



FLINDERS MINES LIMITED

ABN 46 091 118 044

ENTITLEMENT OFFER BOOKLET

For a pro rata non-renounceable entitlement offer of approximately 580,861,680 (circa 580 million) fully paid ordinary shares in the Company at an issue price of \$0.025 (2.5 cents) (**New Share**) each on the basis of 1 New Share for every 6 Ordinary Shares held to raise approximately \$14,521,542 (before issue costs) (**Entitlement Offer** or **Offer**).

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)

The Hon. Cheryl Edwardes, AM (Independent Non-Executive Deputy Chair)

Mr Michael Wolley (Non-Executive Director)

Mr Evan Davies (Non-Executive Director)

Mr James Gurry (Independent Non-Executive Director)

Joint Company Secretaries

Ms Sarah Wilson

Ms Shannon Coates

Registered Office

45 Ventnor Avenue

West Perth, Western Australia, 6005

Telephone – (08) 9389 4483

Email: info@flindersmines.com

Website: www.flindersmines.com

Share Registry

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace

Perth, Western Australia, 6000

Telephone: 08 9323 2000

Website: www.computershare.com.au

Stock Exchange Listing

Australian Securities Exchange

ASX Code: FMS

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IMPORTANT NOTICES

This Offer Booklet is dated 31 March 2020. 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.

Pursuant to section 615 of the Corporations Act and ASX Listing Rule 7.7 the Company has appointed CPS Capital Group Pty Ltd (ACN 088 055 636) (**CPS Capital**) as the Company's foreign holder nominee for the Offer to sell the Entitlements of Ineligible Foreign Shareholders. An immediate family member of the Company's director and chair, Neil Warburton, is employed by CPS Capital. CPS Capital has therefore implemented an information barrier and confirmed Neil Warburton's immediate family member will not participate in CPS Capital's appointment as foreign holder nominee. The Company has applied to ASIC to approve the appointment of the CPS Capital. As at the date of the Offer Booklet, ASIC's decision regarding the appointment of CPS Capital is pending. The Company will pay set up and transaction fees to CPS Capital of \$6,000 (excluding GST), as described in section 4.3.

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

31 March 2020

Dear Shareholder,

Non-Renounceable Entitlement Offer

On 17 June 2019, Flinders announced that it had completed an internal review to identify the best path forward to progress the Company's Pilbara Iron Ore Project (**PIOP**) and unlock value for shareholders. Following that review, the Company established a PIOP Infrastructure Committee, comprising members who were independent of the Company's largest shareholder, TIO (NZ) Limited (New Zealand Company No. 3744171) (**TIO (Infrastructure Committee)**). Appropriate protocols were put in place to ensure independence in the Infrastructure Committee. The Infrastructure Committee engaged an independent consultant, PwC, to undertake a review of all potential infrastructure options for the PIOP. Following completion of this review, Flinders announced on 2 September 2019, that it had negotiated a non-binding Terms Sheet with BBI Group Pty Ltd (ACN 139 886 187) (**BBIG**) to jointly develop the PIOP.

BBIG represents a potential infrastructure pathway for the PIOP through the Balla Balla Infrastructure Project (**BBIG Project**). On 28 November 2019, the Company announced that it had executed binding agreements with BBIG in relation to a farm-in incorporated joint venture arrangement for the PIOP, subject to Flinders' shareholder approval (**BBIG Transaction**).

On 7 and 9 January 2020, Flinders released the results of its PIOP scoping study, which identified a viable and significant open cut mining opportunity at the PIOP using the parameters in the BBIG Transaction.

On 30 January 2020, Flinders announced that an Extraordinary General Meeting (**EGM**) would be held on 3 March 2020 to consider the BBIG Transaction. At the EGM held on 3 March 2020, shareholders voted in favour of the BBIG Transaction. Following which, Flinders continues to progress with its obligations agreed in the BBIG Transaction Documents, including forming an incorporated joint venture with BBIG (**PIOP Mine Co JV**) to enable commencement of an integrated feasibility study.

The Company now seeks to raise approximately \$14,521,542 (before issue costs) to fund repayment of the PIO Loan and its obligations to the BBIG Transaction. The Entitlement Offer is a 1:6 non-renounceable, pro-rata entitlement offer of new fully paid ordinary shares in Flinders at an issue price of \$0.025 (2.5 cents) (**Issue Price (Entitlement Offer)**). The Issue Price represents a discount of approximately 24.7% to the 5-day volume weighted average price of the Company's shares on the ASX for the period ending 30 March 2020. The Entitlement Offer is non-renounceable, which means that Entitlements will not be tradable on the ASX, or otherwise transferable and there is no shortfall provisions.

Enclosed, you will find 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 23 April 2020. 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

A handwritten signature in black ink, appearing to read 'N. Warburton', with a stylized flourish at the end.

Neil Warburton
Chairman

SUMMARY OF IMPORTANT DATES

| | |
|--|--------------------------|
| Announce pro rata issue and give Appendix 3B to ASX | Tuesday, 31 March 2020 |
| 'Ex' date | Thursday, 2 April 2020 |
| Record date | Friday, 3 April 2020 |
| Send offer documents and personalised entitlement and acceptance forms to person entitled and announce that this has occurred | Tuesday, 7 April 2020 |
| Last day to extend the offer Closing Date | Monday, 20 April 2020 |
| Offer closes 5pm (Perth time) | Thursday, 23 April 2020 |
| If agreed by ASX, securities quoted on a deferred settlement basis from market open | Friday, 24 April 2020 |
| Announcement of results of issue | Tuesday, 28 April 2020 |
| Last day for entity to issue the securities taken up in the pro rata issue and lodge an Appendix 2A with ASX applying for quotation of the securities. | Wednesday, 29 April 2020 |

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 \$7 million with interest, in accordance with the loan facility agreement and amending deeds dated 1 September 2019, 20 December 2019 and 30 March 2020 respectively. Should the Company raise funds that are additional to this requirement, the Company will utilise those funds as set out in this Offer Booklet. Such application of funds may include the funding of its obligations under the BBIG Transaction Documents and meet ongoing working capital requirements.

1.2 The Offer

The Company is making a pro rata non-renounceable Entitlement Offer of approximately 580,861,680 New Shares to Eligible Shareholders at an issue price of \$0.025 (2.5 cents) per New Share on the basis of 1 New Share for every 6 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 \$14,521,542 (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 |
|---|---------------------|
| Repayment of PIO Loan with interest | \$7,117,792 |
| Fees associated with BBIG Transaction | \$1,650,000 |
| Working capital including: <ul style="list-style-type: none"> • any costs associated with the Entitlement Offer; • maintaining all assets in good standing; and • ongoing corporate costs (i.e. ASX listing fees, compliance and reporting costs). | \$5,753,750 |
| Total | \$14,521,542 |

If less than \$14,521,542 (before issue costs) 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 associated with the Entitlement Offer | \$72,909 |
| General working capital expenses (including the costs of the BBIG Transaction) | the next \$3,000,000 |
| Repayment of PIO Loan | 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.

The Company has negotiated a staged loan repayment option with PIO in the event insufficient funds are raised to repay the full PIO Loan plus interest. The effect of this revised loan repayment plan is that the balance of funds will be applied to the PIO Loan after costs of the Entitlement Offer and \$3,000,000 has been set aside for general working capital expenses (including the costs of the BBIG Transaction). The balance of the PIO Loan will be due and payable by 30 June 2020.

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

On the basis of the Company's capital structure as at 31 March 2020, the capital structure of the Company following completion of the Offer (assuming 580,861,680 New Shares are issued under the Offer) will be as follows:

| Shares | Number |
|--|---------------|
| Shares on issue at 31 March 2020 | 3,485,170,081 |
| New Shares issued under the Offer | 580,861,680 |
| Total Shares on issue at completion of the Offer | 4,066,031,761 |

On the basis of the Company's cash balance as at 27 March 2020, the pro-forma cash balance of the Company following completion of the Offer (assuming the Offer is fully subscribed) will be as follows:

| | Cash (\$) |
|---|------------|
| Cash at 27 March 2020 | 606,913 |
| Proceeds of Entitlement Offer (net of costs of the Offer) | 14,448,633 |
| Cash following Entitlement Offer | 15,055,546 |

1.4 Underwriting

The Offer is not underwritten.

1.5 Subscription Agreement

The Company has entered into subscription agreements with TIO dated 31 March 2020 and 1 September 2019 (which is amended by an amending deed dated 20 December 2019) (together, **TIO Subscription Agreement**). Pursuant to the TIO Subscription Agreement, TIO has agreed to subscribe in this Offer, for the number of New Shares equal to the lesser of \$8 million or its pro rata entitlement under the Offer, 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 TIO Subscription Agreement. Any New Shares issued pursuant to the TIO 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 7 April 2020 and will close at 5:00 pm (Perth time) on 23 April 2020. 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 Ineligible Foreign Shareholders

This Offer is only being extended to Shareholders with a registered address in Australia and New Zealand. All other Shareholders (**Ineligible Foreign Shareholders**) will not be offered Entitlements under the Entitlement Offer. The Company has determined, in accordance with the Corporations Act and the ASX Listing Rules, that it would be unreasonable to make extend the Entitlement Offer to Ineligible Foreign Shareholders having regard to:

1.13.1 the number of Shareholders in the places where the Entitlement 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 Ineligible Foreign Shareholders. 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 Ineligible Foreign Holder Nominee

Pursuant to section 615 of the Corporations Act and for the purposes of ASX Listing Rule 7.7, the Company has appointed CPS Capital act as foreign holder nominee. The Company has applied to ASIC to approve the appointment of the Nominee. As at the date of this Offer Booklet, ASIC has not approved the appointment of CPS Capital.

Further details in relation to the Nominee are described at section 4.3.

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 (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" 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 \$0.025 (2.5 cents) per New 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 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 505
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

COVID-19

The occurrence of the COVID-19 pandemic has resulted in significant market uncertainty in global equity, currency, finance, trade and commodity markets. The effects of this pandemic are far reaching and uncertain outcomes may impact the timing and viability of the PIOP and BBIG Project. Global financial markets have been severely impacted by this pandemic and such impacts may affect the ability of the Company and BBIG to raise equity and debt.

Due to the uncertain effects of the COVID-19 pandemic, the Company will consider reasonably necessary cost reduction measures to reduce the cash operating costs of the Company. Such measures will be announced to shareholders as they are decided.

The Federal Government announced in the last week of March 2020 that the Foreign Investment Review Board (**FIRB**) applications will be subject to an extended review process and this may result in FIRB applications taking up to 6 months to be processed. The Company is not certain of the impact on its application but believes there is a real risk of delay to its FIRB application.

Commodity Prices

The Farm-In Joint Venture Agreement is solely focused on iron ore. Any decision to mine ore is 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.

The viability of the PIOP and BBIG Project is significantly impacted by the price of iron ore and this price is uncertain as is any commodity that is traded on an open market basis.

Shareholder Support

In the last capital raise (completed in August 2018) conducted by the Company, TIO (and the other major shareholder) participated and the funds raised represented approximately 88% of the Offer. There is no guarantee TIO (or other major shareholders) will participate in this capital raise or potential subsequent raises notwithstanding the nature of the TIO Subscription Agreement.

Infrastructure Access

The Farm-In Joint Venture Agreement is in the process of being implemented subject to satisfaction of conditions precedent. Until the conditions precedent are satisfied, there is a risk the Company will not have the infrastructure to deliver iron ore to the market.

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).

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.

Technical Risks

The Company is currently exposed to a number of risks with respect to the BBIG Transaction. While BBIG has undertaken significant work to date, the overall development of the project remains at an early stage with a number of uncertainties that will not be resolved until the feasibility studies are completed. As part of the BBIG Transaction, BBIG will fund feasibility studies on both the PIOP and the BBIG Project. Those studies may conclude that either the PIOP or BBIG Project (or both) are not viable projects. If this occurs, BBIG may choose to terminate the arrangements entered into under the BBIG Transaction. Under those circumstances, the BBIG Transaction Documents

will be unwound and Flinders will retain 100% ownership of the PIOP assets and any studies conducted by BBIG, but there may be significant delay encountered.

Financial Risks

If the PIOP is developed, PIOP Mine Co NL will have significant take or pay obligations in favour of BBIG for the life of the project the subject of the BBIG Transaction. While these may be abated in certain limited circumstances and for a limited period of time, there is a risk that PIOP Mine Co NL does not generate sufficient revenue to fulfil these obligations and that Flinders is exposed to dilution.

3.2 Risks Specific to the Company

COVID-19

The Company understands BBIG have sought an extension to the expiry date of the State Rail Agreement agreed between BBIG and the Government of Western Australia, extending the expiry date from 30 September 2020 to 31 March 2022, due to the effects and restrictions of the COVID-19 pandemic. If BBIG is granted an extension of time under the State Rail Agreement, a final investment decision (**FID**) could be delayed. Under the current terms of the State Rail Agreement, BBIG have 4 years from the date of granting to complete construction.

BBIG may be unable to (or at its discretion decide not to) bring a final investment decision proposal within the required timeframe and has limited positive obligations to progress development during this time. Under those circumstances, the project will not be developed, the arrangements under the BBIG Transaction Documents would be unwound and Flinders will retain 100% economic interest in the PIOP assets, but there may have been a significant delay encountered.

Market Grade Discount

In recent times the seaborne iron ore market has seen various and fluctuating discounts and penalties for iron ore produce 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 the 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 counterparties 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 occurrence of the COVID-19 pandemic has resulted in significant market uncertainty on global equity, currency, finance, trade and commodity markets. 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 below may (in addition to the COVID-19 pandemic) result in Shareholders receiving a price for their New Shares that is more or less than the Offer price:

- changes to government policy, legislation or regulation (considered further below);
- change in global demand for listed shares in general, or for mining stocks in particular;
- general operational and business risks;
- inflation and interest rates; and
- competition in the industry in which the Company operates.

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 55.56% 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.

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 31 March 2020.

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 31 March 2020.

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 31 March 2020 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* | 1,936,250,459 | 55.56% | 322,708,410 |
| OCJ Investments (Australia) Pty Ltd** | 758,160,000 | 21.98% | 127,693,333 |

*TIO's voting power most recently increased on 6 August 2018, arising from its participation in the non-renounceable entitlement issue announced by the Company on 25 June 2018.

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

TIO (NZ) Limited

As set out in section 1.5, the Company has entered into subscription agreements with TIO dated 31 March 2020 and 1 September 2019 (which is amended by an amending deed dated 20 December 2019) (together, **TIO Subscription Agreement**). Pursuant to the TIO Subscription Agreement, TIO has agreed to subscribe in this Offer, for the number of New Shares equal to the lesser of \$8 million or its pro rata entitlement under the Offer, subject to (amongst other things) final TIO Board approval.

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 | 2,258,958,869 | 4,066,031,761 | 55.56% |
| Offer 75% subscribed | 2,258,958,869 | 3,920,816,341 | 57.61% |
| Offer 60% subscribed | 2,258,958,869 | 3,833,687,089 | 58.92% |
| No other Shareholders take up their Entitlement | 2,258,958,869 | 3,807,878,491 | 59.32% |

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 | 893,853,333 | 4,066,031,761 | 21.98% |
| Offer 75% subscribed | 893,853,333 | 3,920,816,341 | 22.80% |
| Offer 60% subscribed | 893,853,333 | 3,833,687,089 | 23.32% |
| No other Shareholders take up their Entitlement | 893,853,333 | 3,612,863,414 | 24.74% |

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 21.98% pre-Offer to 24.74% at completion of the Offer.

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

Pursuant to section 615 of the Corporations Act and ASX Listing Rule 7.7 the Company has appointed CPS Capital as the Company's foreign holder nominee for the Offer to sell the Entitlements of Ineligible Foreign Shareholders.

An immediate family member of the Company's director and chair, Neil Warburton, is employed by CPS Capital. CPS Capital has therefore implemented an information barrier and confirmed Neil Warburton's immediate family member will not participate in CPS Capital's appointment as foreign holder nominee.

The Company has applied to ASIC to approve the appointment of the CPS Capital. As at the date of the Offer Booklet, ASIC's decision regarding the appointment of CPS Capital is pending. The Company will pay set up and transaction fees to CPS Capital of \$6,000 (excluding GST).

Pursuant to a nominee agreement dated 23 March 2020 agreed between the Company and CPS Capital, CPS Capital will:

- subscribe for the New Shares Ineligible Foreign Shareholders would be entitled to if they were eligible to participate in the Offer (**Nominee Shares**);
- sell the Nominee Shares; and
- remit net proceeds from the sale of the Nominee Shares (in any) to Ineligible Foreign Shareholders in the proportion to their respective shareholdings to the Company.

CPS Capital will have 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 Nominee Shares will be applied against the expenses of the sale (including brokerage) and any balance will form part of the proceeds payable to Ineligible Foreign Shareholders (if any).

The Company will forward the net proceeds of the sale of the Nominee Shares (if any) as soon as reasonably practicable to Ineligible Foreign Shareholders in proportion to their respective shareholdings.

Notwithstanding that CPS Capital must sell the Nominee Shares, Ineligible Foreign Shareholders may nevertheless receive no net proceeds if the subscription price plus costs of the sale are greater than the sale proceeds. The Company will pay the CPS Capital \$6,000 (excluding GST). Both the Company and CPS Capital take no responsibility for the outcome of the sale of the Nominee Shares.

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 and other miscellaneous expenses are estimated to be approximately \$72,909 comprised as follows:

| Expenses | Cost |
|--------------|----------|
| Legal fees | \$20,000 |
| Nominee fees | \$6,000 |

| | |
|--|-----------------|
| ASX listing fees, printing, postage and share registry | \$46,909 |
| Total estimated costs | \$72,909 |

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;

BBIG means BBI Group Pty Ltd (ACN 139 886 187), TIO is a major shareholder and BBIG is therefore a related party to Flinders for the purposes of the Corporations Act;

BBIG Transaction Documents means the documents summarised at section 4 of the Company's Notice of Extraordinary General Meeting and Explanatory Memorandum dated 30 January 2020;

Board means the board of Directors of the Company;

Business Day means any day except a Saturday or Sunday, public holiday in Western Australia or day ASX declares is not a trading 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 5.00pm (Perth time) 23 April 2020 (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;

Farm-In Joint Venture Agreement means the farm-in agreement dated 27 November 2019 executed by the Company, BBIG and PIOP Mine Co NL (ACN 637 106 873);

Ineligible Foreign Shareholders has the meaning given in section 1.13;

New Shares means Ordinary Shares in the Company issued pursuant to the Entitlement Offer;

OCJ means OCJ Investments (Australia) Pty Ltd (ACN 123 064 862) of 85 Mary Avenue, Wheelers Hill, Victoria;

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 this Offer Booklet;

Offer Booklet means this document, including the Entitlement and Acceptance Form;

Ordinary Shares means fully paid ordinary shares in the Company;

PIO means PIO Mines Pty Ltd (ACN 605 697 461), a subsidiary of TIO;

PIO Loan means the unsecured loan from PIO for a total of \$7 million (excluding interest), agreed by way of a loan agreement between the Company and PIO dated

1 September 2019 and amended by amending deeds dated 20 December 2019 and 31 March 2020;

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 3 April 2020;

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