

30 October 2019

Quarterly Report

For the period ending 30 September 2019

Corporate Activities

Flinders Mines Limited (**Flinders** or the **Company**) continued to progress discussions with BBI Group Pty Ltd (**BBIG**) during the quarter around a potential infrastructure arrangement for the Pilbara Iron Ore Project (**PIOP**).

On 2 September 2019 Flinders announced:

- completion by PwC of an independent review of infrastructure alternatives (**Independent Review**), which concluded the Balla Balla Infrastructure Project (**BBIG Project**) was the most favourable infrastructure option for the PIOP;
- signing of a non-binding terms sheet (**Terms Sheet**) with BBIG in relation to a farm-in and joint venture arrangement for the PIOP development, covering mining, transport and sale of product (the **Proposed Transaction**); and
- entry into:
 - a \$5 million unsecured loan facility agreement (**Loan Facility**) with PIO Mines Pty Limited (**PIO**), a subsidiary of the Company's largest shareholder TIO (NZ) Limited (**TIO**); and
 - a subscription agreement (**Subscription Agreement**) with TIO for a maximum of \$6 million in relation to a future rights issue.

Flinders is currently in the process of negotiating binding agreements to give effect to the principles in the Terms Sheet (**Transaction Documents**). Importantly, the Proposed Transaction will be subject to the approval of Flinders shareholders, with TIO excluded from voting as it is a related party to BBIG. An independent expert's report will also be prepared, which will opine on whether the Proposed Transaction is fair and reasonable to all Flinders shareholders.

The negotiation with BBIG of the binding Transaction Documents has progressed well. The primary Transaction Documents include a Farm-In Agreement, Infrastructure Services Agreement, Management Agreement, Shareholders Agreement and associated Constitution for the joint venture entity and a Marketing and Sales Agency Agreement. The focus of the negotiations has been to ensure the agreements in total deliver value to all Flinders shareholders through the development of the PIOP mine, whilst ensuring appropriate risk allocation is achieved. Achieving these objectives has and continues to involve extensive negotiation and documentation with numerous parties. At the time of this report, substantial progress has been made and the Flinders PIOP Infrastructure Committee, consisting of the Company's independent directors and CEO, believes that the time being taken to negotiate and finalise this important set of arrangements will assist in the creation of a strong financial and commercial basis for the proposed development of the PIOP in joint venture with BBIG.

The Company is targeting completion of the required documentation in the December 2019 quarter with the view to holding an EGM for shareholders to vote on the Proposed Transaction in early 2020. On the basis of successful completion of the negotiations prior to the end of 2019, the Company proposes to hold the EGM no earlier than 13 January 2020.

As announced on 17 June 2019, the Company commenced a Board renewal process with the appointment of the Hon. Ms Cheryl Edwardes AM as an independent Non-Executive Director and subsequently Deputy Chair. The Board, in consultation with the Company's minority shareholders, continued this process during the September 2019 quarter with the appointment of Mr James Gurry as an additional independent Non-Executive Director.

Mr Gurry is a leading equity analyst with extensive research experience in the iron ore sector. His most recent role was as Director – Corporate & Investment Bank, and Head of Natural Resources Equity Research with Deutsche Bank Equities Australia, and previous roles have included equity research with Credit Suisse Equities in both Sydney and London where he was Head of Mining Company Research. He started his career in the Transaction Advisory Services Division of Ernst & Young, Melbourne. Mr Gurry holds a Bachelor of Commerce (Honours) in Accounting and Finance.

Financial

As at 30 September 2019, the Company had \$4.411 million in cash, a \$3 million unsecured loan facility with PIO, repayable on or before 30 June 2022 and a further \$5 million unsecured loan facility with PIO, repayable on the earlier of 30 April 2020 or within 14 days of the closing of any capital raising by Flinders by way of a pro rata rights issue. Both PIO loan facilities are fully drawn. The loans carry an interest rate equivalent to the 6-month bank bill swap rate plus 2% per annum (with interest capitalised) as previously disclosed.

Operational Activities

During the period the Company focussed on the progression of an integrated farm-in joint venture and associated arrangements with BBIG . Accordingly, no material on-ground work or in-house technical work was advanced on either the PIOP or Canegrass projects.

For more details, please contact;

Shareholders Contact

CEO
David McAdam
08 9389 4483

Media Contact

Citadel Magnus
Michael Weir / Cameron Gilenko
0402 347 032 / 0466 984 953

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. The Company is currently negotiating a farm-in joint venture with BBIG that will lead to the potential development of the PIOP.

Tenement Schedule

For the Quarter ending
30 September 2019

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 Project¹

E58/232	Granted	Boulder Well	29/07/2002	28/07/2020	16.1	Flinders Canegrass Pty Ltd	100%	
E58/236	Granted	Challa	22/03/2002	21/03/2020	16.1	Flinders Canegrass Pty Ltd	100%	
E58/282	Granted	HoneyPot	3/05/2007	2/05/2020	27.2	Flinders Canegrass Pty Ltd	100%	
E58/520	Granted	Waramboo	14/09/2017	13/09/2022	3.1	Flinders Canegrass Pty Ltd	100%	
E58/521	Granted	Waramboo	14/09/2017	13/09/2022	15.1	Flinders Canegrass Pty Ltd	100%	
E58/522	Granted	Waramboo	14/09/2017	13/09/2022	24.1	Flinders Canegrass Pty Ltd	100%	

Pilbara Iron Ore Project²

E47/1560	Granted	Anvil	6/09/2007	5/09/2020	44.4	Flinders Mines Ltd	100%	Prenti Agreement
L47/728	Granted	PIOP Airstrip	29/05/2015	28/05/2036	3.0	Flinders Mines Ltd	100%	
L47/730	Granted	PIOP Village	29/05/2015	28/05/2036	0.1	Flinders Mines Ltd	100%	
L47/731	Application	Northern Road	1/09/2014		4.9	Flinders Mines Ltd	100%	
L47/734	Granted	Southern Road	29/05/2015	28/05/2036	4.2	Flinders Mines Ltd	100%	
M47/1451	Granted	Blacksmith ML	26/03/2012	25/03/2033	111.6	Flinders Mines Ltd	100%	Prenti Agreement

SOUTH AUSTRALIA

Jamestown Project

EL5557 ³	Granted	Washpool	10/11/2014	9/11/2019	135.0	PNX Metals Limited	Gold, Copper	Phoenix Copper Agreement
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1. E58/232, E58/236 and E58/282 are the subject of a current granted extension of term. A further extension of term will be applied for prior to the expiry of the current term.
2. E47/1560 is the subject of a current granted extension of term. A further extension of term will be applied for prior to the expiry of the current term.
3. Subject to renewal application EL2019/00085.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Flinders Mines Limited

ABN

46 091 118 044

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(664)	(664)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(1,631)	(1,631)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	6
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,289)	(2,289)

2. Cash flows from investing activities

- 2.1 Payments to acquire:
- (a) property, plant and equipment
 - (b) tenements (see item 10)
 - (c) investments
 - (d) other non-current assets

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	5,000	5,000
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	5,000	5,000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,700	1,700
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,289)	(2,289)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,000	5,000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,411	4,411

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5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,411	1,700
5.2 Call deposits	-	-
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,411	1,700

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	221
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Non-Executive and Executive Directors Fees for the quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	94
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Non-Executive Directors fees paid to TIO (NZ) Limited) for the quarter, a major shareholder of Flinders Mines Limited (\$60k).
Company Secretarial services paid to Evolution Corporate Services for the quarter, a company related to Ms Shannon Coates (\$34k).

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Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	8,000	8,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
<ol style="list-style-type: none"> 1. Unsecured A\$3.0m loan facility provided by PIO Mines Pty Limited, a subsidiary of the major shareholder, at an interest rate of 3.88%pa. A\$3m was drawn on 22 March 2019. 2. Unsecured A\$5.0m loan facility provided by PIO Mines Pty Limited, a subsidiary of the major shareholder, at an average interest rate of 2.515%pa. A\$2.5m was drawn on 5 September 2019 and 13 September 2019 respectively. 		

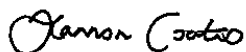
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	819
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	2,993
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	3,811

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



30 October 2019

Sign here:

(Company secretary)

Print name:

Shannon Coates

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.