ASX ANNOUNCEMENT

29 July 2016

Flinders enters into Loan Agreement with PIO Mines Pty Limited

Flinders Mines Limited (**Flinders**) announces that it has entered into a loan facility agreement (**Loan Agreement**) with PIO Mines Pty Limited (a subsidiary of TIO (NZ) Limited (**TIO**)) to assist Flinders to meet its short term capital requirements.

The A$2,000,000 loan is available for drawing in a single lump sum from the date of the Loan Agreement until 19 August 2016. The key terms of the loan include an interest rate equivalent to the 6-Month Bank Bill Swap Rate (**BBSW**) Mid-Rate plus 2% per annum with the repayment of the principal outstanding to occur on 31 December 2016. Flinders may voluntarily prepay any of the principal outstanding at any time before 31 December 2016. The facility is unsecured.

The key terms of the Loan Agreement are summarised in the annexure to this announcement.

Flinders proposes to undertake a pro rata rights issue, at an issue price and entitlement ratio yet to be determined, before the end of the 2016 calendar year (**Rights Issue**). The proceeds of the Rights Issue will be used to, among other things, repay the amounts drawn under the Loan Agreement, pay annual tenement rents and rates, comply with minimum expenditure conditions for the tenements, provide working capital and meet administration expenses.

Further, Flinders and TIO have entered into a subscription agreement, under which TIO has agreed to subscribe for the number of Flinders' shares equal to its pro rata entitlement under the Rights Issue subject to (amongst other things):

- final TIO board approval once the terms of the Rights Issue are determined; and
- the funds raised under the Rights Issue not exceeding A$5,000,000.

Flinders will separately release to ASX a Supplementary Target's Statement in relation to the Loan Agreement.

For further information contact:

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ANNEXURE

Loan Agreement Summary of Key Terms

Borrower	Flinders Mines Limited (ACN 091 118 044).
Lender	PIO Mines Pty Limited (ACN 605 697 461), a subsidiary of TIO.
Loan amount (the Commitment)	A$2,000,000.
Security	The facility is unsecured.
Availability Period	The loan is available for drawing, in a single lump sum of A$2,000,000 from the date of the Loan Agreement until 19 August 2016.
Termination Date	31 December 2016.
Payment of Interest	Interest is payable on the Termination Date. The interest rate is the 6-Month Bank Bill Swap (BBSW) Mid-Rate plus 2% per annum. Interest is also payable on amounts due but unpaid at the above interest rate plus an additional 2% per annum.
Repayment of principal	The Borrower must repay the principal outstanding (being the amount of the Commitment) on the Termination Date. The Borrower can voluntarily prepay any of the principal outstanding at any time before the Termination Date. After the date of the Loan Agreement, any net proceeds from any funds raised by the Borrower (whether in the form of debt or equity) must, within 7 Business Days of receipt, be applied towards prepaying the principal outstanding.
Use of funds	The funds drawn under the loan must be used to meet the Borrower’s payment obligations under existing agreements as and when they fall due and to otherwise assist with its ongoing working capital requirements (or for any other purpose that the Lender approves).

Conditions precedent to drawdown	The Borrower can only drawdown under the Loan Agreement if it first provides the Lender with: • a certificate which: – certifies a copy of the Borrower's constitution and a copy of the Borrower's corporate authorisations in respect of entry into and performance of its obligations under the Loan Agreement and any related documents; – includes specimen signatures for each of the officers of the Borrower; and – certifies that the Borrower is solvent and, on the basis that the loan and all other amounts owing under the Loan Agreement will be repaid when due by way of a future capital raising and that capital raising is successful, the Borrower will not become insolvent by entering into and performing its obligations under the Loan Agreement and related documents; • evidence that all authorisations required to enter into the Loan Agreement and any related documents have been obtained (e.g. corporate authorisations); • a funding notice in the required form and evidence that the requested funding date and portion won't breach the terms of the Loan Agreement; and • evidence that no Event of Default or Potential Event of Default has occurred or will occur as a result of drawdown.
Representations and warranties	The Loan Agreement includes representations and warranties given by the Borrower in favour of the Lender which are typical for agreements of this nature. These include representations regarding the Borrower being duly incorporated, having corporate power and authority to enter into the Loan Agreement and that the transactions under the Loan Agreement constitute binding obligations on the Borrower and are permitted under its constitution and under law.
Other key undertakings	The Loan Agreement contains certain restrictions on the conduct of the Borrower's business, including undertakings to: • conduct business in the usual and ordinary course and on a basis consistent with past practice; • preserve and maintain the value of its business and assets, and its relationships with government agencies, customers, suppliers, employees and others with whom they have business dealings; • not enter into any offtake agreements, other than on arm's length terms; • ensure that its insurances do not lapse (unless immediately renewed); and • notify the Lender if it becomes aware of any material errors in its public filings or if any of its representations and warranties to the Lender are false or misleading. Notwithstanding any other provision of the Loan Agreement, the Borrower is permitted to raise capital by way of a pro-rata rights issue without the Lender's consent.

Events of Default	The Loan Agreement includes Events of Default which are typical for agreements of this nature, such as failure to pay amounts owing within 2 Business Days of the due date, failure to perform an obligation under the Loan Agreement where that failure cannot be remedied, an application being made to wind up the Borrower, insolvency of the Borrower etc. Additionally, it will be an Event of Default if: • the Borrower fails to perform any obligation under the Loan Agreement and the failure is remediable but is not remedied within 10 Business Days after receipt by the Borrower of a written notice from the Lender in respect of the failure; or • a Prescribed Occurrence occurs. 'Prescribed Occurrence' means: • a member of the Flinders group issuing shares, granting an option over its shares or issuing securities convertible into shares (other than to a wholly-owned subsidiary of the Borrower or via a pro-rata rights issue); • a member of the Flinders group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property; • a member of the Flinders group granting a security interest over any specified mining tenements; • a member of the Flinders group entering into a development, access, transport or offtake agreement or arrangement (or similar) in relation to the Pilbara Iron Ore Project and that is not on arm's length terms; • the Borrower paying or distributing to its members, any dividend, bonus or other share of its profits or assets or returning any capital to its members; or • the Borrower releasing, discharging or modifying any obligation owed to it in excess of $250,000.
Other provisions	The Loan Agreement includes other provisions which are typical in agreements of this nature such as restrictions on assignment, provisions relating to increased costs and illegality etc.