



ASX ANNOUNCEMENT

10 February 2021

Letter to Shareholders

Dear shareholders,

I wanted to take this opportunity to update you following our announcement last year that our farm-in partner BBI Group Pty Ltd (BBIG), had approached the company about a potential transaction that would result in Flinders retaining 100% ownership of the Pilbara Iron Ore Project (PIOP) as well as acquiring 100% of BBIG's port and rail infrastructure assets (Proposed Transaction).

BBIG has proposed that the development of the BBIG infrastructure and the PIOP mine as an integrated project within one corporate group would better facilitate potential financing of the integrated project development. BBIG provided a Non-Binding Indicative Offer (NBIO) proposing Flinders purchase the BBIG subsidiary that holds 100% of the port and rail infrastructure, including the State Rail Agreement and the associated tenements and licences, for a nominal sum of \$1 plus a 5% FOB sales royalty of all product handled at the proposed new facilities at Balla Balla Port.

The Independent Directors of Flinders, that is those not associated with our major shareholder TIO (NZ) Limited (Neil Warburton, Cheryl Edwardes and James Gurry) formed the view that the concept was potentially attractive as it provides the opportunity for Flinders to own its own infrastructure and to develop the mine, rail and port as an integrated project and should therefore be further investigated.

A Board sub-committee made up of myself as Chair, Independent Directors Cheryl Edwardes and James Gurry and our General Manager Dr Andrew Whitehead has been formed along with the appointment of independent external advisers to assess and negotiate the concept put forward by BBIG. Negotiations with BBIG are underway and are critical to ensuring that any future agreement put to shareholders by the Independent Directors is in your best interests.

The Board sub-committee are meeting regularly with BBIG and these commercial negotiations will continue to endeavor to reach a satisfactory conclusion. If an in-principle agreement is reached there is another period where formal documents are drawn up and need to be executed.

If an agreement is reached on a proposed transaction that the Independent Directors believe is in the best interests of all shareholders, it will be your decision, as shareholders, whether to accept it. TIO (NZ) Limited, because of its association and shareholding in BBIG, will not be able to vote on any proposed transaction. It is also important to note that the TIO nominee directors (Messrs Michael Wolley and Evan Davies) on the Flinders Board are also governed by strict conflict management protocols throughout this process.

If an agreement is reached, a shareholder meeting will be held and you will be provided with full and detailed information to help you make an informed decision. As well as a detailed explanatory memorandum we will also engage an Independent Expert, whose job will be to determine whether a proposed transaction is considered fair and reasonable for non-associated shareholders, ie those shareholders other than TIO (NZ) Limited.

Flinders is determined to be open and transparent throughout this process and intend to actively engage with shareholders to help you understand the potential benefits of any proposed transaction. The

company will provide announcements, corporate presentations, hold webcasts and respond to phone calls and emails.

While we appreciate this is a lengthy process and there may be extended periods where we are unable to provide any updates, we do intend to communicate with shareholders as relevant information comes to hand.

It must be stated that there can be no certainty that any new agreement will be finalised with BBIG. The existing Farm-In Agreement (FIA) is still actively being progressed and monitored with regular quarterly meetings held by PIOP MineCo NL. The latest update on the progress under the existing FIA can be found in the Flinders' December Quarterly Activities Report released to the ASX on 28 January 2021.

Thank you

Neil Warburton

Non-Executive Chairman

Authorised by:

The Board of Flinders Mines Limited

Investors and Shareholders

Andrew Whitehead

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Media

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