



FLINDERS MINES LIMITED

ABN 46 091 118 044

ENTITLEMENT OFFER BOOKLET

For a pro rata non-renounceable Entitlement Offer of approximately 290,343,674 (circa 290.34 million) New Shares at an issue price of \$0.055 (5.5 cents) each on the basis of 1 New Share for every 11 Ordinary Shares held to raise approximately \$16 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 Fredrick Warburton (Chairman)

Mr David Kent McAdam (Interim Executive Director)

Mr Robert Michael Kennedy (Non Exec. Director)

Mr Michael Brian Wolley (Non Exec. Director)

Mr Evan Welch Davies (Non Exec. Director)

Share Registry

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street

Adelaide, South Australia, 5000

Enquiries (within Australia): 1300 556 161

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Company Secretary

Mr Justin Nelson

Stock Exchange Listing

Australian Securities Exchange

ASX Code: FMS

Registered Office

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## IMPORTANT NOTICES

This Offer Booklet is dated 9 May 2017. 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](http://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**

9 May 2017

Dear Shareholder,

**Non-Renounceable Entitlement Offer**

On 31 March 2017 Flinders Mines Limited (**Flinders**) announced the completion of an independent strategic review of its Pilbara Iron Ore Project (PIOP). The strategic review was conducted to assess the status of current asset knowledge and identify the best path forward to unlock project value.

A key finding of the review is that an asset maturation phase needs to be undertaken immediately to confirm a number of technical assumptions and form a basis for progression to a feasibility study based on a minimum production rate of circa 45Mtpa at ~59% Fe. The Board unanimously agrees with the recommendations that have been set out in the strategic review and fully supports the asset maturation phase work; an important step towards realising the significant potential of the PIOP.

To fund the initial asset maturation work, Flinders is seeking to raise approximately \$16 million (before issue costs) through a 1 for 11 non-renounceable Entitlement Offer at a price of \$0.055 (5.5 cents) per New Share. The maximum number of New Shares to be issued is approximately 9.09% 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 \$0.055 per New Share allows existing Flinders shareholders to subscribe for New Shares at a discount of approximately 22% to the 30-day volume weighted average price of the Company's shares on the ASX for the period ending 13 April 2017.

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 (Adelaide time) on Friday, 26 May 2017. 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 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	9 May 2017
Despatch of notices to shareholders informing them of the Offer	10 May 2017
Securities quoted on an ex-basis	11 May 2017
Record Date to determine entitlements to New Shares	12 May 2017
Despatch of Offer Booklet and Entitlement and Acceptance Forms	17 May 2017
Offer Opens	17 May 2017
Offer Closes	5.00 pm (Adelaide time) 26 May 2017
New Shares quoted on a deferred settlement basis	29 May 2017
Company notifies shortfall to ASX	31 May 2017
Issue date for New Shares	2 June 2017
Deferred settlement trading ends	
Normal (T+2) trading starts	5 June 2017

**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

Flinders conducted an independent strategic review of the PIOP utilising the services of Advisian, a global advisory firm, a division of the Worley Parsons Group. The strategic review process was conducted to assess the status of current asset knowledge and to identify the best path forward to unlock value. The review concluded:

- the potential of the PIOP as a marketable asset;
- the economic development of the asset being dependent on access to a low cost economically viable infrastructure solution and
- the requirement for an asset maturation phase to further define the project's commercial viability ahead of any Feasibility Study (**FS**).

To implement the recommendations of the strategic review requires a capital raise to provide sufficient funds to implement the following series of asset maturation programs.

**Metallurgical Drill Program & Testing:** The strategic review identified that the optimal capacity of the PIOP is production of ~45 million tonnes per annum (Mtpa) at ~59% Fe for a mine life in excess of 14 years, subject to available infrastructure. To achieve this capacity, grade and mine life requires improved definition of the upgrade characteristics of the detrital ores. This work scope involves a significant drill program, sample acquisition and metallurgical testing to confirm the upgrade potential of the detrital ores. This analysis is required to ensure that the target capacity, grade and mine life can be achieved and that the basis for further studies can be secured.

**Geotechnical Drill Program and Analysis:** The current indicative mine planning is based on a series of geotechnical assumptions that influence the quality of the mine planning and mine operating costs. The purpose of this drill program is to better define the geotechnical constraints so that the basis for the optimised mine plan and its associated operating costs can support the proposed mining rates.

**Hydrological Drill Program and Analysis:** The PIOP tenements are characterised by water table constraints that may influence the mine planning, water management and operating costs. This drill program is required to define the hydrology of the tenements and assist with the mine design and cost analysis.

**Infrastructure Access:** The strategic review identified that one of the key risks to the development of PIOP is the ability to secure access to a low cost economically viable infrastructure solution. To ensure that the progression to a feasibility study is based on a sound commercial basis, this scope of work includes the development and negotiation of an infrastructure access agreement. The strategic review identified that limited options exist for the transport of the PIOP ore to port.

On 24 March 2017 in an ASX announcement, after Flinders received advice that BBI Group Pty Ltd has signed a Memorandum of Understanding with China State Construction Engineering Corporation Limited for the construction of the Balla Balla Infrastructure project (BBI Project), Flinders advised:

“The Directors of Flinders wish to make it clear that the Company does not have any existing commercial agreements in place with BBIG. Flinders has a strategic review underway which will examine infrastructure solutions to bring the PIOP project iron ore resource to market.”

Early stage discussions have commenced in relation to the BBI Project and continuing discussions are in place with at least one alternate provider.

The timing of any outcome is uncertain. Clearly, as soon as any proposal matures into a viable commercial option the market will be informed.

**Maturation Program Management & Supporting Activities:** To implement the above programs requires a series of enabling activities, project management, data analysis, engineering definition and planning. The enabling activities include heritage clearance surveys, PIOP camp rehabilitation to support on site activities and site management logistics.

To support the delivery of the above programs and to ensure the management of ongoing obligations, requires the application of working capital to corporate costs, tenement development programs and asset management activities.

This investment needs to be conducted within a tight timetable to ensure that the work can be initiated within a constrained site access window. The onsite activities need to be conducted between May and October 2017 to achieve completion prior to the wet season. Completion at this time will support the finalisation of the analysis prior to December 2017. In the event that the maturation work creates a successful basis for moving forward with the activation of a FS simulating a minimum 45 Mtpa operation from PIOP, there will be a need to raise further capital to conduct these studies in 2018.

## 1.2 The Offer

The Company is making a pro rata non-renounceable Entitlement Offer of approximately 290,343,674 New Shares to Eligible Shareholders at an issue price of \$0.055 (5.5 cents) per New Share on the basis of 1 New Share for every 11 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 up to \$15,968,902 (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	\$113,000
Maturation Program and Enabling Activities	\$10,357,000
Project Management Activities	\$780,000
Corporate support, working capital and non-PIOP Tenement Obligation Management	\$4,750,000
Total	\$16,000,000

If less than \$15,968,902 is raised, it is intended that the gross 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
Costs related to the Entitlement Offer	The first \$113,000
All Tenement Obligation Management and working capital	The next \$5,750,000
Metallurgical Drill Program & Analysis coupled with project management and enabling activities	The next \$8,000,000
Balance of Maturation Program	The balance of the proceeds raised

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 9 May 2017, the capital structure of the Company following completion of the Offer (assuming 290,343,674 New Shares are issued under the Offer) will be as follows:

Shares	Number
Shares on issue at 9 May 2017	3,193,780,409
New Shares issued under the Offer	290,343,674
Total Shares on issue at completion of the Offer	3,484,124,083

On the basis of the Company's cash balance as at 31 March 2017, 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 March 2017	2,087,657
Proceeds of Entitlement Offer (net of costs of the Offer)	15,855,974
Cash following Entitlement Offer	17,943,631

#### 1.4 Underwriting

The Offer is not underwritten.

#### 1.5 Subscription Agreement

The Company, after discussion with the substantial shareholders about their participation in the Entitlement Offer, has entered into a subscription agreement with TIO dated 28 April 2017, (Subscription Agreement) under which TIO has agreed to subscribe for the number of New Shares equal to its pro rata entitlement under the Offer subject to (amongst other things):

1.5.1 final TIO Board approval; and

1.5.2 the funds raised under the Offer not exceeding A\$16,000,000.

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 17 May 2017 and will close at 5:00 pm (Adelaide time) on 26 May 2017. 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 **Appointment of Foreign Holder Nominee**

Pursuant to section 615 of the Corporations Act and for the purposes of Listing Rule 7.7, the Company has appointed Euroz Securities Limited as the Company's foreign holder nominee (Nominee). ASIC has approved the Nominee to act as nominee for Non-Resident Shareholders in relation to the Offer. Pursuant to the arrangement with the Nominee, the Nominee will subscribe for the New Shares which Non-Resident Shareholders would be entitled to if they were eligible to participate in the Offer (Nominee Shares). The Nominee will then sell the Nominee Shares and remit the net proceeds from the sale of the Nominee Shares (if any) to the Non-Resident Shareholders in proportion to their respective shareholdings. The Nominee will have the absolute and sole discretion to determine the timing and price at which the Nominee Shares must be sold and the manner of any such sale. Any interest earned on the proceeds of the sale of the Nominee Shares will firstly be applied against expenses of the sale, including brokerage, and any balance will form part of the proceeds payable to the Non-Resident Shareholders (if any). The Company will forward the proceeds of the sale of the Nominee Shares (if any) as soon as reasonably practicable to the Non-Resident Shareholders in proportion to their respective shareholdings (after deducting the subscription price, brokerage commission and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company. Notwithstanding that the Nominee must sell the Nominee Shares, Non-Resident Shareholders may nevertheless receive no net proceeds if the subscription price plus costs of the sale is greater than the sale proceeds. The Company will pay the Nominee \$10,000 plus GST. Both the Company and the Nominee take no responsibility for the outcome of

the sale of the Nominee Shares.

### 1.15 **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.

### 1.16 **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 (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 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 (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\$0.055 (5.5 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, to be received no later than **5:00 pm (Adelaide time) on the Closing Date** at the following address:

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 Key Risks

#### Going concern

The Company's auditor, Grant Thornton Audit Pty Ltd noted in respect of the half-year financial report for the period ended 31 December 2016 the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

#### Future Capital Requirements

The Company will require additional capital to fund further exploration/development of its existing or new projects. In particular, in the event that the maturation work creates a successful basis for moving forward with the activation of a FS based on a minimum 45 Mtpa operation from

PIOP, there will be a need to raise further capital to conduct these studies in 2018. 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.

### **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 independent strategic review of the PIOP concluded that one of the key risks to the development of the project is the ability to secure access to a low cost economically viable infrastructure solution. There is no guarantee that an infrastructure solution will be secured. In particular, there can be no assurance that the early stage discussions which have commenced between the Company and BBIG will result in the negotiation of a mutually beneficial infrastructure solution.

### **State Agreement between BBIG and the Western Australian Government**

The Company understands that the State Agreement BBIG has signed with the Western Australian Government contemplates the PIOP as a potential foundation customer for the 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. As such, 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.

## **3.2 Risks Specific to the Company**

### **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 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 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 53.4% 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 9 May 2017.

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 9 May 2017.

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](http://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 13 April 2017 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*	1,706,631,013	53.4%	155,148,274
OCJ Investments (Australia) Pty Ltd**	678,000,000	21.2 %	61,636,364

\*TIO's voting power most recently increased on 11 November 2016, arising from its participation in the non-renounceable entitlement issue announced by the Company on 7 October 2016.

\*\* 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 its pro rata entitlement under the Offer, 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**

<b>Event</b>	<b>Shares held by TIO at completion of the Offer</b>	<b>Total shares on issue at completion of the Offer</b>	<b>Voting power of TIO at completion of the Offer</b>
Offer fully subscribed with no shortfall	1,861,779,287	3,484,124,083	53.4%
Offer 75% subscribed	1,861,779,287	3,411,538,165	54.6 %
Offer 60% subscribed	1,861,779,287	3,367,986,614	55.3 %
No other Shareholders take up their Entitlement	1,861,779,287	3,348,928,683	55.6 %

#### 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**

<b>Event</b>	<b>Shares held by OCJ at completion of the Offer</b>	<b>Total shares on issue at completion of the Offer</b>	<b>Voting power of OCJ at completion of the Offer</b>
Offer fully subscribed with no shortfall	739,636,364	3,484,124,083	21.2 %
Offer 75% subscribed	739,636,364	3,411,538,165	21.7 %
Offer 60% subscribed	739,636,364	3,367,986,614	22.0%
No other Shareholders take up their Entitlement	739,636,364	3,255,416,773	22.7 %

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 21.2% pre-Offer to 19.8 % at completion of the Offer.

#### 4.3 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.

#### 4.4 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 and other miscellaneous expenses are estimated to be approximately \$113,000 comprised as follows:

Expenses	Cost
Legal fees	\$20,000
Foreign holder nominee fees	\$10,000
Independent Pricing Advice	\$10,000
ASX listing fees, printing, postage and share registry	\$73,000
<b>Total estimated costs</b>	<b>\$113,000</b>

#### 4.5 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.

#### 4.6 **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;

**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 26 May 2017 (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;

**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 7.00pm (AEST) on 12 May 2017;

**Shareholder** means a holder of Ordinary Shares;

**Shares** means fully paid Ordinary Shares in the Company; and

**TIO** means TIO (NZ) Limited (New Zealand Company No 3744171) of Level 15, The Todd Building, 95 Customhouse Quay, Wellington 6011, New Zealand.