional investors for the purpose of satisfying the requirements of ASX Listing Rule 7.4.

Listing Rule 14.9 requires the approval be given by an ordinary resolution of the Company.

***The Directors recommend shareholders vote in favour of ratifying the placement made in March 2014.***

## RESOLUTION 4 – APPROVAL OF INCENTIVE RIGHTS PLAN

ASX Listing Rule 7.1 provides that, except in limited circumstances, prior approval of shareholders is required for an issue of securities if the securities will, when aggregated with securities issued by the Company during the previous 12 months, exceed 15% of the number of shares on issue at the commencement of that 12 month period. An exception to this rule exists under ASX Listing Rule 7.2 where a company has an employee incentive scheme approved by its ordinary security holders. Approval of this type lasts for 3 years from the date of approval at the meeting. At the Company's 2010 Annual General Meeting shareholders approved issues of securities under the Flinders Mines Limited Incentive Rights Plan (**Plan**). Resolution 4 seeks shareholder approval to refresh the approval obtained in 2010 for a further 3 years under the same Plan rules.

If approval for the Plan is given here, approval for issues under the Plan within the next 3 years will not be required under ASX Listing Rule 7.1.

The following information is required under ASX Listing Rule 7.2, Exception 9(b):

- since the date of the last approval of the Plan (30 November 2010) a total of 36,121,700 incentive rights (**Incentive Rights**) have been issued to eligible employees. Of this number, 5,416,344 have vested and converted to fully paid ordinary shares in the Company and 17,909,356 have lapsed because the performance objective was not met or the employee ceased employment. As at the date of this Notice, a total of 12,796,000 Incentive Rights remain on issue.
- summary of the terms of the Plan:

The Plan was established in 2010 to:

1. align the interests of the Company and its employees to produce higher returns for shareholders;
2. assist in attracting high quality people to join the Company for its success; and
3. minimise employee departure rates, providing greater stability for the Company.

Full-time and permanent part-time employees of the Company who have completed six (6) months service will be eligible to participate in the Plan. Casual employees, independent contractors and non-executive Directors of the Company are not eligible.

The Board will, at its complete discretion, determine the offer of Incentive Rights to eligible employees. The number of Incentive Rights, and the terms and conditions of each offer may vary from each eligible employee.

The Incentive Rights will consist of retention rights (**Retention Rights**) and performance rights (**Performance Rights**). Retention Rights vest on the completion of a determined length of service of the eligible employee, and Performance Rights vest on the successful achievement of specified performance objectives.

The Company will grant the Incentive Rights within one (1) month of the offer being accepted by the eligible employee.

The Incentive Rights will vest according to formulas associated with the performance criteria set by the Board.

When the Incentive Rights vest, the eligible employee will be issued restricted shares (**Restricted Shares**) in the Company, or the resulting shares will be held for the employee's benefit on trust within the Employee Share Trust (**EST**). When shares are to be acquired by the EST, the Company will contribute the then market value of the shares to be acquired to the trustee of the EST and the trustee shall apply those funds to acquire shares by on-market purchase or subscription to a new issue as directed by the Board. The employee will pay nothing for the shares.

Restricted Shares means that they may not be sold or otherwise disposed of until first advised by the Company, which the Company shall do at the first opportunity, when shares may be sold without breaching the insider trading provisions of the Corporations Act or the Company's share trading policy.

Eligible employees cannot transfer any of the Incentive Rights, or use them as security for a loan, or deal with them in any other way.

In the case of dismissal (termination due to cause), all unvested Incentive Rights are forfeited by the employee. In the case of resignation, all unvested Incentive Rights are forfeited unless and to the extent otherwise determined by the Board.

In the cases of death, total permanent disablement (**TPD**), retirement (with the approval of the Board), and termination without cause (e.g. retrenchment or redundancy):

### **Unvested Retention Rights**

1. Retention Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year.
2. Retention Rights that do not lapse at the termination of employment will continue to be held by employees with a view to testing for vesting at the end of the period to be determined by the Board.
3. If the share price at the date of testing is less than the share price at the date of termination of employment then all unvested Retention Rights lapse.
4. If the share price at the date of testing is not less than the share price at the date of termination of employment then Retention Rights granted in the financial year of termination and prior years that have not been forfeited will vest.

### **Unvested Performance Rights**

1. Performance Rights granted in the financial year of termination of employment are forfeited in the same proportion as the remainder of the financial year bears to the full financial year.
2. Performance Rights that were granted in a year prior to the year of termination of employment and were first tested for vesting not later than the date of termination of employment, will be forfeited.
3. Performance Rights that do not lapse at the termination of employment will continue to be held by employees with a view to testing for vesting at the end of the period to be determined by the Board.
4. If the share price at the date of testing is less than the share price at the date of termination of employment then all unvested Performance Rights lapse.
5. If the share price at the date of testing is not less than the share price at the date of termination of employment then Performance Rights granted in the financial year of termination and prior years that have not been forfeited will be tested once for vesting at the end of the period to be determined by the Board. If they do not vest at that time then they will be forfeited.

***The Directors (except Mr Gordon, who abstains) recommend shareholders vote in favour of approving the Plan.***

## **RESOLUTION 5 – APPROVAL OF AN ISSUE OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR**

The Company proposes to issue Performance Rights (**Rights**) to the Company's Managing Director, Ian Gordon. Resolution 5 seeks shareholder approval for the issue of Rights for the purpose of ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that a company must not permit any of the following persons to acquire securities under an employee incentive scheme without shareholder approval:

- a Director of the company;
- an associate of the Director;
- a person whose relationship with the company, a Director or an associate of the Director is, in ASX's opinion, such that approval should be obtained.

ASX Listing Rule 10.15 provides that the following information must be included in the notice of meeting to shareholders:

- 10,000,000 Rights will be issued to Ian Gordon, the Company's Managing Director;
- the maximum number of Rights that may be acquired by all persons for whom shareholder approval is required is 10,000,000;
- the Rights will be issued at no cost and subject to the other terms outlined below;
- no Rights have been previously issued under the employee share scheme;
- Ian Gordon is the only person referred to in Listing Rule 10.14 entitled to participate in the employee share scheme;
- no loan will be made in relation to the issue of the Rights;
- the Company will issue the Rights within 12 months from the date of the Annual General Meeting to which this Explanatory Statement relates.

Additional information regarding the offer of Rights to Ian Gordon:

- under the conditions of the employee share scheme, the Rights will vest provided that Mr Gordon is still employed by the Company on the first to occur of the following events, and will vest on the date the first to occur of those events happens:
  - the Company's Board making a final investment decision, on the basis of a bankable feasibility study, to develop the Company's PIOP. In this context, a "bankable feasibility study" means a comprehensive study of the technical, economic and financial feasibility of the development and operation of PIOP, which study will be undertaken using such reputable consultants and experts as are appropriate for each component of the study and be in such form as is adequate to enable an international bank or other financial institution to determine whether to proceed to provide or arrange finance for the development and operation of PIOP; or
  - a takeover of the Company. In this context a "takeover" of the Company occurs if a person or a corporation who did not previously do so:
    - acquires or holds directly or indirectly a relevant interest (as defined in section 9 of the Corporations Act) in securities conferring 50% or more of the voting or economic interest in the Company;
    - acquires or holds directly or indirectly the power to control the appointment or dismissal of the majority of the Company's Directors; or
    - has the capacity to control the financial operating policies or management of the Company;
- Mr Gordon cannot transfer any of the Rights, or use them as security for a loan, or deal with them in any other way;
- Mr Gordon will be issued with one fully paid ordinary share in the Company for each Right that vests (**Shares**), provided that Rights valued at \$1,000 (based on the share price at the close of the last day of trading before the vesting date), rather than converting to Shares, will convert to \$1,000 in cash and be paid in cash by the Company to Mr Gordon on the vesting date;
- Mr Gordon does not pay anything for the Shares;
- the conditions of the employee share scheme do not restrict Mr Gordon from transferring any of the Shares acquired on vesting of the Rights, or using them as security for a loan, or dealing with them in any other way;
- if Mr Gordon ceases employment prior to the vesting of the Rights, the Rights will be forfeited;
- if Mr Gordon ceases employment because of death, invalidity, bona fide redundancy or retirement (unless the retirement happens within six months of the date of grant of the Rights) the Rights will vest. If Mr Gordon retires within six months of the date of grant of the Rights, the Rights will be forfeited;
- if the Rights have not vested on or before 30 June 2016 (or such later date agreed in writing by the Company and Mr Gordon) the Rights will automatically lapse on that date and Mr Gordon will not have any claim to be compensated by any person;
- if the approval the subject of this resolution is not obtained, the Company has agreed that Mr Gordon will be paid a cash amount equivalent to the value of the Rights on the day they would have vested, instead of the Rights.

***The Directors (except Mr Gordon, who abstains) recommend shareholders vote in favour of the issue of Performance Rights to the Managing Director.***

## **DEFINITIONS:**

**Key Management Personnel** (KMP) of the Company are, as adopted from the Australian Accounting Standards Board, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**Closely related parties** of the Company's KMP include certain family members, dependents and companies they control.

## VOTING INFORMATION AND NOTES

### 1. Voting entitlement on a poll

On a poll, each shareholder present (in person, by proxy, attorney or representative) has one vote for each fully paid share they hold.

### 2. Proxies

A shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on the shareholder's behalf. If the shareholder is entitled to cast two or more votes at the meeting, the shareholder may appoint up to two proxies to attend and vote on the shareholder's behalf.

If a shareholder appoints two proxies, each proxy must be appointed to represent a specified proportion or number of the shareholder's votes. Absent this specification, on a poll, each proxy may exercise half the votes.

A proxy can be either an individual or a body corporate and need not be a shareholder of the Company. If a shareholder appoints a body corporate as proxy, the body corporate will need to appoint an individual as its corporate representative and provide satisfactory evidence of this appointment.

If a shareholder's instruction is to abstain from voting for a particular item of business, the shareholders' votes will not be counted in computing the required majority on a poll.

To appoint a proxy, a proxy form must be signed by the shareholder or the shareholder's attorney duly authorised in writing. If the shareholder is a corporation, the proxy form must be signed in accordance with section 127 of the Corporations Act. To be effective, a proxy form (and, if it is signed by an attorney, the authority under which it is signed or a certified copy of the authority) must be received by the Company not later than 48 hours prior to the commencement of the meeting. Proxy form and authorities may be lodged:

- by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne VIC 3001, or;
- by facsimile to Computershare on (within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555 or the Company on +61 8 8271 1988; or
- electronically by casting votes online at [www.investorvote.com.au](http://www.investorvote.com.au) and follow the prompts. To use this facility you will need your holder number (SRN or HIN), postcode and control number as shown on the proxy form. You will have been taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

Custodian voting - For Intermediary Online subscribers only (custodians), please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

Shareholders who forward their proxy forms by fax must make available the original executed form of the proxy for production at the meeting, if called upon to do so.

### Chairman acting as proxy

Shareholders may appoint the Chairman of the meeting as their proxy.

Where the Chairman is appointed as a proxy by a shareholder entitled to cast a vote on a particular resolution and the proxy form specifies how the Chairman is to vote on the resolution (that is, a directed proxy), the Chairman must vote in accordance with that direction.

In respect of proxies where no voting direction has been given (undirected proxies), the Chairman intends to vote all available proxies in favour of each resolution.

In relation to resolutions 1, 4 and 5, if the shareholder has appointed the Chairman as their proxy and no voting direction has been given, the shareholder will be expressly authorising the Chairman to exercise the undirected proxy in respect of resolutions 1, 4 and 5 even though the resolution is connected with the remuneration of members of the KMP of the Company. Please read the directions on the proxy form carefully, especially if you intend to appoint the Chairman of the meeting as your proxy.

### 3. Entitlement to vote at the meeting

For the purpose of the meeting, shares in the Company will be taken to be held by those persons who are registered holders at 7.00 pm (Adelaide time) on Monday, 20 October 2014. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

### 4. Quorum

The Constitution of the Company provides that 10 shareholders present in person, by proxy, attorney or body corporate representative shall be a quorum for a general meeting of the Company.

### 5. Appointing a corporate representative

Corporate representatives are requested to bring appropriate evidence of appointments as a representative. Proof of identity will be required for corporate representatives.

### 6. Appointment of an attorney

Attorneys are requested to bring a power of attorney pursuant to which they are appointed. Proof of identity will also be required for attorneys.