

29 July 2019

Quarterly Report

For the period ending 30 June 2019

Overview

Flinders Mines Limited (**Flinders** or the **Company**) continued to progress the Pilbara Iron Ore Project (**PIOP**) during the June quarter. The focus of the work shifted from further de-risking of the iron ore resource to progressing a suitable infrastructure solution.

The Board mandated the establishment of the PIOP Infrastructure Committee, which continued to progress preliminary discussions with BBI Group Pty Ltd (**BBIG**) around a potential infrastructure arrangement.

Corporate Activities

An Extraordinary General Meeting (**EGM**) was held on 8 May 2019 in response to a to a shareholder notice under s249D of the *Corporations Act 2001* (Cth). The results of the EGM were announced on 9 May 2019.

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. Ms Edwardes has been appointed as Deputy Chairperson of the Board, Chairperson of the Audit and Risk and PIOP Infrastructure Committees and a member of the Nominations and Remuneration Committee.

On 10 July 2019, Mr David McAdam resigned as Executive Director and has been appointed as Chief Executive Officer of the Company.

The Company is continuing its process to identify further independent directors, including engaging with minority shareholders, and will update shareholders in due course.

Strategic Path

The Board mandated the establishment of the PIOP Infrastructure Committee to consider potential infrastructure alternatives for the PIOP. The PIOP Infrastructure Committee currently comprises Ms Edwardes (Chair), Mr Neil Warburton, Mr David McAdam and Ms Shannon Coates.

The PIOP Infrastructure Committee has engaged Price Waterhouse Coopers (**PwC**) as the independent consultant to provide an assessment of the potential infrastructure alternatives for PIOP, including BBIG, based on the following criteria:

- sufficient existing or proposed port and rail capacity to accommodate the PIOP's anticipated ore volumes;
- timeliness of delivery of the required infrastructure solution;
- potential to assist Flinders in securing development finance for the PIOP;
- commercial motivation and technical capacity of the counterparty to deliver an infrastructure solution; and
- economic viability of the infrastructure solution in relation to the PIOP and its capacity to deliver appropriate returns to shareholders.

The keys results of the independent assessment are expected to be released before the end of August 2019.

During the quarter the PIOP Infrastructure Committee progressed preliminary discussions with BBIG around a potential infrastructure arrangement.

If the independent assessment recommends pursuing an infrastructure solution with BBIG, shareholders will have the opportunity to vote on that agreement. Flinders' major shareholder, TIO (NZ) Limited (**TIO NZ**), would be excluded from voting as BBIG is a related party. Additionally, the Company will obtain an independent expert's report to assess whether the solution is fair and reasonable to Flinders shareholders (other than TIO NZ).

Shareholders should be aware there is no certainty that an appropriate infrastructure solution with BBIG or any other potential counterparty will be achieved.

Clarification of comment in March 2019 Quarterly Report

The Company refers to the following statement in the March 2019 Quarterly Report, as released on ASX on 30 April 2019:

The Board recognises that BBIG has a Western Australian State Rail Agreement and that one of its options in the agreement that is stated (as an example) is to ship ore from PIOP.

The Company wishes to clarify that this statement is an abridged version of Flinders' previously publicly disclosed views on the Rail (BBI Rail Aust Pty Ltd) Agreement 2017 between the State of Western Australia and, among others, BBIG (State Rail Agreement). Shareholders are directed to Flinders' Entitlement Offer Booklet dated 25 June 2018, which was sent to shareholders and released to ASX, for more fulsome disclosure regarding the Company's views on the State Rail Agreement. Specifically in Section 3.1 'Key Risks', the Company stated:

Infrastructure Access

The Company understands that the State Agreement BBIG has signed with the Western Australian Government contemplates the PIOP as a potential foundation customer for the BBI Project. It is further understood that the State Agreement is conditional on commercial and access arrangements being in place for PIOP ore to be hauled on the BBIG railway. Notwithstanding that the State Agreement contemplates the PIOP as a potential foundation customer for the BBI Project, it is understood that BBIG are pursuing a number of alternative foundation customers and may seek amendments to the State Agreement accordingly. It is possible that BBIG may source iron ore for the BBI Project from iron ore assets other than the PIOP and as a consequence, PIOP ore may not be required by BBIG. Now that the Maturation Programme of Works is complete and the Company can define the parameters of its resource the Company proposes to commence discussions with BBIG immediately with the objective of designing a potential association that may enable the further progression of the PIOP.

Financial

As at 30 June 2019, the Company had \$1.7 million in cash and a \$3 million loan facility with PIO Mines Pty Ltd, a subsidiary of TIO (NZ) repayable on or before 30 June 2022.

Operational Activities

During the period the Company focussed on the progression of an infrastructure solution. Accordingly no material on-ground work or in-house technical work was advanced on either the PIOP or Canegrass projects.

Within the period the Company terminated the stakeholder and tenement services agreement with BBIG and engaged an alternate independent supplier of such services.

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 its large, high quality hematite resource - 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 project consists of two 100% owned tenements – M47/1451 (Blacksmith) and E47/1560 (Anvil). The project has received environmental approvals and the Company is currently determining the optimal development path.

Tenement Schedule
For the Quarter ending
30 June 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	5/09/2019	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	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.

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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 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(254)	(2,721)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(1,658)	(5,035)
1.3 Dividends received (see note 3)		
1.4 Interest received	11	56
1.5 Interest and other costs of finance paid	-	(131)
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	(1,901)	(7,831)
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		

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	8,275
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	-	(45)
3.5	Proceeds from borrowings	-	3,000
3.6	Repayment of borrowings	-	(5,000)
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	-	6,230
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,601	3,301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,901)	(7,831)
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)	-	6,230
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,700	1,700

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	1,700	3,601
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)	1,700	3,601

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	325
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 Jun 2019 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	125
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 June 2019 quarter, a major shareholder of Flinders Mines Limited (\$60k).
 Company Secretarial services paid to Evolution Corporate Services for the June 2019 quarter, a company related to Ms Shannon Coates (\$21k).
 Professional advice and services related to tenement management to BBI Group Pty Limited for the June 2019 quarter, a company related to TIO (NZ) Limited (\$45k). BBIG services in relation to tenement management were terminated on 24 June 2019.

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	3,000	3,000
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.		

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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(694)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(1,204)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(1,898)

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				

Compliance statement

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



29 July 2019

Sign here:
(Company secretary)

Date:

Print name: Sarah Wilson

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.