

17 December 2018

**THIS LETTER CONTAINS IMPORTANT INFORMATION ABOUT YOUR FLINDERS MINES LIMITED  
SHAREHOLDING AND REQUIRES YOUR IMMEDIATE ATTENTION**

Dear Shareholder

**Unmarketable Parcels Sale Facility**

I am writing to advise all shareholders who hold less than A\$500 worth of fully paid ordinary shares (**unmarketable parcel**) in Flinders Mines Limited (**Flinders** or **Company**), as of today's date, that Flinders is implementing an unmarketable parcels share sale facility (**Unmarketable Parcels Sale Facility**) under clause 9 of Flinders' constitution.

Our records indicate that, as at 4pm (Perth time) on Wednesday, 12 December 2018, you were the holder of an unmarketable parcel of shares, (i.e. 7,143 shares or less). Your holding has therefore been included in the Unmarketable Parcels Sale Facility. If the market value of your holding remains less than A\$500, your Flinders shares will be sold in accordance with the Company's constitution, unless you notify the Company in writing by Tuesday, 29 January 2019 that you wish to keep your shares.

**If you wish to retain your shares you must complete and return the enclosed Share Retention Form.**

**If you wish to sell your shares under the Unmarketable Parcels Sale Facility you do not need to take any action.**

**Sale Price**

The price that will be paid to shareholders for each share sold through the Unmarketable Parcels Sale Facility will be \$0.075 per share, which is equal to the 30 day volume weighted average price of shares sold on the Australian Securities Exchange (**ASX**) up to and including the closing price on 12 December 2018. As required by Flinders' constitution, this price is not less than the average of the last sale price of shares on the ASX for each of the 10 trading days immediately preceding the ASX announcement made by Flinders on 13 December 2018.

Flinders will bear all expenses (excluding the tax consequences for individual unmarketable parcels shareholders) relating to sales under the Unmarketable Parcels Sale Facility. There will be no brokerage charged to holders of unmarketable parcels.

Flinders will seek offers for all unmarketable parcels during the period up to Tuesday, 29 January 2019. If Flinders cannot find any buyers for all or some of the unmarketable parcels at \$0.075 per share, then the Company's largest shareholder, TIO (NZ) Limited, has offered to buy all or any of the remaining unmarketable parcels at \$0.075 per share.

**Ability to Opt Out**

You may elect to respond to this letter and prevent the sale of your holding under the Unmarketable Parcels Sale Facility.

### **What do I need to do to Opt Out?**

If you wish to retain your Flinders shares, you must complete the enclosed Share Retention Form and return it so that it is received by Flinders' share registry by 5pm (Perth time) on Tuesday 29 January 2019, which is the end of the notice period (**Notice Period**).

If you do nothing (i.e. you do not return a completed Share Retention Form and your Flinders shareholding remains an unmarketable parcel), your Flinders shares will be sold as soon as practicable following the end of the Notice Period.

### **Why is Flinders implementing an Unmarketable Parcels Sale Facility?**

Flinders appreciates the support of all shareholders. However, Flinders incurs significant administrative costs in producing and distributing shareholding statements, annual reports, notices of meeting and other communications, irrespective of the size of the shareholding. The cost of maintaining shareholder accounts can be disproportionately high when compared with the dollar value of small shareholdings. In addition, investors holding small numbers of shares may find it difficult or expensive to dispose of those shares through the normal means.

Additionally, as announced on the Australian Securities Exchange (**ASX**) on 13 December 2018 and further clarified on 14 December 2018, Flinders is proposing to de-list from the ASX subject to, among other things, shareholder approval. If the de-listing proceeds the Unmarketable Parcels Sale Facility also provides a brokerage free exit opportunity for holders of unmarketable parcels who do not wish to hold shares in an unlisted Flinders. We strongly encourage you to read the two ASX announcements and Flinders' notice of meeting for the de-listing (due to be released shortly), before taking any further action with respect of your shares.

### **Authority to implement the Unmarketable Parcels Sale Facility**

Clause 9 of Flinders' constitution provides that Flinders may invoke an Unmarketable Parcels Sale Facility to sell those shareholders' share parcels that are less than A\$500 each. This letter satisfies the notice requirements under Flinders' constitution which allows Flinders to invoke the Unmarketable Parcels Sale Facility.

Shareholders who hold unmarketable parcels have the opportunity to inform Flinders that they wish to retain their shareholding by completing and returning the attached Share Retention Form. If Flinders receives the Share Retention Form within the Notice Period, Flinders will not sell those shares. Otherwise, after the Notice Period, the Company is entitled to sell the unmarketable parcels but has discretion not to proceed with Unmarketable Parcels Sale Facility in respect of some or all unmarketable shares, especially where Flinders believes there has been inappropriate share splitting or other non bona fide conduct.

The proceeds of the sale of unmarketable parcels will be remitted to shareholders whose shares were sold in accordance with their instructions.

As noted above, all unmarketable parcels will be sold at \$0.075 per share.

If your shares are in a CHESS holding and remain in a CHESS holding after Tuesday 29 January 2019, and are to be sold under the Unmarketable Parcels Sale Facility, you should note that Flinders may, without further notice to you:

- (a) sell the relevant shares while they remain in your CHESS holding; or

- (b) initiate a holding adjustment to move those shares to an issuer sponsored holding or a certificated holding for the purposes of that sale.

### Sales Process and sale proceeds

The Company will bear all expenses (excluding the tax consequences for individual unmarketable parcels shareholders) in respect of the sale under the Unmarketable Parcels Sale Facility.

The sale of all unmarketable parcels will take place as soon as practicable following the end of the Notice Period. It is expected that the proceeds (in Australian dollars) will be remitted to you in accordance with your instructions, on or about 31 January 2019 and no later than approximately 2 weeks after 29 January 2019. At that time you will be notified of the sale of your share and the proceeds (less any unpaid calls or interest (if any)) will be paid by the Company into a bank account or by cheque as previously nominated by you. Otherwise, the Company will seek instructions from you as to the disbursement of your proceeds. If the Company is unable to deposit your proceeds or does not receive instructions from you as to their disbursement within 24 months, your proceeds will be transferred to ASIC to be dealt with under Part 9.7 of the *Corporations Act 2001* (Cth) or the *Unclaimed Money Act 1990* (WA), as the case may be.

### Change in the value of your holding

If the market value of your Flinders shares increases during the Notice Period, due to an increase in the Flinders' share price, so that your shares that were previously identified by Flinders as being an *unmarketable parcel* become a *marketable parcel* (i.e. their value becomes equal to or greater than A\$500), the Company will not sell your shares.

Alternatively, if you increase your holding of Flinders shares during the Notice Period to a *marketable parcel*, Flinders will not sell your shares. If you sell your Flinders shares prior to the end of the Notice Period, no further action will be taken.

### Timetable

The key events and dates for the Unmarketable Parcels Sale Facility are set out below.

Event	Date
Announcement to ASX	Thursday, 13 December 2018
Record Date	4pm (Perth time) Wednesday, 12 December 2018
Dispatch of letter to unmarketable parcel holders	Monday, 17 December 2018
Last date to receive Share Retention Form	5pm (Perth time) Tuesday 29 January 2019
Transfer of proceeds	Expected on or about 31 January 2019 and no later than 13 February 2019

### Important Notes

Neither Flinders nor Computershare makes any recommendation or gives any advice to you regarding whether to retain your shares or permit them to be sold under the Unmarketable Parcels

Sale Facility. If you are in any doubt about whether to retain your shares or permit them to be sold, please consult your financial or other professional adviser.

Up to date information on the market price of Flinders shares is available from the ASX website ([www.asx.com.au](http://www.asx.com.au)) under the code *FMS*.

If you have any questions regarding how the Unmarketable Parcels Sale Facility works, or you have a number of holdings that you wish to consolidate, please contact the Flinders' Share Registry on 1300 850 505 (within Australia) or on +61 3 9415 4000 (outside Australia).

Yours sincerely,

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

**Neil Warburton**

**Chairman**

**Flinders Mines Limited**