Flinders MINES

Taking PIOP into production

3 March 2020

Disclaimer

This presentation includes information which summarises the terms of binding agreements that Flinders Mines Ltd ("Flinders" or "Company") has entered into with BBI Group Pty Ltd ("BBIG") in relation to an incorporated joint venture for the Pilbara Iron Ore Project ("Transaction Documents"). These Transaction Documents are subject to Flinders' shareholder approval before coming operative. As a summary, the information in this presentation is not complete and does not purport to be complete.

This presentation is authorised by the Board of Flinders Mines Limited. It should be read in conjunction with Flinders' notice of meeting dated 19th December 2019, with respect to shareholder approval of the Transaction Documents and other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange ("ASX"), which are available at www.asx.com.au.

This presentation is current as at the date of the cover page. The information in this presentation remains subject to change. The Company is under no obligation to update the presentation and the information in this presentation remains subject to change by the Company in its absolute discretion and without notice. To the maximum extent permitted by law, the Company and its advisers make no representation and give no assurance, guarantee or warranty, express or implied, as to, and take no responsibility and assume no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omissions, from any information, statement or opinion contained in the presentation.

This presentation may contain forward looking statements and opinion which are provided as a general guide only and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company. While the Company has no reason to believe that any such statements are either false, misleading or incorrect, it cannot and does not warrant or guarantee that through either the passage of time or actions beyond the control of the Company they will not become so. Past performance is not necessarily a guide to future performance and no representation or warranty is made as to the likelihood of achievement or reasonableness of any forward looking statements or other forecast. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements.

Nothing contained in this presentation constitutes investment, legal, tax or other advice.

TIO (NZ) Limited ("TIO") is a majority shareholder in Flinders holding 55.56% of Flinders' shares on issue as at the date of the cover page. TIO owns approximately 94% of BBIG, and TIO is indirectly a wholly-owned subsidiary of Todd Group. TIO and BBIG are therefore related parties of Flinders for the purposes of the Corporations Act 2001 (Cth).

Competent Persons Statement

The information in this report that relates to Mineral Resources was released to ASX on 1 March 2018 and is based on information compiled by John Graindorge who is a Chartered Professional (Geology) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. The Company confirms that the form and context in which the Competent Person's findings are presented have not been modified from the original announcement and, in the case of estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the initial announcement continue to apply and have not materially changed.

The road to developing the PIOP

2002 - 2008
Established an Iron Ore Opportunity

2008 - 2014
Investigated options, all small and sub-economic

2014 - 2016
Various engagements with Todd Corporation

2017 - Today
Strategic reassessment and commercialisation

2002
Listed on the ASX

2003
Entered into the PIOP Joint Venture with Prenti Exploration

2005
Agreed with Fortescue to swap iron ore mining rights for diamond tenements

2008
Drilling commenced on Blacksmith, leading to maiden inferred resource

2011
Terminated the PIOP Joint Venture with Prenti Exploration

Completed PFS for the PIOP, the study highlighted need for access to third-party rail and port infrastructure

2012
Mining licence granted for Blacksmith

2013
Signed MoU with Brockman, no formal agreement concluded

2014
Signed Alliance Agreement with BBIG for access to infrastructure; opex recovery, service charge of A$25/t, foundation user rebate of A$5/t[1] plus 30% of revenue derived from ore sales in excess of A$60/t

Commenced a BFS for the PIOP which was not completed

2015
Entered into Option Agreement with Todd Corporation for $10m upfront plus $55m and ongoing royalty (varying between 1% and 1.75% of sales)
Shareholders did not approve Option Agreement

2016
Unconditional off-market takeover bid by TIO and acquired 53% of Flinders

2017
Strategic review of PIOP completed, PIOP dependent on development of a financeable infrastructure solution to be an economic asset; two possibilities identified – BBIG and another iron ore miner

Flinders engaged with the third-party miner, but determined it was unlikely to gain access to their infrastructure

2018
Maturation programme resulted in a revised JORC Code 2012 Mineral Resource estimate and recommendation to progress discussions on an infrastructure solution

Further review of available strategic options to maximise shareholder value with an independent strategic adviser.

2019
Further strategic review, Independent Infrastructure Committee formed

PwC undertook an independent review of development options for the PIOP

Entered into Farm-in Agreement with BBIG

Notes
1 For first 20Mtpa commitment

Transaction overview

The binding agreements with BBIG establish a framework for Flinders and BBIG to form an incorporated joint venture to develop the PIOP

Stage 1 Pre-FID

BBIG[1] will fund feasibility studies required for a FID for the PIOP spending $15m pa, in exchange for a 10% voting interest and no economic interest

Phase 1
Pre-Completion

Phase 2
Completion to FID

"Off-Ramps" for Flinders prior to FID
- Failure to satisfy Conditions Precedent
- BBIG failure to bring valid FID proposal during the pre-FID period (or, at 30 months, if Flinders reasonably believes BBIG will fail, can seek alternative proposals)

Stage 2 Post-FID

MINING OPTION – Flinders interest is diluted and continues as a 40% free-carried[2] shareholder

ROYALTY OPTION – Flinders converts to a 2.5% gross revenue royalty of 100% of the PIOP ore sales / disposals

Phase 3
FID to Development

Phase 4
Operations

Decision to move to a royalty option is in the hands of minority shareholders if the FMS Board sees this as an appropriate option

Notes
1 Or an entity controlled by it
2 Subject to pro rata responsibility for capital cost overruns above, in some circumstances, an appropriate contingency during construction and costs associated with provision of any required completion security.

Improvements since Terms Sheet

Various enhancements to the transaction have been negotiated – Value to FMS shareholders has improved

- **Increase in annual minimum spend by BBIG**: annual minimum spend during FID phase increased from $10M to $15M
- **Third party user rebate**: rebate to PIOP Mine Co of up to A$2.50/t for any third-party use of the BBIG Project
- **Post PIOP earnings stream**: fee to Flinders only and not the other shareholders of PIOP Mine Co of up to A$1.00/t for any third-party use of the BBIG Project post the completion of mining at the PIOP which is capped at 50 Mtpa and the total product produced and transported from the PIOP.
- **Haulage tariff**: various enhancements to the tariff mechanism including a lowering of the headline tariff, caps on inflation adjustments, a "windowed" commencement period that reduces risk for PIOP Mine Co, an abatement regime which abates the take-or-pay in certain circumstances and an ability to defer payment of the tariff charges under certain circumstances for up to 12 months
- **Excess tonnes**: ability for PIOP to request BBIG to haul excess tonnes at incremental operating cost with no capacity or commodity charge in certain circumstances
- **Completion security**: if required by financiers, BBIG and Equity Funding Party to provide completion security on behalf of Flinders at cost
- **Liability regime**: Improved and more balanced liability regime under the Infrastructure Services Agreement

Operations - commercial protections

The Tariff is an important element of the arrangements and has been documented in detail. Flinders believes the negotiated Tariff represents an attractive commercial outcome for shareholders

OPERATING CHARGE + **CAPACITY CHARGE** + **COMMODITY CHARGE** - **THIRD PARTY USER ADJUSTMENT**

Operating charge

- A pass through of BBIH's operating costs
- No profit element for BBIH
- Only opex relating to PIOP Mine Co, not other customers

Capacity charge + Commodity charge

- PIOP Mine Co's fee for using the infrastructure that enables BBIH to generate a return on its capital investment ($4.7bn current estimate)
- Formula based on the actual cost to build the infrastructure and the prevailing iron ore price and the tariff is CPI indexed
- If infrastructure costs A$4.7bn (current forecast) and based on current mine plan, gives a range from:
  - A$10.25/t based on iron ore price of A$60/dry tonne; up to
  - A$19.25/t based on iron ore price of A$90/dry tonne

Third party user adjustment

- Reduction of up to $2.50/tonne for product railed and handled on the infrastructure for other customers of BBIH

The tariff is on a 'take or pay' with a window mechanism for commencement when ore is ready for shipment

There are risk management mechanisms to protect PIOP Mine Co, such as a make up and abatement regime where there is a non-provision of services by BBIG in certain circumstances

If Flinders proceeds with the Mining Option, it will also be entitled to a $1/tonne payment for all product using the infrastructure after iron ore mining at PIOP has ceased[1]

Notes

1. Capped at the total volume of tonnes shipped by PIOP Mine Co prior to cessation of mining and at 50 million wet tonnes per annum, and not subject to escalation

Reasons to vote in favour

Independent Directors Recommend the Transaction	The Independent Flinders Directors unanimously recommend that you vote in favour of the transaction in the absence of a superior proposal
Fair and Reasonable	The Independent Expert has concluded that the transaction is fair and reasonable
Infrastructure Solution	If the transaction proceeds, it will provide an infrastructure solution for the currently stranded PIOP
Free Carry to Production	Flinders shareholders free-carried[1] through to production, minimising future funding requirements and potential dilution to Flinders Shareholders
Optionality to Reduce Risk	Flinders will have optionality at FID to select the Mining Option or Royalty Option. Minority shareholders will need to approve any move to the Royalty Option
Value	There is potential to achieve an attractive value outcome
No Superior Proposal	Flinders has no immediate alternative to develop the PIOP and no superior proposal has emerged
Impact on Flinders Share Price	Flinders' share price may fall if the transaction does not proceed

Notes

1. Subject to pro rata responsibility for capital cost overruns above, in some circumstances, an appropriate contingency during construction and costs associated with provision of any required completion security

Potential implications of "no" vote

? Difficult to develop the PIOP without raising significant funds, and future capital raises could dilute existing shareholders

? BBIG may be forced to abandon development of the BBI Project as the BBIG State Agreement will expire in September 2020, in which case it would no longer be a potential infrastructure option

? Flinders will need to consider other potentially less optimal development alternatives with unknown timeframes and viability

? Flinders would proceed with activity level commensurate with available funding. Future funding support from TIO may no longer be available to Flinders and Flinders may need to rely largely on minority shareholder support for funding

Summary

- There is potential for Flinders shareholders to achieve an attractive value outcome
- The Independent Infrastructure Committee has negotiated a fair and reasonable transaction with substantial benefits and protections for minority shareholders
- The proposed transaction has been designed as a structured process, with multiple milestones and checkpoints along the way to track progress
- Let’s take PIOP into production. It is time to go mining.