

14 DECEMBER 2020

NON-BINDING INDICATIVE PROPOSAL FROM BBIG REGARDING POTENTIAL RESTRUCTURING OPPORTUNITY

Flinders Mines Limited (the **Company**) advises that it has received a non-binding indicative offer (**NBIO**) from BBI Group Pty Ltd (**BBIG**) in relation to a potential ownership restructuring opportunity of the infrastructure associated with the Company's flagship Pilbara Iron Ore Project (**PIOP**).

Background

In March 2020, Flinders' shareholders approved a farm-in incorporated joint venture (**FIA**) with BBIG in relation to the PIOP, the material terms of which are disclosed in the Notice of Meeting announced to ASX on 30 January 2020. BBIG is majority owned by Flinders' major shareholder TIO (NZ) Limited.

During the quarter ended 30 September 2020, all conditions precedent for the FIA were satisfied or waived and BBIH Pty Limited (**BBIH**), a wholly owned subsidiary of BBIG, was appointed as Manager of the PIOP. BBIH commenced activities associated with the advancement of the PIOP Feasibility Study.

NBIO

BBIG has approached the Company to commence a discussion about a potential transaction that would result in Flinders retaining 100% ownership of the PIOP as well as 100% of BBIG's port and rail infrastructure assets. 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 financing of the project development.

On 7 December 2020, Flinders received the NBIO from BBIG proposing Flinders purchase 100% of the issued share capital of Forge Resources Swan Pty Ltd (**FRS**), a wholly owned subsidiary of BBIG which holds BBIG's port and rail subsidiaries and infrastructure, including the agreement under the Railway (BBIG Rail Aus Pty Ltd) Agreement Act 2017 (**State Rail Agreement**) (**Proposed Transaction**) for a nominal sum of \$1. Also proposed is the assumption of an FRS obligation to BBIG of a 5% royalty, based on the FOB sales value of all product handled at the FRS facilities at the Balla Balla Port.

The NBIO notes the Proposed Transaction would be subject to the following conditions precedent:

- Due diligence by both parties;
- Approval of both BBIG and Flinders' Boards;
- Approval of ASIC and ASX where required;
- Approval of the West Australian and Federal governments where required;
- Approval of Flinders' and BBIG shareholders where required.

Should a transaction be agreed by Flinders, the current FIA with BBIG would no longer be relevant as the full development would be undertaken by Flinders. In recognition of this, BBIG has indicated that it would provide notice to Flinders of withdrawal from the farm-in to PIOP as contemplated by the existing FIA and would pay the termination obligations to Flinders as set out in the FIA.

The Flinders' Board has reviewed the NBIO and the Non-Executive Directors, who are independent of TIO (NZ) Limited (**Independent Directors**), have formed the view that the proposal should be further

investigated. As such the Independent Directors intend to hold further discussions with BBIG on potential terms that may be in the best interests of Flinders.

Shareholders will be updated in regard to any material developments.

There is no guarantee that the Proposed Transaction or any transaction will eventuate from these discussions.

Authorised by:
Board of Flinders Mines Limited

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