

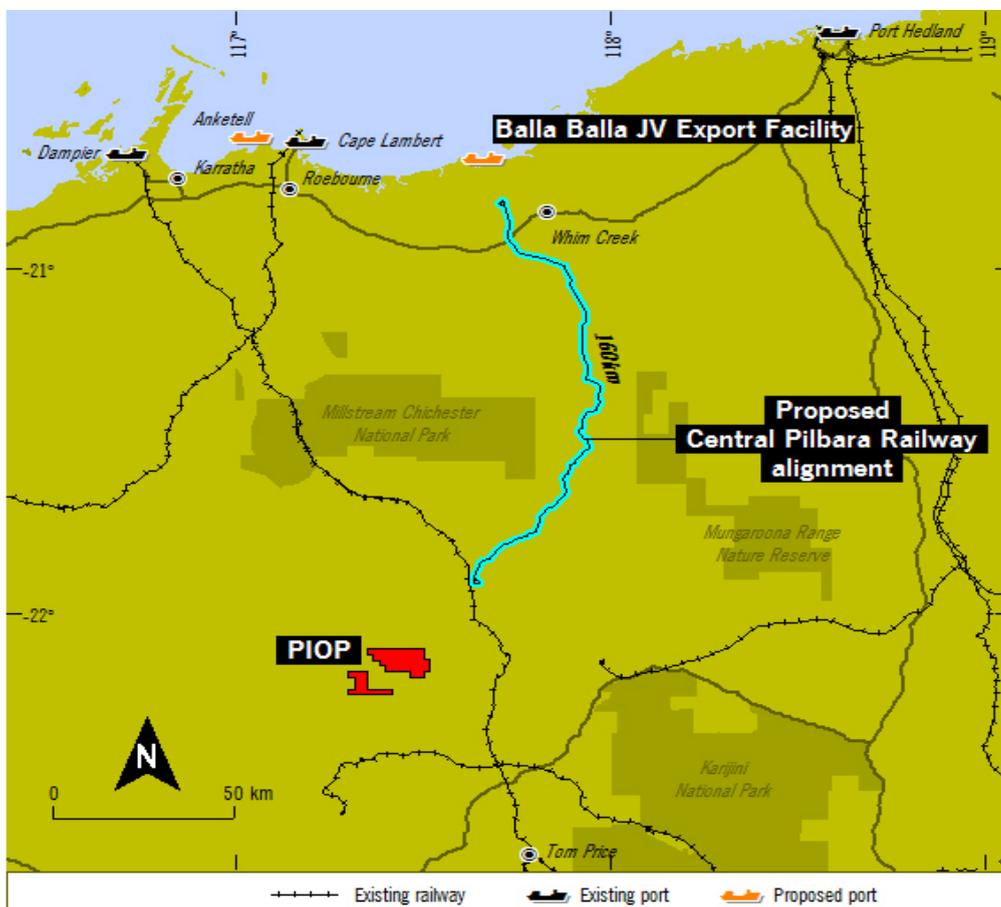
25 January 2017

BBI GROUP SIGNS STATE AGREEMENT WITH WESTERN AUSTRALIAN GOVERNMENT

Flinders Mines Limited (**Flinders** or the **Company**) has been advised that BBI Rail Aus Pty Ltd, a wholly owned subsidiary of BBI Group Pty Ltd (**BBIG**), has signed a State Agreement with the Western Australian Government for its proposed 50 million tonnes per year iron ore infrastructure development for the central Pilbara, the Balla Balla Infrastructure Project (**BBI Project**).

Flinders welcomes the State Agreement, as the BBI Project (should it proceed) represents a potential transportation infrastructure solution for the Company's Pilbara Iron Ore Project (**PIOP**).

The BBI Project is a significant infrastructure development potentially linking iron ore deposits in the central Pilbara region with a new iron ore export facility at the Balla Balla port via a 162 kilometre purpose built railway. Flinders understands that the initial capacity of the infrastructure is approximately 50 million tonnes of iron ore per year; however it has the capacity to be increased in the future. The initial proposed railway infrastructure terminates approx. 40 kms from the Company's PIOP, Flinders premier asset, containing a Global Mineral Resource estimate of 1.042bn tonnes at 55.6% Fe¹ (inferred 144.40 Mt @ 54.4% Fe, indicated 792.2 Mt @ 55.7% Fe and measured 105.3 Mt @ 56.4% Fe) using a 50% Fe lower cut-off grade. (ASX Announcement; Annual General Meeting Presentation, 30 Nov 2016)



¹ The Company confirms that it is not aware of any new information or data that materially affects the information included in this announcement and all material assumptions and technical parameters underpinning the resource estimate referred to in this announcement continue to apply and have not materially changed.

Todd Corporation, which through its subsidiary TIO (NZ) Limited holds approximately 53.4% of the fully paid ordinary shares in Flinders, is the majority shareholder in BBIG.

The Directors of Flinders wish to make it clear that the Company does not have any existing commercial agreements in place with BBIG and any future negotiations with BBIG may or may not result in a commercial agreement to use BBIG infrastructure.

Strategic Review update

As announced at the Company's Annual General Meeting on 30 November 2016, Flinders has commenced a detailed strategic review of the PIOP to assess:

- the various possible future development options for the Project;
- the likely economic viability and timing of such development options;
- the sources and availability of funding for such development options; and
- the development of a clear strategy to sell the PIOP products to Asian markets.

The Company is pleased to inform shareholders that a process to establish a team of consultants with the requisite expertise to conduct the strategic review is well advanced. It is anticipated that the strategic review will commence late January 2017 and will take approximately seven weeks to complete.

It is anticipated that following the Board's gateway review in March 2017, the Company will adopt the most optimal and efficient option from the Strategic Review to create value for all shareholders.

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