

ASX ANNOUNCEMENT

3 July 2018

Despatch of Entitlement Offer Booklet

Further to the announcements on 25 June 2018, Flinders Mines Limited (ASX: FMS) (**Flinders** or the **Company**) is pleased to advise that the Offer Booklet and personalised Entitlement and Acceptance Form relating to the non-renounceable entitlement offer (**Entitlement Offer** or **Offer**), have been despatched to all eligible shareholders.

The Entitlement Offer is an offer of approximately 134,678,058 new fully paid ordinary shares in the Company (**New Shares**) on the basis of 1 New Share for every 25 existing shares held by eligible shareholders on the Record Date (**Entitlement**) at an issue price of \$0.07 (7.0 cents) per New Share to raise approximately A\$9.4 million (before costs). The offer price is a discount of approximately 23.7% to the 30-day volume weighted average price of Flinders' shares on the ASX for the period ending 8 June 2018, and a discount of 16.7% to the closing price of the Company's shares on 22 June 2018.

Only holders of shares in the Company with a registered address in Australia or New Zealand as at 5.00 pm (WST) on Thursday, 28 June 2018 will be eligible to participate in the Entitlement Offer.

Attached is a copy of the Offer Booklet and Entitlement and Acceptance Form which opens today, 3 July 2018 and closes 5.00pm (WST) 30 July 2018.

The Company also advises that eligible shareholders can access their personalised Entitlement and Acceptance Form through Computershare's 'Investor Centre', via the below link:

<https://www-au.computershare.com/investor/?gcc=au>

For further information please contact:

Shareholders

David McAdam
Interim Executive Director
(08) 9389 4483

Media

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About Flinders Mines Limited

Flinders Mines Limited is an ASX-listed (ASX: FMS) exploration and development company focused on the commercialisation of its large, high quality hematite resource - the Pilbara Iron Ore Project (PIOP).



FLINDERS MINES LIMITED

ABN 46 091 118 044

ENTITLEMENT OFFER BOOKLET

For a pro rata non-renounceable Entitlement Offer of approximately 134,678,058 (circa 135 million) New Shares at an issue price of \$0.07 (7 cents) each on the basis of 1 New Share for every 25 Ordinary Shares held to raise approximately \$9.4 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 Neil Warburton (Independent Non Executive Chairman)

Mr David McAdam (Executive Director)

Mr Michael Wolley (Non Executive Director)

Mr Evan Davies (Non Executive Director)

Ms Shannon Coates (Non Executive Director)

Company Secretary

Ms Shannon Coates

Registered Office

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West Perth, Western Australia, 6005

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Share Registry

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth, Western Australia, 6000

Enquiries (within Australia): 1300 850 505

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 25 June 2018. 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

25 June 2018

Dear Shareholder,

Non-Renounceable Entitlement Offer

On 21 May 2018 Flinders Mines Limited (**Flinders**) announced the completion of its initial maturation phase work at the Pilbara Iron Ore Project (**PIOP**). The initial maturation phase work was undertaken following an independent strategic review conducted in 2017 and was intended to confirm a number of technical assumptions and form a basis for progression to a feasibility study. The initial maturation phase work was undertaken using the proceeds of a non-renounceable Entitlement Offer which closed in June 2017, raising approximately \$9.5 million (before issue costs), and a \$5 million loan facility secured from PIO Mines Pty Limited, a subsidiary of the Company's major shareholder TIO (NZ) Limited, as announced on 6 November 2017 (**PIO Loan**).

The Company now seeks to raise approximately \$9.4million (before issue costs) to fund repayment of the PIO Loan and tenement maintenance obligations through a 1 for 25 non-renounceable Entitlement Offer at a price of \$0.07 (7.0 cents) per New Share. The maximum number of New Shares to be issued is approximately 4.0% of the number of shares already on issue.

The Company intends to apply the funds raised from the Offer as set out in section 1.2 of the Offer Booklet. The Entitlement Offer price of \$0.07 per New Share allows existing Flinders shareholders to subscribe for New Shares at a discount of approximately 23.7% to the 30-day volume weighted average price of the Company's shares on the ASX for the period ending 8 June 2018, and a discount of 16.7% to the closing price of the Company's shares on 22 June 2018.

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 (Perth time) on 30 July 2018. 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 either by cheque or 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) 9389 4483 between 9.00 am and 5.00 pm (Perth 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

Neil Warburton
Chairman

SUMMARY OF IMPORTANT DATES

ASX announcement of Entitlement Offer and lodgement of Appendix 3B, Cleansing Notice and Offer Booklet with ASX	25 June 2018
Despatch of notices to shareholders informing them of the Offer	26 June 2018
Securities quoted on an ex-basis	27 June 2018
Record Date to determine entitlements to New Shares	28 June 2018
Despatch of Offer Booklet and Entitlement and Acceptance Forms	3 July 2018
Offer Opens	3 July 2018
Offer Closes 5.00pm WST	30 July 2018
New Shares quoted on a deferred settlement basis	31 July 2018
Company notifies shortfall to ASX	2 August 2018
Issue date for New Shares	6 August 2018
Deferred settlement trading ends	
Normal (T+2) trading starts	7 August 2018

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. INVESTMENT OVERVIEW AND KEY TERMS OF THE ENTITLEMENT OFFER

1.1 Investment Overview

The purpose of this Offer is to raise sufficient capital to repay the PIO Loan of A\$5 million with interest, in accordance with the loan facility agreement with PIO dated 6 November 2017. Should the Company raise funds that are additional to this requirement then the Company will utilise those funds as set out in this Offer Booklet. Such application of funds may include the funding of tenement maintenance obligations, further exploration works, additional engineering studies, product testing, or other development matters including establishment of infrastructure agreements.

1.2 The Offer

The Company is making a pro rata non-renounceable Entitlement Offer of approximately 134,678,058 New Shares to Eligible Shareholders at an issue price of \$0.07 (7.0 cents) per New Share on the basis of 1 New Share for every 25 Ordinary Shares held at the Record Date.

Where the determination of the right of 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 \$9,427,464 (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	\$83,561
Repayment of PIO Loan with interest	\$5,143,400
Tenement maintenance obligations	\$1,500,000
Further exploration and engineering studies on the PIOP and/or Canegrass	Balance of funds
Total	\$9,427,464

If less than \$9,427,464 is raised, it is intended that the net 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
Repayment of PIO Loan with Interest	The first \$5,143,400
Tenement maintenance obligations	The next \$1,500,000
Further exploration and engineering studies on the PIOP and/or Canegrass	Balance of funds

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.

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

On the basis of the Company's capital structure as at 25 June 2018, the capital structure of the Company following completion of the Offer (assuming 134,678,058 New Shares are issued under the Offer) will be as follows:

Shares	Number
Shares on issue at 25 June 2018	3,366,951,446
New Shares issued under the Offer	134,678,058
Total Shares on issue at completion of the Offer	3,501,629,504

On the basis of the Company's cash balance as at 31 May 2018, 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 31 May 2018	\$3,861,275
Proceeds of Entitlement Offer (net of costs of the Offer)	\$9,343,903
Cash following Entitlement Offer	\$13,205,178

1.4 Underwriting

The Offer is not underwritten.

1.5 Subscription Agreement

The Company has entered into a subscription agreement with TIO dated 5 November 2017, (**Subscription Agreement**) under which TIO has agreed to subscribe for the number of New Shares equal to the lesser of its pro rata entitlement under the Offer and A\$5 million divided by the Offer issue price subject to (amongst other things) final TIO Board approval.

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.

1.6 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.

1.7 Opening and Closing Dates

The Entitlement Offer will open for receipt of acceptances on 3 July 2018 and will close at 5:00 pm (Perth time) on 30 July 2018. 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.

1.8 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.

1.9 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.

1.10 Minimum Capital Raising

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

1.11 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.

1.12 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.

1.13 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:

- 1.13.1 the number of Shareholders in the places where the offer would be made;
- 1.13.2 the number and value of the rights that would be offered; and
- 1.13.3 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.

1.14 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) 9389 4483.

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 (Perth 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. You should be aware that receipt of mail by post now takes up to 10 business days which means that if payment is not received by 5.00 pm (Perth time) on the Closing Date your application will be rejected.

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 dishonours your cheque your application will be rejected. The Company will not re-present any dishonoured 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 (Perth 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\$0.07 (7.0 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's share registry, to be received no later than 5:00 pm (Perth time) on the Closing Date at the following address:

Flinders Mines Limited Entitlement Offer
C/- Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001, Australia

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

Findings of Maturation Programme of Works

Background

The primary purpose of the maturation activities has been to determine if lower iron grade detrital ores (40%<Fe<50%) could be upgraded to a product that would contribute to a total project marketable quality blend.

A strategic review was undertaken by Flinders in Q1-2017 to identify the best path forward to unlock the value of the PIOP assets (**Strategic Review**). The Strategic Review recommended a maturation activities programme which was scoped to investigate, and where possible, eliminate potential project risks so that the value of the PIOP could be enhanced. The key technical risks identified during the Strategic Review were:

- Metallurgical regression laboratory phases completed to date had insufficient data points across all sub-domains to provide a reliable basis for flow sheet design and mine planning analysis.
- Geotechnical pit-slope design angles and slope stability was not representative for the entire deposit and at an inadequate level of analysis to be suitable for detailed mine planning; and
- Geohydrological water levels were inadequately specified to form a sound basis for a water licence application and for robust life of mine pit dewatering assessment.

The three key technical project risks identified in the Strategic Review are now better understood and the risks have been reduced, including:

- **Metallurgical Upgrade Risk** – the base case metallurgical upgrade regressions for both OPF1 and OPF2 have now confirmed that portions of all the sub-domain ore-types (DID1, DID2, DID3, DID4, BID, CID) can be upgraded and contribute to an overall blended product. This includes the lower iron grade detrital ores (40%<Fe<50%) which have proven to be upgradable to a quality that contributes to an overall blended product.
- **Geotechnical Pit Slope Risk** – Geotechnical pit slope design angles have been further defined to a feasibility level of confidence and are now validated for all deposits across the PIOP project. The angles show that previous analysis was conservative and the overall pit slope angles can be steepened, improving the economics of the project and supporting future detailed mine planning studies.
- **Geohydrological Risk** – dewatering modelling on a conceptual mine schedule has modified the risk profile from a groundwater oversupply risk to a groundwater undersupply risk. Whilst this risk cannot be retired it has changed materially and is now a significantly lower overall project risk as there are more options available to treat water undersupply including off-treatment bore fields. Flinders applied for and was issued with a letter from the Department of Water and Environmental Regulation (**DWER**) which upgraded the water held in reserve by DWER from 5GLpa to 13GLpa.

The other major outcomes and findings associated with all maturation activities are summarised below:

Competent Person, John Graindorge, completed the PIOP JORC mineral resource estimate. This mineral resource estimate was announced to ASX on 1 March 2018 and is summarised in Table 1.

Table 1 - PIOP JORC Mineral Resource Estimate

Area	CLASS	Tonnes (Mt)	Fe %	SiO2 %	Al2O3 %	P %	LOI %
Blacksmith	Measured	54.1	59.8	6.24	4.28	0.064	2.98
	Indicated	1,148.0	52.6	14.06	4.81	0.067	4.93
	Inferred	105.2	51.6	15.71	5.13	0.057	4.40
Blacksmith Total		1,307.3	52.8	13.87	4.81	0.066	4.81
Anvil	Inferred	176.9	47.0	21.38	6.04	0.045	4.15
Anvil Total		176.9	47.0	21.38	6.04	0.045	4.15
(Blacksmith & Anvil)	Measured	54.1	59.8	6.24	4.28	0.064	2.98
	Indicated	1,148.0	52.6	14.06	4.81	0.067	4.93
	Inferred	282.1	48.7	19.26	5.70	0.049	4.24
Grand Total		1,484.2	52.2	14.76	4.96	0.064	4.73

Small discrepancies may occur due to rounding. Cut Off: Ore types DID1, DID2, DID3 reported using Fe>40% and Al2O3<8%; ore types DID4, CID, BID reported using Fe>50% and Al2O3<6%

The maturation activities have also produced a preliminary set of OPF1 and OPF2 process flow diagrams, with supporting mass balances, process design criteria and mechanical equipment lists. This data set is an adequate representation of all available metallurgical test work and supporting

laboratory studies and is prepared for engagement with process engineering designers and contractors.

To date, the Company has been unable to progress infrastructure discussions. This position is a material risk to progression of the project as the Company requires an infrastructure agreement to progress the project to scoping study and reserve announcement stage.

Whilst the maturation activities achieved the majority of its goals and significantly progressed the project towards development, it also highlighted some areas of future work which required the focus for the Company. These further program recommendations include:

- commence access and commercial negotiations with infrastructure providers;
- consider further exploration programs at PIOP to identify additional mineral resource;
- product quality and marketing update;
- process plants development to assess the impacts of the ore characteristics;
- detailed mine planning to be undertaken once infrastructure parameters are secured.

A more detailed summary of the findings of the maturation programme findings has been published on the Company website.

Competent Person Statement

The information in this report that relates to the PIOP mineral resource estimate is based on information compiled by John Graindorge who is a Chartered Professional (Geology) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original ASX market announcement. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been modified from the original announcement and, in the case of estimates of mineral resources, all material assumptions and technical parameters underpinning the estimates in the initial announcement continue to apply and have not materially changed.

Future Capital Requirements

The Company will require additional capital to fund further exploration and 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.

Shareholder Support

The last capital raise (circa June 2017) conducted by the Company achieved a poor take up rate from the shareholders with only approximately 60% of the shareholders participating and notably only 1 of the major shareholders (TIO) contributing. TIO accounted for almost 90% of the capital raised. There is no guarantee that TIO will participate in this capital raise or potential subsequent raises despite the nature of the conditional Subscription Agreement referred to in section 1.5.

Commodity Prices

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

The demand for and price of iron ore 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.

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 exploration 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).

Infrastructure Access

The Company understands that the State Agreement BBI Group Pty Ltd (**BBIG**) has signed with the Western Australian Government contemplates the PIOP as a potential foundation customer for the Balla Balla Infrastructure Project (**BBI Project**). It is further understood that the State Agreement is conditional on commercial and access arrangements being in place for PIOP ore to be hauled on the BBIG railway. Notwithstanding that the State Agreement contemplates the PIOP as a potential foundation customer for the BBI Project, it is understood that BBIG are pursuing a number of alternative foundation customers and may seek amendments to the State Agreement accordingly. It is possible that BBIG may source iron ore for the BBI Project from iron ore assets other than the PIOP and as a consequence, PIOP ore may not be required by BBIG. Now that the Maturation Programme of Works is complete, and the Company can define the parameters of its resource the Company proposes to commence discussions with BBIG immediately with the objective of designing a potential association that may enable the further progression of the PIOP.

3.2 Risks Specific to the Company

Market Grade Discount

In recent times the seaborne iron ore market has seen a widening discount for iron ore product with a grade of less than 62% Fe. This discount impact and the associated impurity penalties represent a risk to the market acceptance and pricing of the potential product from the PIOP. The discount and penalty structures in the market may or may not increase or decrease and such fluctuations will have a material impact on the viability of the PIOP.

BBIG has advised the Company that it is exploring and developing potential mining and processing options that could improve PIOP product grade and that preliminary work is being undertaken by BBIG with industry consultants that suggest it may be possible to increase the product grade of Fe subject to:

- the impact on mine life and other impurities;
- capital and operating costs and project returns; and

- access to the 4Q 2017 Flinders' asset maturation data.

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 as applied for will be granted. 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 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.

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 55.29% 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 25 June 2018.

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 25 June 2018.

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 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' voting power would be diluted relative to those who did take up their full Entitlement.

The substantial Shareholders in the Company as at 25 June 2018 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*	1,861,779,287	55.29%	74,471,171
OCJ Investments (Australia) Pty Ltd**	729,000,000	21.65%	29,160,000

*TIO's voting power most recently increased on 9 June 2017, arising from its participation in the non-renounceable entitlement issue announced by the Company on 9 May 2017.

** Based on publicly available information, the Company understands that OCJ Investments (Australia) Pty Ltd is an entity controlled by Chunlin Ouyang. For further information, refer to the notice of change of interests of substantial holder lodged with ASX Market Announcements by Chunlin Ouyang on 3 February 2017.

TIO (NZ) Limited

As set out in section 1.5, 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 the lesser of its pro rata entitlement under the Offer and A\$5 million divided by the Offer issue price, subject to certain conditions. 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 this section.

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

Event	Shares held by TIO at completion of the Offer	Total shares on issue at completion of the Offer	Voting power of TIO at completion of the Offer
Offer fully subscribed with no shortfall	1,936,250,459	3,501,629,504	55.3%
Offer 75% subscribed	1,936,250,459	3,467,959,990	55.83%
Offer 60% subscribed	1,936,250,459	3,447,758,281	56.16%
No other Shareholders take up their Entitlement	1,936,250,459	3,441,422,617	56.26%

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 this section.

Table 2 illustrates the potential effect of the Offer on OCJ'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 OCJ 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 OCJ taking up its 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

Event	Shares held by OCJ at completion of the Offer	Total shares on issue at completion of the Offer	Voting power of OCJ at completion of the Offer
Offer fully subscribed with no shortfall	758,160,000	3,501,629,504	21.65%
Offer 75% subscribed	758,160,000	3,467,959,990	21.86%
Offer 60% subscribed	758,160,000	3,447,758,281	21.99%
No other Shareholders take up their Entitlement	758,160,000	3,396,111,446	22%

In the unlikely event that all Shareholders other than OCJ were to take up their Entitlements under the Offer the voting power of OCJ would decrease from 21.65% pre-Offer to 20.99% at completion of the Offer.

4.3 Appointment of a nominee for the purposes of section 615 of the Corporations Act

The Company does not propose to apply to ASIC for the approval of the appointment of a nominee for the purposes of section 615 of the Corporations Act. As such, no person will be permitted to acquire new shares under the Entitlement Offer to the extent such acquisition results in that person:

- 4.3.1 increasing their relevant interest in the Company from less than 20% to a relevant interest exceeding 20% of the Shares on a post-Entitlement Offer basis;
- 4.3.2 increasing their relevant interest in the Company from a relevant interest between 20% and 90% (except to the extent that person has held voting power in the Company in the six months before the acquisition of at least 19% and the resultant acquisition would not result in an increase in that person's voting power in the Company being more than 3% higher than they had six months prior to the acquisition in compliance with Item 9 of Section 611 of the Corporations Act);

While the Entitlement Offer may result in one or both of the substantial holders increasing their voting power in the Company, as disclosed in section 4.2 of this Offer Booklet, neither substantial shareholder will increase their relevant interest in the Company by more than 3% higher than they had six months prior to the acquisition of New Shares as a result of their participation in the Offer.

4.4 Director's Interests in Securities

No Director 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.

4.5 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, postage and other miscellaneous expenses are estimated to be approximately \$83,561 comprised as follows:

Expenses	Cost
Legal fees	\$25,000
ASX listing fees, management, printing, postage and share registry ¹	\$58,561
Total estimated costs	\$83,561

¹ Non Executive director Shannon Coates is the Managing Director of Evolution Corporate Services Pty Ltd (**Evolution**), a company providing company secretarial services to the Company. Evolution has provided company secretarial services to the Company in connection with the offer and will be paid approximately \$5,000 (excluding GST) for those services.

4.6 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.

4.7 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);

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;

Balla Balla Port means the proposed export facilities and associated infrastructure in the Balla Balla harbour in the Pilbara, Western Australia designed to use transhipment vessels to load iron ore onto ocean going vessels;

Balla Balla Rail Project means the proposed rail line and conveyer system and associated infrastructure designed to transport iron ore from the central Pilbara region to the Balla Balla Port;

BBIG means BBI Group Pty Ltd (ACN 139 886 187) jointly owned by majority shareholder Todd Corporation and Nyco Pty Ltd;

BBI Project means the combined Balla Balla Port and the Balla Balla Rail Project;

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 30 July 2018 (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 1.13;

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;

PIO means PIO Mines Pty Limited, a subsidiary of TIO;

PIO Loan means the unsecured loan from PIO for a total of A\$5,000,000 (excluding interest) requiring payment on or before 31 August 2018;

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 5.00pm (WST) on 28 June 2018;

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; and

Todd Corporation means the Todd Corporation Limited (New Zealand Company No. 3491) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6011, New Zealand.