

30 April 2020

## Quarterly Report

For the period ending 31 March 2020

### HIGHLIGHTS

- **BBIG Transaction on PIOP approved by shareholders**
- **Company launched \$14.52m Entitlement Offer, completed post quarter end**

### Pilbara Iron Ore Project (PIOP)

During the quarter ending 31 March 2020, Flinders Mines Limited (**Flinders** or the **Company**) received shareholder approval to proceed with a farm-in incorporated joint venture with BBI Group Pty Ltd (**BBIG**) in relation to the Company's flagship Pilbara Iron Ore Project (**PIOP**). Flinders' major shareholder, TIO (NZ) Limited (**TIO**) was excluded from voting.

The Company is now in the process of finalising the Conditions Precedent to the various Transaction Documents with BBIG, including 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 impacts of the COVID-19 pandemic are being monitored and remain uncertain. The Government-imposed restrictions on international and domestic travel and potential FIRB delays may have a negative impact on the timeframe and costs to develop PIOP.

As was disclosed in the Company's Entitlement Offer booklet (see below), the Federal Government announced in the last week of March 2020 that Foreign Investment Review Board (FIRB) applications will be subject to an extended review process and this may result in FIRB applications taking up to 6 months to be processed. In the first week of April 2020, FIRB sought consent from the Company to an approximate 6 month extension to the Company's FIRB application statutory deadline, to take this to 6 October 2020. The Company agreed to this request but requested to FIRB that the application be considered as soon as practicable in any event. FIRB subsequently advised on 21 April 2020 that the expected date for a decision is 20 August 2020.

During the quarter, the Company also completed a Scoping Study on PIOP (see ASX announcement "Pilbara Iron Ore Project Scoping Study Results", 7 January 2020). No material on-ground work or in-house technical work was advanced on PIOP.

### Financial

As at 31 March 2020, the Company had \$0.648 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 entitlement offer, or by 30 June 2020 should the proceeds of the entitlement offer be insufficient for Flinders to repay the \$7 million unsecured loan from PIO in full, whilst retaining a minimum \$3 million in working capital. 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, increasing the total to \$8 million under the Subscription Agreement.

On 31 March 2020, the Company announced a non-renounceable pro-rata entitlement offer (**Entitlement Offer** or **Offer**) at A\$0.025 (2.5 cents) per share to raise approximately A\$14.52 million.

The Entitlement Offer was for approximately 580,861,680 new fully paid ordinary shares in the Company (**New Shares**) on the basis of one (1) New Share for every six (6) existing shares held by eligible shareholders on the Record Date (**Entitlement**). The offer price is a discount of approximately 24.7% to the 5-day volume weighted average price of Flinders' shares on the ASX for the period ending 30 March 2020.

The proceeds of the Entitlement Offer were to be used to repay the \$7 million unsecured PIO loan that is due on 30 April 2020 (plus interest), fees associated with the BBIG Transaction, and to provide working capital, including any costs of the Offer. The Company noted that, should the proceeds be insufficient for Flinders to repay the unsecured \$7 million loan from PIO in full, whilst retaining a minimum \$3 million in working capital, then the loan was to be partially repaid and a second capital raise considered to ensure the balance of the loan is repaid by 30 June 2020 as agreed with PIO. Full details of the use of funds are contained in the Offer Booklet announced on 31 March 2020. As announced on 28 April 2020, the Company received valid applications for a total of 347,892,602 New Shares raising \$8,697,315.80 (before issue costs). These funds will be used to repay \$5,624,406.80 of the \$7 million unsecured loan from PIO, fees associated with the BBI Group Pty Ltd transaction recently approved by shareholders, and to provide working capital, including any costs of the Offer.

The Company notes that during the quarter, a total of \$161,000 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.

### **Canegrass Project**

Laboratory metallurgical test work was conducted on samples from Canegrass to commence the assessment of the ore characteristics. Further results will be released in future reports.

### **Corporate Activities**

During the quarter, the Company undertook a preliminary review of the management requirements post the successful vote for the BBIG transaction. This included a general review of all senior management and consultants.

The service contract for Flinders' CEO, Mr David McAdam, was structured to enable appropriate focus on commitment to the BBIG Transaction. With that process now moving to the implementation stage, the Board reviewed management requirements and Mr McAdam's current service contract will end on 23 June 2020.

Mr McAdam will continue in his current role to progress the planned fund raisings and a number of other matters associated with the BBIG Farm-in Agreement. The Board intends to undertake a range of executive and governance resource reviews based on the Company's future work requirements, updates on which will be provided in due course.

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.

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**Tenement Schedule**  
For the Quarter ending  
31 March 2020

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<sup>1</sup>

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	21/03/2021	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 Project

E47/21 <sup>2</sup>	Granted	Anvil	30/01/2020	29/01/2023	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	10/11/2019	17/11/2040	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

EL6430	Granted	Washpool	10/11/2019	9/11/2021	135.0	PNX Metals Limited	Gold, Copper	Phoenix Copper Agreement
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1. E58/282 is the subject of a current granted extension of term. E58/232 will be subject to a further extension of term prior to the expiry of the current term.
2. 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.

## 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 MARCH 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
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	(1,465)	(5,107)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	15
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)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,462)</b>	<b>(5,092)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(1,054)	(2,941)
	(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 (9 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,054)</b>	<b>(2,941)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(19)	(19)
3.5	Proceeds from borrowings	2,000	7,000
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,981</b>	<b>6,981</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,183	1,700
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,462)	(5,092)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,054)	(2,941)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,981	6,981

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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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>648</b>	<b>648</b>

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	648	1,183
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>648</b>	<b>1,183</b>

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

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
161
-

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 and Ms Edwardes, of \$101k for the quarter.

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

7. <b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	10,000	10,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	10,000	10,000

7.5 <b>Unused financing facilities available at quarter end</b>	-
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.	
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.	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,462)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,054)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,516)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	648
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	648
8.7 <b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	0

- 8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:
- 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, see response below 8.8(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 announced a non-renounceable entitlement offer on 31 March 2020 seeking to raise approximately \$14.52m.

The proceeds will be used to repay the unsecured \$7m short term loan provided by PIO Mines Pty Ltd (PIO), a subsidiary of the Company's largest shareholder, fees associated with the BBI Group Pty Ltd transaction recently approved by shareholders, and to provide working capital, including any costs of the offer. Should the proceeds be insufficient for the Company to repay the unsecured short term loan with PIO in full whilst retaining \$3m in working capital, then the loan will be partially repaid and a second capital raise will be considered to ensure the balance of the loan is repaid by 30 June 2020 as agreed with PIO.

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.

30 April 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

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

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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.

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