

25 January 2023

# Quarterly Report

For the period ended 31 December 2022

## HIGHLIGHTS

- **Operational and management control of the Pilbara Iron Ore Project (PIOP) returned to the Company;**
- **Farm-in Agreement for Canegrass Project executed with subsidiary of Viking Mines Ltd (ASX:VKA), to minimise tenement costs and provide staged cash payments to the Company;**
- **Mr Rob Foster appointed as TIO (NZ) Limited's nominee Non-executive Director on 6 October 2022; and**
- **Executive capacity of the Company being strengthened with appointment of CFO, Matt Owen and additional executive support to occur shortly.**

Flinders Mines Ltd (ASX:FMS) (**Flinders** or the **Company**) is pleased to provide the following activities report which summarise progress achieved during the quarter ended 31 December 2022 (**December Quarter**).

### Pilbara Iron Ore Project (PIOP)

Activities at PIOP during the December Quarter largely consisted of continued rehabilitation activities, resulting in the conclusion of the 2022 rehabilitation program by BBIH Pty Ltd (**BBIH**). Following termination of the Farm-in Agreement with BBI Group Pty Ltd (**BBIG**), as announced on 5 September 2022, the Company engaged BBIG for a period of 3 months to provide management services for the PIOP. This arrangement with BBIG concluded during the December Quarter with full operational and management control of PIOP now returned to Flinders.

Subsequent to the December Quarter and as announced on 17 January 2023, the Company has entered into binding agreements with BBIG to acquire 100% of the share capital in Forge Resources Swan Pty Ltd (**FRS**).

The FRS Acquisition will occur via a two-stage process:

1. **Stage One** – the Company will acquire FRS, which through its subsidiaries and controlled entities holds the majority of BBIG's assets related to the Infrastructure Project. BBIG's subsidiaries which are parties to the Railway (BBI Rail Aus Pty Ltd) Agreement Act 2017 (WA) (**State Rail Agreement**) (**Rail Entity**) will be retained by BBIG as part of a corporate restructure prior to Stage One completion, with the effect that Flinders will not acquire the State Rail Agreement as part of Stage One; and
2. **Stage Two** – subject to further preconditions being met, the Rail Entity will be transferred to the Company.

The Company will acquire all the shares in FRS at completion of Stage One for a purchase price of \$3.3 million. If the Proposed Transaction proceeds to Stage Two completion, a further \$1 purchase price is payable to BBIG for the purchase of all the shares in the Rail Entity.

The Company and BBIG are endeavouring to satisfy the various conditions to Stage One in the next 3-6 months. The conditions include:

1. Flinders obtaining FIRB approval in relation to the acquisition of the shares in FRS; and
2. completion by BBIG of an internal restructure to give effect to the staged acquisition of the Infrastructure Project and BBIG's retention of assets held by FRS which do not form part of the Infrastructure Project, noting this internal restructure is conditional upon:
  - a. FIRB approval;
  - b. corporate reconstruction relief in respect of the transfer of assets held by FRS which do not form part of the Infrastructure Project to another BBIG subsidiary; and
  - c. consent from the Ngarluma Aboriginal Corporation in relation to the transfer of the assets held by FRS which are not part of the Infrastructure Project to the same BBIG subsidiary.

Stage Two of the Proposed Transaction is conditional upon the guarantors under the State Rail Agreement (which include various subsidiaries of Todd) being fully and finally released from their obligations as guarantors under that agreement, or upon Todd otherwise providing consent to the transfer of the shares in the Rail Entity to the Company. If neither of these events occur within five years, or if the State Rail Agreement is at any stage terminated, Stage Two completion will not occur.

Contemporaneous with working towards achievement of the above conditions, the Company will be progressing trucking options for an accelerated path to market and reviewing a staged development of PIOP which will involve a lower volume trucking operation and the Company looks forward to providing updates to Shareholders as developments occur.

### **Canegrass Project**

As announced during the December Quarter, the Company's wholly owned subsidiary Flinders Canegrass Pty Ltd (**Flinders Canegrass**) entered into a Farm-in Agreement (**Canegrass FIA**) with Viking Critical Minerals Pty Ltd (**Viking Critical Minerals**), a wholly owned subsidiary of Viking Mines Limited (ASX: VKA) (**Viking**), for all minerals on the Canegrass tenements.

Flinders Canegrass is holder of the Canegrass tenements being E58/232, E58/236, E58/282, E58/520, E58/521 and E58/522 (**Canegrass Tenements**), all of which are subject to the Canegrass FIA.

Under the terms of the Canegrass FIA, Viking Critical Minerals has the right to acquire up to a 99% interest in the Canegrass Tenements and related mining information for up to \$4,000,000 expenditure over four stages as summarised below. Flinders Canegrass will also receive joint venture cash payments from Viking Critical Minerals at completion of each stage - totalling \$1,250,000. In consideration for executing this agreement, Viking Critical Minerals paid a non-refundable deposit of \$50,000 to Flinders Canegrass.

<b>Earn-in Stage</b>	<b>JV Cash Payment to FMS</b>	<b>Expenditure</b>	<b>Maximum Earning Period</b>	<b>Equity Interest earned</b>	<b>Acquirer's Total Equity</b>
<b>Signing of agreement</b>	\$50,000	\$0	-	-	-
<b>Stage 1</b>	\$225,000	\$1,000,000	18 months	25%	25%
<b>Stage 2</b>	\$275,000	\$1,000,000	12 months	24%	49%
<b>Stage 3</b>	\$325,000	\$1,000,000	12 months	26%	75%
<b>Stage 4</b>	\$375,000	\$1,000,000	12 months	24%	99%
<b>TOTAL Earn in</b>	<b>\$1,250,000</b>	<b>\$4,000,000</b>	<b>54 months</b>	<b>99%</b>	<b>99%</b>

Post the end of the December Quarter, the Company advised that all conditions precedent to the Canegrass FIA were now complete and exploration work plans would now be developed and executed by Viking Critical Minerals. Canegrass exploration developments will be reported by Flinders in its Quarterly Activity Reports going forward.

### **Corporate**

On 6 October 2022, the Company advised of the appointment of Mr Robert (Rob) Foster as a nominee non-executive Director of the Company's major shareholder, TIO (NZ) Limited. Mr Foster replaced Mr Evan Davies, who resigned from the Board in April 2022.

Mr Matt Owen was appointed as Chief Financial Officer during the December Quarter to replace Ms Rebecca Broughton. Mr Owen, a Chartered Accountant and Governance Professional who brings over 25 years' experience working in finance leadership positions will be supported by an additional executive resource, to be appointed in the short-term, to increase the Company's management capabilities.

The Company's 2022 Annual General Meeting was held on 23 November 2022, where all resolutions were passed on a poll.

### **Financial**

As at 31 December 2022, the Company held \$8.5 million in cash. No substantive direct exploration activities were undertaken by the Company on PIOP or Canegrass. The Company's main activities during the December Quarter centred around negotiations on the Infrastructure Project and early-stage commercial discussions on the staged development of PIOP with third parties.

The Company notes that during the December Quarter, a total of \$111,000 was paid to related parties, including Directors and their associates. Non-executive Director fees paid to TIO (NZ) Limited for the quarter, the major shareholder of the Flinders Mines Limited, were \$16,600 for Director services provided by Mr Rob Foster. Mr Michael Wolley is no longer an employee of TIO (NZ) Limited, however remains as a nominee director of TIO (NZ) Limited. Mr Wolley was paid \$17,500 directly for his services. The Company's independent Directors, Ms Cheryl Edwardes and Messrs Daniel Harris, James Gurry received a combined \$59,500, and \$17,500 was paid to Ms Amy Jiang, a nominee director of the Company's second largest shareholder, OCJ Investment (Australia) Pty Ltd.

## **Conference Call**

Flinders is holding a shareholder conference call on 30 January 2023, 9:30am WST to discuss the Quarterly Report. This call will be led by Ms Cheryl Edwardes, Chair, and Dr Andrew Whitehead, General Manager. Shareholders can register for the conference call at the link below. Questions can be submitted ahead of the discussion to [AWhitehead@flindersmines.com](mailto:AWhitehead@flindersmines.com).

### **Pre-Registration Link:**

<https://attendee.gotowebinar.com/register/6418101588170430807>

Authorised by:

Board of Flinders Mines Limited

For further information please contact:

### **Investors and Shareholders**

Andrew Whitehead

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### **Media**

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### **About Flinders Mines Limited**

Flinders Mines Limited is an ASX-listed (ASX: FMS) exploration and development company focused on the commercialisation of the Pilbara Iron Ore Project (PIOP). The PIOP is located approximately 70km from Tom Price in Western Australia's iron ore-rich Pilbara region.

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**Tenement Schedule**  
For the Quarter ending  
31 December 2022

Tenement No.	Status	Tenement Name	Grant/ Application Date	Expiry Date	Area (Sq Km)	Registered Holder /Applicant	Interest	Related Agreement
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WESTERN AUSTRALIA

Canegrass Project

E58/232	Granted	Boulder Well	29/07/2002	28/07/2023	16.1	Flinders Canegrass Pty Ltd	100%	
E58/236	Granted	Challa	22/03/2002	21/03/2023	12.7	Flinders Canegrass Pty Ltd	100%	
E58/282	Granted	HoneyPot	3/05/2007	2/05/2023	24.2	Flinders Canegrass Pty Ltd	100%	
E58/520 <sup>3</sup>	Granted	Waramboo	14/09/2017	13/09/2027	3.1	Flinders Canegrass Pty Ltd	100%	
E58/521 <sup>3</sup>	Granted	Waramboo	14/09/2017	13/09/2027	15.1	Flinders Canegrass Pty Ltd	100%	
E58/522 <sup>3</sup>	Granted	Waramboo	14/09/2017	13/09/2027	24.1	Flinders Canegrass Pty Ltd	100%	

Pilbara Iron Ore Project (PIOP)<sup>1</sup>

R47/21 <sup>2</sup>	Granted	Anvil	30/01/2020	29/01/2023	44.4	PIOP Mine Co NL	100%	Prenti Agreement
L47/728	Granted	PIOP Airstrip	29/05/2015	28/05/2036	3.0	PIOP Mine Co NL	100%	
L47/730	Granted	PIOP Village	29/05/2015	28/05/2036	0.1	PIOP Mine Co NL	100%	
L47/731	Granted	Northern Road	18/11/2019	17/11/2040	4.9	PIOP Mine Co NL	100%	
L47/734	Granted	Southern Road	29/05/2015	28/05/2036	4.2	PIOP Mine Co NL	100%	
M47/1451	Granted	Blacksmith ML	26/03/2012	25/03/2033	111.6	PIOP Mine Co NL	100%	Prenti Agreement

- Tenements related to the PIOP were transferred to PIOP Mine Co NL, along with the relevant regulatory approvals.
- E47/1560 was converted to a retention licence (R47/21) on 30/01/2020. R47/21 is not subject to any statutory minimum expenditure obligations which allows the Company to minimise activities and costs associated with the tenement. EOT submitted 8 December 2022
- E58/520, and 522 Extension of Term (EOT) granted – E58/521 EOT granted on the 18/01/2023.