

29 May 2015

Company Presentation and Todd Corporation Letter

Please find attached a Company Presentation in respect to the Shareholder Meetings to be held in the week beginning 1 June 2015.

Also attached is a letter from Todd Corporation which addresses their intentions in regard to PIOP in response to recent media articles.

The Company also advises that a representative of Todd will be available at the meetings to respond to any questions regarding Todd Corporation and their intentions for PIOP.



IAN GORDON
MANAGING DIRECTOR

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:

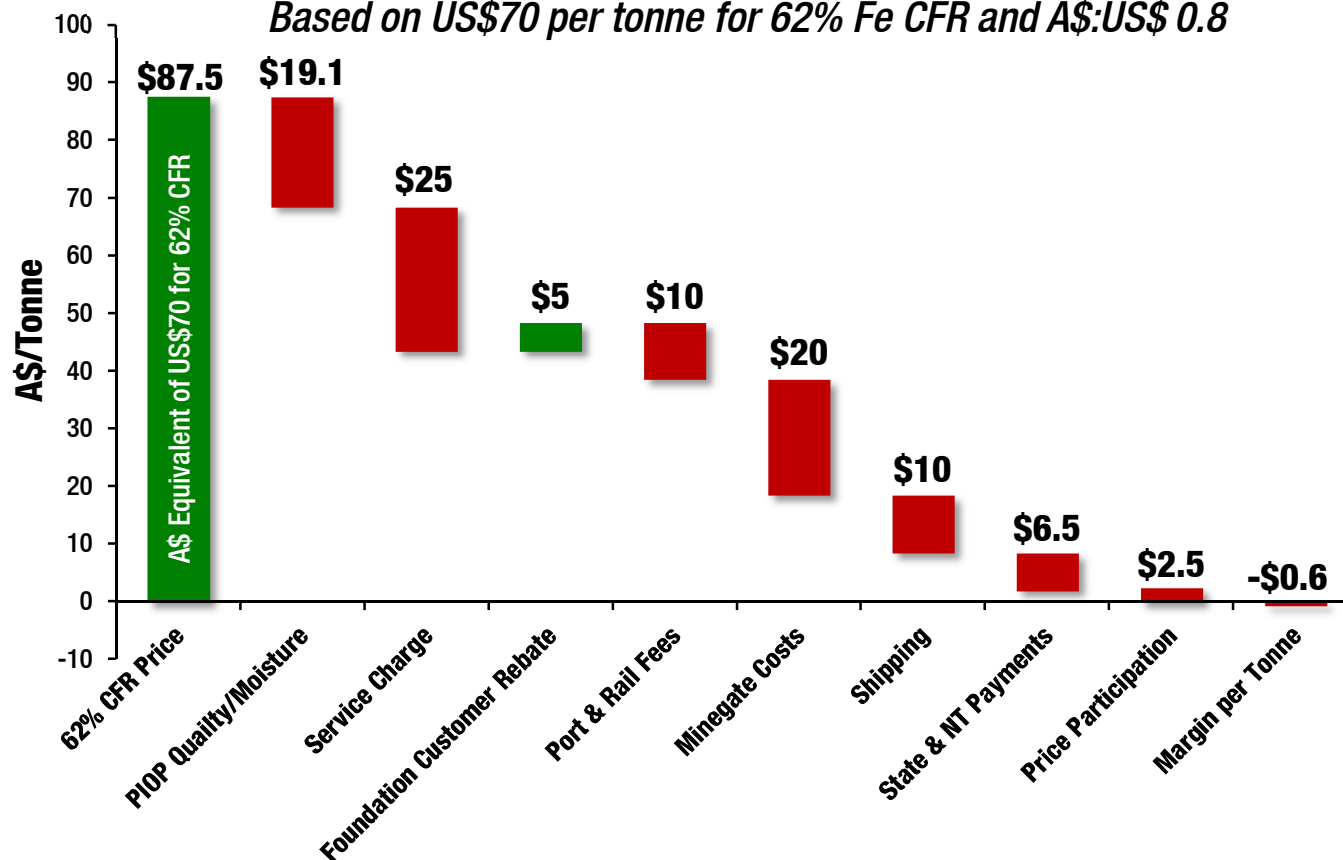
Alliance Agreement - Indicative Mine Optimisation Results

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

29 May 2015
Mr Robert Kennedy
Chairman
Flinders Mines Limited
PO Box 4031
Norwood SA 5067

TIO (NZ) Limited offer for the Pilbara Iron Ore Project

Dear Robert,

I am writing regarding the status of Todd's current offer for Flinders Mines Limited (FMS) Pilbara Iron Ore Project (PIOP).

There have been some recent articles in the media that have made various assumptions as to Todd's intention regarding PIOP. For the record, I would like to state what I see as the key features of the Todd offer and provide comment on Todd's current intentions for PIOP and the Balla Balla port and railway project it is developing in joint venture with Rutila Resources Limited (Rutila).

If Todd's offer to acquire PIOP is accepted by FMS shareholders, the intention is to develop PIOP and the Balla Balla port and railway as an integrated project. As the potential provider of independent rail and port infrastructure to other parties in the Central Pilbara region, Todd also remains committed to evaluating other potential mining assets, port and rail haulage and shipment customers and iron ore offtake opportunities.

Todd remains firm in its view that its offer represents an attractive opportunity for FMS shareholders to receive significant upside from PIOP without the need to contribute further capital to its development. In this regard:

1. The A\$10 million initial payment for the grant of the option is non-refundable and does not result in any dilution to the existing FMS shareholders. Even if Todd elects not to exercise the option, FMS still retains the A\$10 million option payment, as well as regaining control of PIOP and obtains the benefit of all further work completed on PIOP that has been done at Todd's cost.
2. The A\$55 million payment upon an election by Todd to exercise the option is again non-refundable and does not result in any dilution to the existing FMS shareholders. Based on the indicative valuation assumptions below, the net present value of the royalty payable on PIOP is ~A\$160 million.

3. The two A\$10 million option extension payments are designed to provide FMS with further compensation should Todd's development plan be delayed beyond the currently anticipated timeframe. It remains Todd's current intention to deliver an FID decision on the integrated project as soon as practicable with a current target to do so by end of 2016.

The net present value of the total deal to FMS shareholders today, should PIOP go into production, assuming that the option is exercised before either extension and based on the indicative valuation assumptions set out below, would be ~A\$220 million or ~4.5 times FMS's current market capitalisation.

Whilst this letter is addressed to you, I am supportive of FMS making the relevant announcements to market that reflect the above points and we look forward to delivering what Todd believes to be an attractive transaction for FMS.

Kind regards,



MB Wolley
Vice President Todd Minerals and Coal

Indicative Valuation Assumptions

Input	Value
Mine life	15.5 years
Production rate	25 million tonnes per annum
First production	2018
Iron ore price	US\$65 per tonne CFR China 62% Fe flat real over life of mine
Discount rate	7% real
Option exercise date	30 June 2016