

31 January 2020

Quarterly Report

For the period ending 31 December 2019

Proposed BBIG Transaction

During the December quarter, Flinders Mines Limited (**Flinders** or the **Company**) negotiated binding agreements and associated documents (**Transaction Documents**) with BBI Group Pty Ltd (**BBIG**) in relation to a farm-in incorporated joint venture for Flinders' flagship Pilbara Iron Ore Project (**PIOP**), subject to Flinders' shareholder approval (**Proposed Transaction**) at an Extraordinary General Meeting.

The primary Transaction Documents included 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 Transaction Documents remain subject to Flinders' shareholder approval, with TIO (NZ) Limited (TIO) (Flinders' majority shareholder) excluded from voting.

The Proposed Transaction is consistent with the framework outlined in the non-binding terms sheet (**Terms Sheet**) announced by Flinders on 2 September 2019 and provides a pathway for development of the PIOP.

During the quarter, the Company continued to finalise the Notice of Meeting and Explanatory Memorandum for the Extraordinary General Meeting (**Notice of Meeting**). The Notice of Meeting includes a detailed description of the Proposed Transaction, benefits and risks and an Independent Expert's Report from Grant Samuel & Associates Pty Limited.

Following ASX and ASIC statutory review during the quarter, the Notice of Meeting was released on ASX and despatched to shareholders on 30 January 2020. The Notice of Meeting sets out the detail of the Proposed Transaction, with the Extraordinary General Meeting for approval of the Proposed Transaction scheduled to be held on 3 March 2020.

As set out in the Notice of Meeting, the Proposed Transaction provides a pathway for the Company to develop the PIOP so that after almost 20 years of exploration and development activities, this asset can take the next step towards the creation of a mining company. The structure of the Proposed Transaction follows a well proven and successful farm in joint venture arrangement and enables the PIOP to be developed on a free carried basis for Flinders' shareholder, subject to certain conditions as explained in the Notice of Meeting. The Proposed Transaction has been declared as fair and reasonable by the Independent Expert and all the Independent Directors have voted in favour of the arrangements. The approach has the potential to create value uplift for the shareholders, whilst putting in place strong governance and risk management processes to protect the interests of minority shareholders.

Financial

As at 31 December 2019, the Company had \$1,183,000 million in cash. The Company had a \$3 million unsecured loan facility with PIO Mines Pty Limited (**PIO**), a subsidiary of TIO, repayable on or before 30 June 2022, and a further \$7 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. The PIO loan facilities have been fully drawn down. 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.

As announced on 20 December 2019, the Company varied the terms of the subscription agreement it has with TIO (**Subscription Agreement**) with TIO agreeing to subscribe for a further \$2 million in relation to a future rights issue, being a total of \$8 million under the Subscription Agreement.

As required pursuant to Item 6.1 of the Company's Appendix 5B – Quarterly Cashflow Report for the quarter ended 31 December 2019, the Company notes that during the quarter, a total of \$210,000 was paid to related parties, including Directors and their associates. Of this, \$59,500 in Non-executive Director fees was paid to TIO for Director services provided by Messrs Michael Wolley and Evan Davies and \$21,000 in company secretarial fees was paid to Evolution Corporate Services, a company associated with former Director Ms Shannon Coates.

Operational Activities

During the period, the Company focussed on the finalisation of the Proposed Transaction and associated Notice of Meeting and Independent Expert's Report. Accordingly, no material on-ground work or in-house technical work was advanced on either the PIOP or Canegrass projects.

Corporate Activities

As part of the Company's Board renewal process first announced on 17 June 2019, Ms Shannon Coates resigned as Non-Executive Director on 25 November 2019. Ms Coates remains as Joint Company Secretary of the Company. The composition of the Board remains as a majority of independent Non-Executive Directors, with a wide range of skills required to advance the PIOP.

Pursuant to the terms of the contract for the provision of Chief Executive Officer services by Mr David McAdam, announced on 9 July 2019, Mr McAdam is entitled to a once off success fee payment in the event the Company has a binding agreement approved by the Company's shareholders for an infrastructure solution for the PIOP before 31 December 2019. During the quarter, the Company extended the end date for satisfaction of the requirement from 31 December 2019 to 31 January 2020. Post the end of the quarter, the Company extend this date to 31 March 2020.

Authorised by:
Board of Flinders Mines Limited

For further information please contact:

Investors and Shareholders

David McAdam
CEO – 0407 708 875

Media

Michael Weir
Citadel-MAGNUS – 0402 347 032

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.

Tenement Schedule

For the Quarter ending
31 December 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 or oil and gas exploration entity quarterly cash flow report

Name of entity

FLINDERS MINES LIMITED

ABN

46 091 118 044

Quarter ended ("current quarter")

31 DECEMBER 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(2,011)	(3,642)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	12
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(2,005)	(3,630)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(1,223)	(1,887)
	(e) investments	-	-
	(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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	(1,223)	(1,887)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,411	1,700
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,005)	(3,630)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,223)	(1,887)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,000

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Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,183	1,183

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	1,183	4,411
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)	1,183	4,411

6. Payments to related parties of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	210
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Non-executive Director fees paid to TIO (NZ) Limited for the quarter, the major shareholder of the Flinders Mines Limited, of \$59k for Director services provided by Messrs Michael Wolley and Evan Davies.

Non-executive Director fees paid to the Company's independent Directors, Messrs Warburton, Gurry, Mss Edwardes and Coates, of \$130k for the quarter.

Company secretarial fees paid to Evolution Corporate Services, a company associated with former Director Ms Shannon Coates, of \$21k for the quarter.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	10,000	8,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	10,000	8,000

7.5 Unused financing facilities available at quarter end	2,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing 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 related entity of the major shareholder, TIO (NZ) Limited, at an interest rate of 3.88%pa. A\$3m was drawn on 22 March 2019. 2. Unsecured A\$7.0m loan facility provided by PIO Mines Pty Limited, a related entity of the major shareholder, TIO (NZ) Limited, at an average interest rate of 2.515%pa. A\$2.5m was drawn on each of 5 September 2019 and 13 September 2019 respectively. The loan facility was increased by A\$2.0m on 20 December 2019 and drawn on 6 January 2020. 	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,005)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,223)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(3,228)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,183
8.5 Unused finance facilities available at quarter end (Item 7.5)	2,000
8.6 Total available funding (Item 8.4 + Item 8.5)	3,183
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Yes.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

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Answer:

The Company is holding an Extraordinary General Meeting on 3 March 2020 for shareholders to vote on a proposed transaction with BBI Group Pty Ltd, a subsidiary of the Company's major shareholder, TIO (NZ) Limited. Following this meeting, a non-renounceable rights issue is planned to take place to raise funds to repay the major shareholder loans and provide working capital for the Company. The Company's major shareholder has committed to subscribe for at least \$8 million in the proposed rights issue, subject to certain conditions. See the Company's announcement on 20 December 2019.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, see response in 8.8(1) and (2).

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.

31 January 2020

Date:

Board of Flinders Mines Limited

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg *Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.