

PIOP Option and Sale Agreement

Shareholder Information Meeting

June 2015

Disclaimer

This presentation contains forward looking statements that are subject to risk factors associated with the exploration and mining industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially.

Competent Person

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled Dr G McDonald (who is a member of the Australian Institute of Mining and Metallurgy). Dr McDonald is an employee of Flinders Mines Limited and has sufficient experience that is relevant to the style of mineralisation and types of deposit under consideration and consents to the inclusion of the information in this report in the form and context in which it appears. Dr McDonald qualifies as a Competent Person as defined in the 2012 Edition of the “Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves”.

Board & Management

Robert Kennedy

*Non-Executive
Chairman*



A Chartered Accountant and a Director since 14 December 2001. Bob is the Non-Executive Chairman of Ramelius Resources Limited (Director since 1995, Chairman since 2004), Non-Executive Chairman of Maximus Resources Limited (since 2004), Monax Mining Limited (since 2004) and Tychean Resources Limited (since 2006).

Ian Gordon

*Managing
Director*



Over 25 years of experience in the Australian mining industry in a variety of roles with small, medium and large organisations. Ian was previously the Managing Director/CEO of Australian gold producer, Ramelius Resources Limited.

Ewan Vickery

*Non-Executive
Director*



A corporate and business lawyer with more than 40 years experience. Ewan is a consultant at Minter Ellison and a Director of Maximus Resources Limited (since 2004) and is a member of the Exploration Committee of the South Australian Chamber of Mines and Energy Inc, the International Bar Association Energy and Resources Law Section, and the Australian Institute of Company Directors. Ewan is a past national president of the Australian Mining and Petroleum Law Association.

Kevin Malaxos

*Non-Executive
Director*



Over 27 years experience in the resources sector in senior management and executive roles across a suite of commodities including gold, nickel, iron ore, silver, lead, zinc and chromium. Kevin has managed surface and underground mining operations and brings a wealth of experience in project evaluation and development, project approval and Government liaison. Kevin is also Managing Director of ASX-listed Maximus Resources Limited.

Capital Structure

Shares on Issue **2,763M**

Options
(Exercisable at 8.5c expiring 30/06/15) **120k**

Market cap (as at 22/05/15) **A\$44.2M**

Cash at hand (as at 30/04/15) **A\$4.4M**

Enterprise Value **A\$39.8M**

Shareholders (as at 28/05/15)

TIO (NZ) Ltd **19.6%**

OCJ Investment (Australia) Pty Ltd **11.8%**

Citicorp Nominees Pty Ltd **3.6%**

JP Morgan Nominees Australia Ltd **1.9%**

Mr Kenneth Martin Keane **1.6%**

KEY ASSETS

- **Pilbara Iron Ore Project**

1,040Mt haematite/goethite resource with potential to produce in excess of **250Mt** of saleable product at **25Mtpa**

- **Canegrass Tenement Package**

Exploration tenure in the mid west region of Western Australia with identified magnetite, titanium, vanadium mineralisation with additional potential for Cu/Ni/Au mineralisation

- **Cash at Bank**

Cash balance of **A\$4.4M** at 30 April 2015

Why consider selling PIOP

- The average predicted outlook for iron ore prices are **below US\$60 per tonne** for the next five years¹
- Preliminary studies show that Flinders break-even price for PIOP ore under the Alliance Agreement is approximately **US\$70 per tonne**
- Flinders estimates that to payback capital and interest and make a suitable return to its shareholders, a long term iron ore price of **+US\$85 per tonne** is required
- Further supply of high quality iron ore from Rio Tinto, BHP, Vale and Roy Hill will likely saturate the market for the foreseeable future, so it is unlikely **+US\$85 prices** will return in the near term
- An integrated project consolidating the Port and Rail with PIOP allows the best opportunity for future development with lower operating costs

¹ *UBS Global Research* April 2015
Bell Potter Securities April 2015
World Bank Commodity Markets Outlook April 2015
Citi Research May 2015

BFS has not been completed but expected results are as follows:

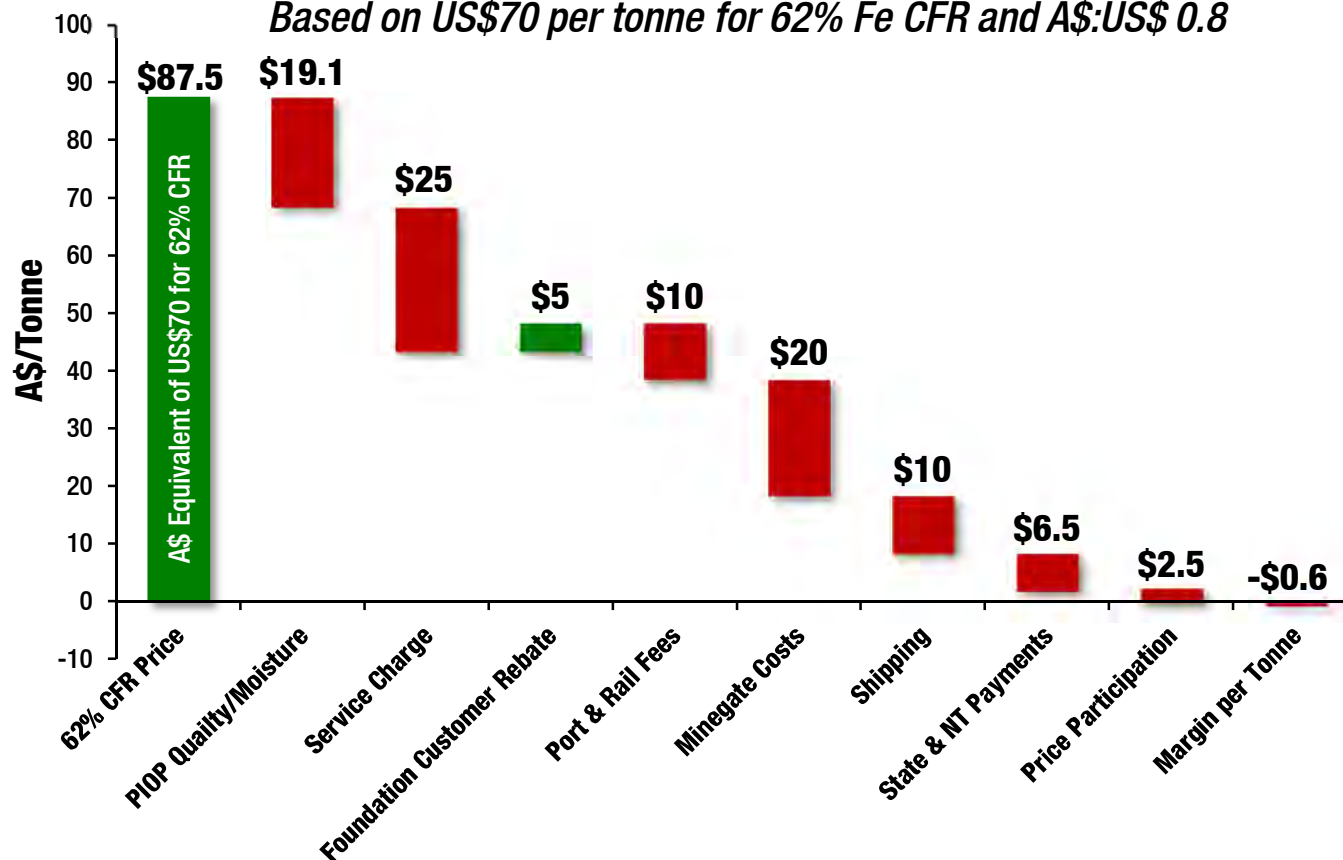
Alliance Agreement - Indicative Mine Optimisation Results

Resource Size	1,040Mt @ 55.6% Fe
Potential Total Product	~288Mt
Targeted Production Rate	25Mtpa
Expected Strip Ratio	~ 1.5:1
Potential Mine Life	~11.5 Years
Estimated Capital Cost	~ A\$800M
Operating Cost – Delivered to China	~ A\$70t
Estimated PIOP Product Discount	84% of 62% Fe CFR
62% CFR Indicative Cash Break-even Iron Ore Price @ 0.8 AUD:USD	~ US\$70t

Note: Differences in mine life between the Todd Corporation letter released on 29 May 2015 and this Presentation relate to the operating cost reduction associated with a consolidated project.

PIOP Operating Cost Per Tonne of Product (A\$)

Based on US\$70 per tonne for 62% Fe CFR and A\$:US\$ 0.8



- At a **US\$70 per tonne** iron ore price (shown above) PIOP is an uneconomic mine under the Alliance Agreement

- The Option and Sale Agreement is **subject to shareholder approval**
- Todd will pay FMS **A\$10M** to purchase an option over the PIOP
- Exercise price to acquire the project is **A\$55M plus an ongoing royalty**
- Additional payments due if Todd wish to extend the purchase option or project is not developed within an agreed timeframe
- If option lapses or Todd abandons option, FMS retains 100% ownership of PIOP and all work completed by Todd
- Todd will pay FMS an ongoing royalty between **\$A0.60 to A\$1.40 per tonne** linked to the iron ore price
- Conditional on regulatory and third party approvals

Potential for FMS shareholders to realise significant value if PIOP is developed *

2015 OPTION	2016 SALE	Royalty Per Production Year (A\$M)											
		1	2	3	4	5	6	7	8	9	10	11	12
A\$10M	A\$55M												
Low		15	15	15	15	15	15	15	15	15	15	15	8
High		35	35	35	35	35	35	35	35	35	35	35	18

Based on current product tonnage at 25Mtpa, total undiscounted cash to FMS could be significant

- **A\$238M** for low iron ore price case
- **A\$468M** if iron ore price is above **US\$80** per tonne (62% Fe CFR price)

* *Subject to the project being developed*

- Flinders has studied multiple development options for PIOP, including road, rail and third party infrastructure
- There is no practical road route from PIOP to existing multi-user ports
 - Port Hedland is approx. 400km from PIOP
- Flinders has held discussions with the owners of existing rail infrastructure near to PIOP but no feasible solution has been forthcoming
- The Alliance agreement with Rutila became uneconomic for Flinders once the iron ore price dropped dramatically in early 2015
- No better option has been identified or been offered to develop or sell PIOP in the near term (1-2 years)
- There may not be a better option available to Flinders in the medium term (3-5 years)

- Under the current Alliance solution, and iron ore price outlook, the PIOP is uneconomic and is unlikely to be financed and developed
- The project sale price and ongoing royalty payment will produce returns to shareholders without project risk or further dilution that would have been required to continue down a development route
- If the sale does not proceed, Flinders retains a 100% interest in PIOP
- No better sale or development option has been offered to Flinders and there may not be one in the medium term (3-5 years)
- The Board has considered the option of retaining PIOP and waiting for a better market but given the outlook for iron ore believe that shareholders should have the opportunity to consider and vote on this transaction
- The board will recommend shareholders approve the transaction in the absence of a superior offer and on the basis that an independent expert advises that the transaction is reasonable