

17 JUNE 2019

Flinders announces Board renewal and strategic path forward

- As part of Flinders' commitment to progression of the PIOP, the Company is undertaking a process of Board renewal:
 - ▶ Flinders has appointed Cheryl Edwardes AM as an independent Non-Executive Director, effective immediately.
 - ▶ Flinders has commenced a process to consider wider Board representation and has engaged with minority shareholders regarding the potential appointment of one or more additional independent directors to the Board.
 - ▶ David McAdam will step down from the Board in the near future but will continue in an executive leadership role with the Company. David will step down from the Board on or before the appointment of any additional independent directors.
 - ▶ Shannon Coates will resign as Non-Executive Director following a transition period to facilitate the handover of her significant knowledge and experience to the new directors. Ms Coates will step down from the Board prior to the Company's 2019 Annual General Meeting.
- Flinders has completed an internal review to identify the best path forward to progress the PIOP and unlock value for all shareholders:
 - ▶ A PIOP infrastructure committee has been established, comprising members who are independent of the Company's largest shareholder, TIO (NZ) Limited (**Infrastructure Committee**). Appropriate protocols have been put in place to ensure independence in the Infrastructure Committee.
 - ▶ The Infrastructure Committee will engage an independent consultant to undertake a review of all potential infrastructure options for the PIOP. Key findings of the review will be announced to shareholders.
 - ▶ In recognition of the fact that BBI Group Pty Ltd (**BBIG**) represents a potential infrastructure pathway for the PIOP through the Balla Balla Infrastructure Project (**BBIG Project**), Flinders has sought a proposal from BBIG and commenced preliminary discussions with BBIG concerning potential future arrangements to progress the PIOP and unlock value for Flinders' shareholders.
 - ▶ The Infrastructure Committee will consider the outcome of the independent review, which will also assess any proposal from BBIG, and then recommend an infrastructure solution.

As part of the path forward, the Board intends to build on its shareholder engagement and will ensure shareholders remain fully informed as the strategic plan is executed.

Flinders Mines Limited (**ASX:FMS**) (**Flinders** or the **Company**) today announces a number of strategic initiatives that are focused on renewing its board of Directors (**Board**) and progressing the Pilbara Iron Ore Project (**PIOP**) to unlock value for all shareholders.

Board renewal

The Company is undertaking a process to identify further independent directors to join the Board and is pleased to announce the first proposed changes below.

Cheryl Edwardes AM, has joined the Board as an independent Non-Executive Director. Cheryl currently holds positions as Chair of Vimy Resources Limited; Chair of the Port Hedland International Airport; Director, AusCann; Commissioner of the West Australian Football Commission and part time member of the Foreign Investment Review Board. Cheryl has held former positions of Attorney General for Western Australia; Executive General Manager – External Affairs with Hancock Prospecting and as Chair of Atlas Iron Limited. She brings extensive knowledge regarding the negotiation of critical primary agreements and approvals for iron ore development projects and will provide invaluable expertise to assist the Company in achieving its strategic objectives. The Board notes that several years ago Cheryl assisted BBIG in relation to native title negotiations, however the Board is satisfied that this does not impact her independence.

The Board has commenced a process to consider the appointment of additional independent directors to the Board and is consulting with minority shareholders on this matter. The Company will update shareholders at the conclusion of this process.

David McAdam will step down from the Board in the near future to enable the Board renewal process but will continue in an executive leadership role with the Company. David's retirement from the Board will be on or before the appointment of any new independent directors.

Shannon Coates will step down from the Board prior to the Company's 2019 Annual General Meeting to enable the Board renewal process, allowing her to transfer her significant knowledge and experience to new directors during the transition period.

The Chairman of Flinders, **Neil Warburton**, said: "*We are delighted to welcome Cheryl to the Board and look forward to drawing on her expertise to progress the Pilbara Iron Ore Project for the benefit of all shareholders. We thank Shannon and David for their service to the Board and their invaluable contribution to Flinders. We look forward to continuing a further process of Board renewal.*"

Implementation of new strategic path

Background

As announced to shareholders in the Quarterly Report on 30 April 2019, the Board has undertaken a review to explore alternatives to progress the PIOP. This review builds on the Company's previous strategic review announced in March 2017 (**2017 Strategic Review**) which concluded:

- a) the PIOP had potential as an economic asset;
- b) there was a requirement for an asset maturation phase to further define the project's commercial viability; and
- c) the economic development of the asset is dependent on the development of a financeable infrastructure solution.

As previously announced, following completion of the asset maturation phase on 21 May 2018, the Board had intended to pursue a strategy of further drilling and subsequent analysis of the PIOP Mineral Resource, to better define the economics of the project prior to exploring potential infrastructure solutions. However, given the significant capital outlay that this would require and the limited funding options available to Flinders under its current structure, the Board has decided to focus on considering a potential rail and port infrastructure solution as a precursor to progressing any additional drilling and metallurgical work and a Bankable Feasibility Study (**BFS**) for the PIOP.

Significant capital will be required to develop the PIOP. The Board does not consider it economically viable for Flinders to raise this capital under its current structure and also develop its own rail and port infrastructure, particularly for a project of the potential scale of the PIOP. Flinders will therefore be reliant on third parties to provide port and rail services to the project and support the PIOP mine development.

Infrastructure Committee

The Board has established the Infrastructure Committee to consider potential future infrastructure and capital alternatives for the PIOP.

The Infrastructure Committee will initially consist of Cheryl Edwardes (Chair), Neil Warburton, Shannon Coates and David McAdam. If additional independent directors are appointed to the Board as a result of the Board renewal process outlined above, it is expected they will also join the Infrastructure Committee. A protocol and Charter for the Infrastructure Committee has been prepared and approved by the Board. The Board has determined this is the most appropriate approach to maintain independence and transparency in the process, recognising that one of the potential infrastructure options for the project is the BBIG Project, which is associated with Flinders' largest shareholder, TIO (NZ) (**TIO NZ**).

Consideration of Potential Infrastructure

There are a limited number of potential infrastructure alternatives available for the PIOP. The Infrastructure Committee will commence a process to determine the best available infrastructure solution for Flinders, 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 financing to develop the PIOP;
- commercial motivation and technical capacity of the counterparty to deliver an infrastructure solution for Flinders; and
- economic viability of the infrastructure solution and potential to contribute to the economic viability of the PIOP, including capacity to deliver appropriate returns to shareholders.

The Infrastructure Committee intends to engage an independent consultant to provide an assessment of the potential infrastructure alternatives (including any proposal from BBIG) available to Flinders against the above criteria. Flinders will announce the key findings of the independent assessment to shareholders in due course.

As shareholders are aware one of the potential infrastructure alternatives is the BBIG Project. The Infrastructure Committee has commenced preliminary discussions with BBIG and sought a proposal for a potential infrastructure arrangement from it.

If the recommendation is to pursue an infrastructure solution with BBIG, shareholders will have the opportunity to vote for or against the approval of that solution, with TIO NZ being excluded from voting on it as BBIG is a related party of TIO NZ. Additionally, the Company will obtain an independent expert's report to opine on whether that 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.

Shareholder engagement plan

Flinders is planning to engage more closely with all shareholders in the coming months to ensure their feedback is considered and the strategic path outlined above is undertaken in a transparent and fully informed manner. To further this goal, the Company will:

- undertake a process with minority shareholders to consider wider independent representation on the Board
- undertake a series of shareholder meetings to provide shareholders with the opportunity to ask questions about the strategic path
- announce the key findings of the independent review into alternate infrastructure solutions
- explain any infrastructure agreement negotiated for the PIOP, and
- in the case of a recommendation of an infrastructure solution with BBIG, it will be put to a shareholder vote (with TIO NZ being excluded from voting) and will be supported by an independent expert's report as to whether it is fair and reasonable.

Next steps

The Board anticipates providing an update to shareholders on future strategic steps in the September 2019 quarter. Further details on the timetable and steps for future phases of its strategic plan are also likely to be provided at this time.

For further information please contact:

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