

7 June 2017

Close of Entitlement Offer and Notice of Shortfall

Flinders Mines Limited (ASX: FMS) (**Flinders** or the **Company**) advises that its non-renounceable entitlement offer (**Entitlement Offer** or **Offer**), as announced on 9 May 2017, closed on Friday, 2 June at 5.30pm EST. The Entitlement Offer sought to raise up to \$16 million through the offer of approximately 290 million new fully paid ordinary shares at A\$0.055 (5.5 cents) on the basis of 1 New Share for every 11 existing shares held by eligible shareholders.

The Company has received valid applications for a total of 172,771,273 New Shares raising approximately \$9.5 million (before issue costs) and will also issue 399,764 New Shares to Euroz Securities as the Company's nominee for non-resident shareholders (**Nominee**). As there is no shortfall facility as part of the Offer, there will be no allocation or placement of the remaining 117,574,568 New Shares not taken up by shareholders or the Nominee.

The issue of New Shares under the Entitlement Offer will occur on Friday, 9 June 2017 and ASX trading of the New Shares is expected to commence on Tuesday, 13 June 2017. Following the issue of the New Shares, the capital structure of the Company will be 3,366,951,446 fully paid ordinary shares.

The \$9.5 million in funds raised represents approximately 60% of the Offer. In accordance with the Offer documentation, these funds will facilitate the metallurgical drilling and analysis program planned as part of the Pilbara Iron Ore Project (PIOP) maturation phase. As the maturation work is essential to realise the best value for all shareholders, Flinders will continue to assess options to fund the balance of the required maturation work.

Flinders' independent non executive Chairman, Mr Neil Warburton, said: "We thank shareholders for their ongoing support. The funds enable Flinders to undertake one of the most important aspects of the PIOP asset maturation program. This field-based work has now commenced and we look forward to providing an update on the outcome of these activities."

"The PIOP is the Company's most significant asset and the Board has developed a clear strategy to maximise its value for all shareholders. Critical to this, and any commercialisation of the project, is the completion of the asset maturation program."

"Additional funding will be needed to complete the residual work under this program and the Board will review the timing for the requirement of these funds."

PIOP Asset Maturation Program

Preparation work well advanced

Since the announcement dated 31 March 2017 advising of the completion of the strategic review and the Board's decision to proceed with the PIOP asset maturation phase as recommended, a number of enabling activities have been actioned or completed:

- PIOP camp re-established and ready for occupation
- Geological services and camp management contracts tendered and ready to award immediately
- Drilling contracts tendered and ready to award immediately

- Flinders' office moved from Adelaide to Perth and a restructured management team established
- Ongoing examination of potential infrastructure solutions and the initiation of negotiations with potential parties

Next steps and timeline

Following the Entitlement Offer raise, Flinders is now in a position to commence immediately:

- Metallurgical drilling and analysis program which is forecasted for completion by the end of October, prior to the wet season
- Continuation of evaluation and negotiations regarding infrastructure access

The balance of the maturation work will be initiated upon finalisation of additional funds.

Flinders' interim executive Director Mr McAdam said: "These programs and analyses are required ahead of any feasibility studies to ensure that the PIOP's target production rate, grade and mine life can be achieved and that the optimised mine plan and its associated operating costs can support the proposed mining rates.

"By completing this work, Flinders is targeting greater certainty in the definition of the asset and thus increasing the value of the project."

- Ends -

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About Flinders Mines Limited

www.flindersmines.com

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).

The PIOP is located approximately 70km from Tom Price in Western Australia's iron ore-rich Pilbara region. The project consists of two 100% owned tenements – M47/1451 (Blacksmith) and E47/1560 (Anvil). The project has received environmental approvals and the Company is currently undertaking an asset maturation program to determine the optimal development path.