

6 March 2014

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

Dear Sir/Madam

**FLINDERS MINES LIMITED (ASX: FMS)
NON-RENOUNCEABLE ENTITLEMENT OFFER - OFFER BOOKLET**

Please find attached for release to the market a copy of the Offer Booklet in relation to participation in the upcoming non-renounceable Entitlement Offer for Flinders Mines Limited (FMS).

A copy of the Offer Booklet and a personalised Entitlement and Acceptance Form will be sent to all Eligible Shareholders in due course.

Yours faithfully



David W Godfrey
Company Secretary



FLINDERS MINES LIMITED

ABN 46 091 118 044

ENTITLEMENT OFFER – OFFER BOOKLET

For a pro rata non-renounceable Entitlement Offer of approximately 300 million New Shares at an issue price of \$0.025 each on the basis of 1 New Share for every 7 Ordinary Shares held to raise approximately \$7.5 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.

JOINT LEAD MANAGERS & UNDERWRITERS

BBY LIMITED

EUROZ SECURITIES LIMITED

CORPORATE DIRECTORY

Directors

Mr Robert Kennedy (Exec. Chairman)
 Mr Kevin Malaxos (Non Exec. Director)
 Mr Ewan Vickery (Non Exec. Director)

Share Registry

Computershare Investor Services Pty Limited
 Level 5, 115 Grenfell Street
 Adelaide, South Australia, 5000
 GPO Box 2987

Company Secretary

Mr David Godfrey

Adelaide, South Australia, 5001

Enquiries (within Australia): 1300 556 161

Enquiries(outside Australia):+613 9415 4000

General Manager – Project Development

Mr Miro Rapaic

Stock Exchange Listing

ASX Limited

Registered Office

ASX Code: FMS

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IMPORTANT NOTICES

This Offer Booklet is dated 6 March 2014. 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 (as modified by ASIC Class Order 08/35).

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.

EXECUTIVE CHAIRMAN'S LETTER

6 March 2014

Dear Fellow Shareholder,

Non-Renounceable Entitlement Offer

I am pleased to write to you regarding the Flinders Mines Limited (**Flinders** or **Company**) 1 for 7 non-renounceable Entitlement Offer at a price of \$0.025 per New Share.

The Entitlement Offer seeks to raise approximately \$7.5 million which, coupled with a Placement to sophisticated shareholders of \$6.8 million, will ensure that your Company maintains a well-funded and aggressive development programme throughout 2014 in order to finalise the Bankable Feasibility Study (BFS) for the Pilbara Iron Ore Project (PIOP). The entry into the Alliance Agreement is a game-changer for Flinders and marks the point in time where we can realistically expect to develop our Pilbara Iron Ore Project with a strong path to market. Flinders is at an exciting time in its development and we believe that the results of the work done so far on the BFS for the PIOP clearly demonstrate the potential for a robust, long life iron ore operation. The Entitlement Offer price of \$0.025 per New Share allows existing Flinders shareholders to subscribe for New Shares at a discount of approximately 16.7% to the recent trading price.

You will find enclosed the following important information:

- Summary of Important Dates;
- Key Terms for the Entitlement 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 5.00pm (Adelaide time) on Friday, 4 April 2014. 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 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's share registry, Computershare Investor Services Pty Limited, on 1300 556 161 between 9.00am and 5.00pm (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
Executive Chairman

SUMMARY OF IMPORTANT DATES

ASX announcement of Entitlement Offer and lodgement of Appendix 3B and Cleansing Notice with ASX	28 February 2014
Lodgement of Offer Booklet with ASX	6 March 2014
Despatch of notices to shareholders informing them of the Offer	7 March 2014
Securities quoted on an ex-basis	11 March 2014
Record Date to determine entitlements to New Shares	17 March 2014
Despatch of Offer Booklet and Entitlement and Acceptance Forms	21 March 2014
Offer Opens	21 March 2014
Offer Closes	5.00 pm (Adelaide time) 4 April 2014
New Shares quoted on a deferred basis	7 April 2014
Company notifies shortfall to underwriters/ASX	8 April 2014
Allotment of New Shares under the Offer	11 April 2014
Normal (T+3) trading starts	14 April 2014

NOTE

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

1. KEY TERMS OF THE ENTITLEMENT OFFER

1.1 The Offer

This Company is making a non-renounceable Entitlement Offer of approximately 300 million New Shares to Eligible Shareholders at an issue price of \$0.025 per New Share on the basis of 1 New Share for every 7 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 approximately \$7.5 million (before issue costs).

The Company intends to apply the funds to advance its wholly-owned Pilbara Iron Ore Project, including:

- 1.1.1 conducting further drilling on the PIOP with a view to upgrading existing Inferred Resources to Indicated status;
- 1.1.2 commencing Bankable Feasibility Study (BFS) and detailed design studies; and
- 1.1.3 providing working capital to the Company.

Please refer to the ASX Announcement for further detail regarding the purpose of the Offer.

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

On the basis of the Company's capital structure as at 31 December 2013, the capital structure of the Company following completion of the Offer will be as follows:

Shares	Number
Shares on Issue at 31 December 2013	1,826,716,748
Shares on issue at the Record Date ¹	2,100,866,748
New Shares issued under the Offer ¹	300,123,821
Total Shares on issue at completion of the Offer ¹	2,400,990,569

Options ²	Number
Unlisted Options exercisable at \$0.085 each on or before 30 June 2015	120,000

1. This number may increase depending on the number of shares issued as a result of the Placement and Options exercised prior to the Record Date.

2. Any or all of these Options may be exercised prior to the Record Date

which will increase the number of Shares on issue as at the Record Date and increase the number of New Shares to be issued under the Offer.

On the basis of the Company's cash balance as at 31 December 2013, the pro-forma cash balance of the Company following completion of the Offer will be as follows:

	A\$'000
Cash at 31 December 2013	1,723
Proceeds of Placement - March 2014 (net of costs of issue)	6,457
Proceeds of Entitlements Issue (net of costs of issue)	7,062
Company costs for period Jan – Mar 2014	(1,276)
Cash following Placement and Entitlements Issue	13,966

1.3 Underwriting

The Offer is underwritten by BBY Limited (**BBY**) and Euroz Securities Limited (**Euroz**) (together, **Underwriters**) for 300,125,000 New Shares. A summary of the Underwriting Agreement, including termination provisions, is set out in Section 4.2. Subject to the terms of the Underwriting Agreement, the Underwriters will subscribe for the New Shares which have not been accepted under the Offer. Subject to the Underwriting Agreement, the Directors reserve the right to issue any Shortfall in their discretion.

1.4 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, the New Shares not subscribed for will form part of the Shortfall.

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 or part of your Entitlement;
- (b) take up all of your Entitlement and apply for Additional New Shares; 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.

1.5 **Opening and Closing Dates**

The Entitlement Offer will open for receipt of acceptances on 21 March 2014 and will close at 5:00 pm (Adelaide time) on 4 April 2014. The Directors reserve the right to close the Entitlement Offer early or to extend the Closing Date, with the consent of the Joint Lead Managers, subject to the ASX Listing Rules. Investors are urged to lodge their Entitlement and Acceptance Forms as soon as possible.

1.6 **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.

1.7 **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.

1.8 **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.

1.9 **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:

- 1.9.1 the number of Shareholders in the places where the offer would be made;
- 1.9.2 the number and value of the rights that would be offered; and
- 1.9.3 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.

1.10 **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.

1.11 **Enquiries**

Enquiries concerning the Entitlement and Acceptance Form can be made by contacting Computershare Investor Services Pty Ltd by telephone on 1300 556 161. Enquiries relating to this Offer Booklet can be directed to the Company Secretary 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 Take up all of your Entitlement and apply for Additional New Shares

If you wish to take up all of your Entitlement and apply for Additional New Shares, 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.

The Company will treat you as applying for as many New Shares as your payment will pay for in full up to your full Entitlement and in respect of any excess amount as many Additional New Shares as it will pay for in full, subject to any scale back the Company may determine to implement in its absolute discretion in respect of Additional New Shares.

2.1.3 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. The New Shares not subscribed for will form part of the Shortfall. 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 reduced.

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\$0.025 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 to the Company, to be received no later than **5:00 pm (Adelaide time) on the Closing Date** at the following addresses:

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 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 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.

3.2 Risks specific to the Company

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 programmes 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).

Loss of Key Personnel

The Company's success depends on the competencies of its Directors and senior management. The loss of one or more of the Directors or senior management could have a materially adverse effect on the Company's business, financial position and results of operations. The resulting impact from such an event would depend on the quality of any replacement.

Native Title & Aboriginal Heritage

Some of the Company's tenements are located within areas that are the subject of a native title agreement with the Wintawari Guruma Aboriginal Corporation as well as 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 a 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.

Alliance Agreement

The Company has signed an Alliance Agreement with the Balla Balla Joint Venture formed between subsidiaries of Rutila Resources Ltd and Todd Minerals Limited (**Joint Venture**) which (subject to satisfaction of conditions) will secure the Company's access to the Joint Venture's proposed port and rail infrastructure facilities (**Infrastructure Facilities**) for the Company's 100% owned Pilbara Iron Ore Project (**PIOP**) in the Hamersley Ranges of Western Australia.

The Alliance Agreement will result in the Joint Venture providing rail services, port handling and ship loading services to the Company for its iron ore to be mined at the PIOP, should the following conditions be satisfied:

- completion of Bankable Feasibility Studies (**BFS**) confirming the viability of the PIOP mining project and Infrastructure Facilities;
- the parties obtaining all remaining approvals required for the development of the projects (including special railway licence and agreement with the Western Australian Government in respect of the proposed railway);
- the parties obtaining sufficient funding to develop the projects;
- the parties negotiating, agreeing and entering the rail haulage and port services agreements based on agreed commercial terms; and
- the Company making a final investment decision (**FID**) to proceed with the PIOP, and the Joint Venture making a FID to proceed with all of the proposed Infrastructure Facilities, based on the BFS' (in each case by 15 December 2015, subject to a possible 6 month extension period).

There is a risk that one or more of the above conditions will not be met and the Company will be required to seek an alternative infrastructure solution for PIOP.

4. ADDITIONAL INFORMATION

4.1 Reliance on Offer Booklet

This Offer Booklet has been prepared pursuant to section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) 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 6 March 2014.

Section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) requires companies to lodge with the ASX a Cleansing Notice. The Company lodged a Cleansing Notice with ASX on 28 February 2014.

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 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 Underwriting Agreement

The Company has entered into an underwriting agreement dated 28 February 2014 (**Underwriting Agreement**) with BBY Limited and Euroz Securities Limited (together, **Underwriters**). BBY Limited and Euroz Securities Limited have been appointed by the Company to act as Joint Lead Managers to the Placement and Entitlement Offer and Underwriters to the Entitlement Offer. Pursuant to the Underwriting Agreement, BBY Limited and Euroz Securities Limited will jointly underwrite the Entitlement Offer in the amount of approximately \$7.5 million (**Underwritten Amount**).

Any New Shares which are not subscribed for by Eligible Shareholders will form part of the Shortfall to be taken up by the Underwriters on the terms and conditions of the Underwriting Agreement.

A summary of the Underwriting Agreement, including events whereby the Underwriters may be released from their obligations under the Underwriting Agreement, is set out below:

- The Company will pay the Underwriters an underwriting fee equal to 5% of the Underwritten Amount of the Entitlement Offer and a placement fee of 5% of the total gross amount raised under the Placement (exclusive of GST).
- The Company must also pay, indemnify and keep indemnified each Underwriter for certain costs incurred by each Underwriter in connection with the Placement and the Entitlement Offer, including disbursements of the Underwriter (including legal fees), accommodation and travelling expenses of the Underwriter relating to the Placement and Entitlement Offer and some marketing and promotional expenditure relating to the Placement and Entitlement Offer.

- The Company and the Underwriters have given certain representations, warranties and undertakings in connection with (among other things) the conduct of the Entitlement Offer.
- The Underwriters may terminate the Underwriting Agreement and be released from their obligations on the happening of any of a range of events, including if:
 - the Company ceases to be admitted to the official list of ASX or the Shares are suspended from trading on, or cease to be quoted on, ASX;
 - the Company withdraws the Offer;
 - the Company is insolvent;
 - the Company fails to perform or observe any of its obligations under the Underwriting Agreement;
 - the S&P/ASX Small Resources Index (ASX:XSR) falls more than 10% below the level of that index and remains at such a level as at the close of trading for 4 consecutive Business Days at any time during the period from and including 28 February 2014 until and including 4 April 2014 (**Offer Period**);
 - the Alliance Agreement is terminated, withdrawn or abandoned, by any party to the agreement at any time during the Offer Period;
 - Rutila Resources Limited does not maintain its quotation on the ASX during the Offer Period;
 - the State government of Western Australia or the Commonwealth Government of Australia publicly states it does not support the proposed infrastructure plan contained in the Alliance Agreement at any time during the Offer Period;
 - there is any adverse change or disruption to financial, political or economic conditions, currency exchange rates or controls or financial markets in Australia, China, a member of the European Union, or the United States or elsewhere or any change or development involving a prospective adverse change in any of those conditions or markets;
 - a representation or warranty made or given by the Company under the Underwriting Agreement proves to be, or has been, or becomes, untrue or incorrect;
 - there is an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company including any adverse change in the earnings or future prospects of the Company from those previously disclosed to ASX or in any offer materials in relation to the Entitlement Offer;

- any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those respectively previously disclosed to ASX or in any offer materials in relation to the Entitlement Offer;
- at any time on or after 28 February 2014 a new circumstance arises which is a matter materially adverse to investors in the Offer and which would have been required by the Corporations Act to be included in documents disclosed to ASX regarding the Offer had the new circumstance arisen before the Offer documents were given to ASX;
- unconditional approval (or conditional approval, provided such condition would not, in the reasonable opinion of the Underwriters, have a material adverse effect on the success of the Entitlement Offer) by the ASX for official quotation of the New Shares is refused, or is not granted by the trading date (or such later date agreed in writing by the Underwriters in their absolute discretion) or is withdrawn on or before the trading date, or ASX makes an official statement to any person or indicates to the Company or an Underwriter that official quotation of any of the New Shares will not be granted.

The Company has also signed underwriting agreements with entities associated with the Directors, as summarised in section 4.3.

4.3 **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 investor demand and 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 (and potentially also applied for Additional New Shares).

New Shares that cannot be taken up by Non-Resident Shareholders will:

- first be used to satisfy valid applications for Additional New Shares by Eligible Shareholders; and
- if not taken up by Eligible Shareholders, may ultimately be placed with the Underwriter or one or more Sub-underwriters.

Although the issue of Shortfall may increase the voting power of the Underwriters (or persons who may be allocated New Shares via the bookbuild processes), it is not expected to have any material effect on the control of the Company.

Entities associated with the directors (**Related Entities**) have signed underwriting agreements with the Company in relation to part of the Shortfall. The following table illustrates the effect on the directors' voting power in the Company, if they and their Related Entities take up their full entitlement under the Offer, and if there is a Shortfall, the directors exercise their discretion to issue that Shortfall pursuant to the underwriting agreements:

Director	Voting power at the date of this Offer Booklet	Voting power following issue of all New Shares under the Entitlement Offer
R M Kennedy	1.76%	1.61%
E J Vickery	0.27%	0.25%
K J Malaxos	0.06%	0.09%

The Directors and their Related Entities will not receive any commissions or other financial benefits from the Company in respect of the underwriting agreements. Any New Shares issued pursuant to the underwriting agreements will otherwise be issued subject to the terms of this Offer Booklet.

4.4 **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 the 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.

4.5 **Governing law**

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

5. GLOSSARY

In this Offer Booklet, unless the context otherwise requires:

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

Additional New Shares means New Shares which Eligible Shareholders are able to apply for in excess of their Entitlement;

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited;

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 lodged by the Company on 28 February 2014 pursuant to section 708AA(2)(f) of the Corporations Act;

Closing Date means the closing date of the Offer, which is 4 April 2014 (unless extended);

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

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

Directors means 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;

Joint Lead Managers means each of BBY Limited and Euroz Securities Limited;

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

Non-Resident Shareholders has the meaning given in section 1.9;

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;

Ordinary Shares means fully paid ordinary shares in the Company;

Placement means the offer of approximately 274 million Shares to professional or sophisticated investors under the Company's existing 15% placement capacity;

Record Date means the record date to determine the Shareholders entitled to participate in the Entitlement Offer, being 7.00pm (AEST) on 17 March 2014;

Shareholders means a holder of Ordinary Shares;

Shares means fully paid Ordinary Shares in the Company;

Shortfall means the number of New Shares offered under the Entitlement Offer for which valid applications have not been received from Eligible Shareholders before the Closing Date.

6. **ASX ANNOUNCEMENT**

Please see attached copy of ASX Announcement dated 28-02-2014.



ASX ANNOUNCEMENT

28 February 2014

Flinders to Raise \$14.3M to Commence PIOP BFS

Pilbara Iron Ore Project (PIOP), Western Australia

highlights

- Firm commitments received for Placement raising A\$6.8M
- Flinders to undertake a 1:7 Non-renounceable Entitlements Issue to raise a further A\$7.5M
- Part proceeds raised to be used to commence Bankable Feasibility Study for the Pilbara Iron Ore Project



Flinders Mines Limited ("Flinders", ASX:FMS) is pleased to announce a A\$14.3 million capital raising comprising:

- A placement ("Placement") of approximately 274 million fully paid ordinary shares at A\$0.025 per share to raise approximately A\$6.8 million; and
- A fully underwritten 1 for 7 non-renounceable entitlements issue ("Entitlements Issue") at A\$0.025 per share to raise approximately A\$7.5 million.

Euroz Securities Limited and BBY Limited are acting as joint lead managers to the Placement and underwriters to the Entitlements Issue.

Placement

The Placement was made to sophisticated and professional investors under the Company's existing 15% placement capacity so shareholder approval for the proposed issue will not be required nor sought. The issue will not be to a class of security holders.

It is expected that the Placement shares will be issued on Monday, 10 March 2014. New shares issued under the Placement will rank equally with existing shares in Flinders.

Entitlements Issue

The Entitlements Issue will be an offer of approximately 300 million new fully paid ordinary shares in the Company ("New Shares") on the basis of 1 new share for every 7 existing shares held by Eligible Shareholders on the Record Date ("Entitlement"). The offer price will be the same as that offered under the Placement, being A\$0.025 per new share, a 16.7% discount to the closing price of the Company's shares on the ASX on Wednesday, 26 February 2014.

Only holders of shares in the Company with a registered address in Australia or New Zealand as at 7:00pm (AEST) on Monday, 17 March 2014 will be eligible to participate in the Entitlements Issue.

The Offer Booklet will be lodged with the ASX on or before 6 March 2014 and will be sent to Eligible Shareholders together with a personalised Entitlement and Acceptance Form on 21 March 2014.

The Entitlements Issue is fully underwritten by Euroz Securities Limited and BBY Limited. Entitlements of Eligible Shareholders not taken up and those of ineligible shareholders will form the shortfall, which Eligible Shareholders who take up their full Entitlement may subscribe for, or which will otherwise be dealt with under the Underwriting Agreement. Further information on the Underwriting Agreement will be set out in the Offer Booklet.

Use of Proceeds and Forward Funding Strategy

The Company will use the funds raised under the Placement and Entitlements Issue to:

- Conduct further drilling on the PIOP with a view to upgrading existing Inferred Resources to Indicated status;
- Commence Bankable Feasibility Study ("BFS") and detailed design studies; and
- Provide working capital to the Company.

Moving forward, the Company will be examining broader funding strategies to finalise the BFS and progress with project development. Importantly, the Company has retained flexibility over future funding options which may include, amongst others, pre-sales agreements, offtake agreements, joint venture arrangements, equity funding, debt funding and/or a combination thereof.

Indicative Timetable

The proposed timetable for the Placement and Entitlements Issue is set out in Table 1. All dates are indicative only and the Company reserves the right to vary them (subject to the Corporations Act and the ASX Listing Rules).



ROBERT KENNEDY
EXECUTIVE CHAIRMAN

28 February 2014

Table 1 *Indicative Timetable**

1	ASX announcement of Placement and Entitlement Issue	Friday, 28 February 2014
2	Placement shares allotted	Monday, 10 March 2014
3	Entitlement Issue Record Date	Monday, 17 March 2014
4	Entitlement Issue Opens and Offer Booklet dispatched	Friday, 21 March 2014
5	Entitlement Issue Closes	Friday, 4 April 2014
6	ASX Notified of under subscriptions	Tuesday, 8 April 2014
7	Settlement of the Entitlement Issue and Shortfall Shares	Friday, 11 April 2014
8	Trading of New Shares commences	Monday, 14 April 2014

** IMPORTANT NOTE: The indicative timetable above is subject to change without notice. Flinders reserves the right to amend any or all of these dates and times, subject to the Corporations Act, the ASX Listing Rules and other applicable laws.*

For further information please contact:

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Adelaide Equity Partners Limited

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QUALIFYING STATEMENTS

Forward Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events as of the time of the release of this document. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, some of which are outside the control of Flinders Mines Limited, that could cause actual results to differ materially from such statements. Flinders Mines Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.