

28 January 2021

Quarterly Report

For the period ended 31 December 2020

HIGHLIGHTS

- Flinders Mines Limited and BBI Group Pty Ltd (BBIG) continue to advance the Pilbara Iron Ore Project pursuant to the farm-in incorporated joint venture
- Non-binding indicative offer (NBIO) received from BBIG in relation to a potential ownership restructuring opportunity of the infrastructure associated with the PIOP integrated project
- Consolidation of capital completed on a 25:1 basis

Pilbara Iron Ore Project (PIOP)

During the quarter ended 31 December 2020, BBIH Pty Limited (**BBIH**), a wholly owned subsidiary of BBI Group Pty Ltd, as Manager of Flinders' flagship Pilbara Iron Ore Project (**PIOP**), continued to progress the development of the PIOP integrated project pursuant to the farm-in incorporated joint venture that was completed with BBIG in the September 2020 quarter.

During the December 2020 quarter, BBIH carried out a range of activities associated with the advancement of the PIOP Feasibility Study including:

- Developing further understanding of the PIOP ore body (resource definition).
- Maturing the development of a preferred mine plan.
- Laboratory based metallurgical test work to better determine ore product design specification and planning associated with a larger field based, next phase metallurgical test work programme.
- Continued development on determining the optimum location and layout of the ore processing facility (OPF) at the PIOP.
- Updating safety management framework, plans and procedures in support of re-commencing field activities in early 2021 to incorporate requirements of the pending Work Health and Safety Bill 2019 (WHS Bill).
- Completion of the Anvil rehabilitation programme and planning for further rehabilitation across Blacksmith.

Resource Definition

Anvil rehabilitation site works were completed during the quarter without incident. Following successful completion of the Blacksmith aerial rehabilitation audit, findings and proposed recommendations have now been prepared for moving forward. These will be discussed and agreed with DMIRS in January 2021.

BBI formally transitioned statutory responsibility as the PIOP Exploration Manager (EM) role from CSA (Mark Pudovskis) directly to BBI (Matt Herbert) on 4 December 2020.

BBIH continued to review and update the PIOP geological database (Geobank) as new data became available or identified to be integrated and continued to reassess and improve geological interpretations and base line geological knowledge.

Mine Planning

BBIH commenced various work programs that will contribute to defining the ultimate PIOP mine plan. BBIH worked with various WA based specialist consultants on:

- Mine planning, scheduling and haulage optimisation, stockpile & blending management, and commenced a mining cost review.
- Tailings storage facility (TSF) study.
- Water management and diversion study.
- An update to the exploration environmental management plan.

Metallurgy

Historically, FMS has undertaken a phased approach to understanding the metallurgy of the PIOP. BBIH proposes to undertake metallurgical work program, which will seek to close knowledge gaps and produce Feasibility Study level metallurgical knowledge.

In support of this next phase program, BBIH (along with specialist consultants) undertook the following related work programs:

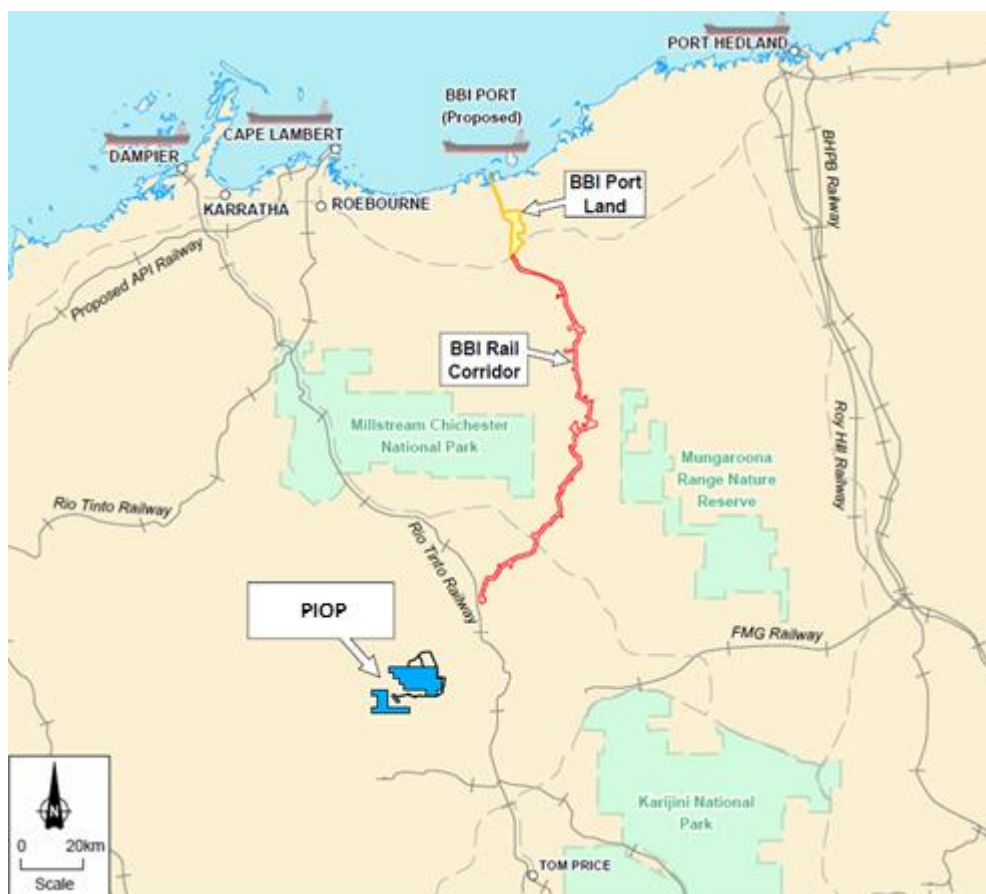
- Completed small scale sinter test work to initially assess the suitability of the product top size and alumina content on a typical sinter matrix as a pre-cursor to larger scale sinter test work
- Preparation and planning for the upcoming metallurgical test work program with a focus on requirements for POWs and associated approvals.

Engineering and Project Delivery

BBIH undertook other engineering and project delivery activities to support the PIOP Feasibility Study including:

- Further optimisation of the location and layout of the ore processing facility (OPF) incorporating non-process infrastructure (NPI), water management, pad levels, crushing hub layout, road and traffic management and the overall footprint of the plant.
- Design and planning for refurbishment and expansion to the current PIOP exploration camp to accommodate the requirements of upcoming field-based programmes. This included initial design of the camp expansion, camp on-site inspection and condition audit, issuing a tender for the camp management contract and issuing tenders relating to fuel supply and tank installation, camp upgrade and logistics contracts.
- Commenced development of updated Opex model for the complete supply chain (pit to market).
- Further progression of planning / scoping and set-up in support of commencing the PIOP Feasibility Study.

Figure 1. PIOP and BBIG proposed infrastructure corridor.



NBIO

On 14 December 2020, the Company announced it had received a non-binding indicative offer (**NBIO**) from BBIG in relation to a potential ownership restructuring opportunity of the infrastructure associated with the PIOP integrated project.

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 (**Proposed Transaction**). BBIG has proposed that the development of the BBIG infrastructure and the PIOP mine as an integrated project within one public corporate group (Flinders) would better facilitate financing and management of the project development or a staged development approach.

The Flinders' Board advised that it had reviewed the NBIO and the Non-Executive Directors, who are independent of TIO (NZ) Limited, the major shareholder in BBIG (**Independent Directors**), had formed the view that the proposal should be further investigated. As such the Independent Directors and appointed external advisers are progressing discussions with BBIG on potential terms that may be in the best interests of Flinders' shareholders.

Subsequent to quarter end, the Flinders Board have also reached an agreement with BBIG whereby BBIG will advance \$1m in support of third-party costs directly associated with progressing the Proposed Transaction. The funds will be drawn in 3 equal instalments on 29 January 2021, 5 March 2021 and 9 April 2021. Should a fully approved transaction result from the NBIO, then the Company will reimburse the funds to BBIG or offset against any monies owed by BBIG to the Company from termination of the farm-in incorporated joint venture on the later of the completion date or 31 December 2021. If no Transaction eventuates then funds drawn down at that date are not repayable.

Shareholders will be updated regarding any material developments on the Proposed Transaction. There is no guarantee that the Proposed Transaction or any transaction will eventuate from these discussions.

Canegrass

An exploration programme was completed at the Company's Canegrass Project in Western Australia between September to October 2020, which included:

- Ten (10) RCP drill holes, six (6) within E58/232-I, and four (4) within E58/282-I designed to infill and test for shallower higher-grade vanadium-titanium-magnetite (VTM) zones within the Mineral Resource (ASX announcement 30 January 2018) VTM mineralisation;
- A soil geochemical sampling programme within E58/520-I, E58/521-I and E58/522-I, which included several rock samples of potentially gold bearing quartz float and selected soil samples and rock samples within E58/236-I and E58/282-I. The soil sampling programmes within E58/520-I and E58/522-I targeted potentially gold bearing structural trends south of the Honeypot gold prospect. The soil sampling within E58/521-I was designed to test for possible platinum group metals (PGM) across the interpreted contact between the upper and middle units of the Windimurra Igneous Complex;

Results of the programme were released to the market on 21 January 2021.

Financial

As of 31 December 2020, the Company had \$2.18 million in cash and an unsecured fully drawn loan of \$3.0m due to be repaid on or before 30 June 2022.

The Company's expenditure during the quarter was focused on Canegrass minimum expenditure requirements and no substantive mining exploration activities were undertaken.

The Company notes that during the quarter, a total of \$95,000 was paid to related parties, including Directors and their associates. Of this, \$35,000 in Non-executive Director fees was paid to TIO for Director services provided by Messrs Michael Wolley and Evan Davies and \$60,000 was paid to the Company's independent Directors, Messrs Warburton, Gurry and Ms Edwardes.

Corporate Activities

On 20 November 2020, the Company held its Annual General Meeting, at which shareholders approved a consolidation of capital through the conversion of every 25 shares held by a shareholder into one share. Completion of the consolidation was announced on 27 November 2020, with the Company's capital structure post completion comprising 168,848,577 fully paid ordinary shares.

Authorised by:
Board of Flinders Mines Limited

For further information please contact:

Investors and Shareholders

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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 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 Project¹

E58/232	Granted	Boulder Well	29/07/2002	28/07/2021	16.1	Flinders Canegrass Pty Ltd	100%	
E58/236	Granted	Challa	22/03/2002	21/03/2021	12.7	Flinders Canegrass Pty Ltd	100%	
E58/282	Granted	HoneyPot	3/05/2007	2/05/2021	24.2	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 (PIOP)²

R47/21 ³	Granted	Anvil	30/01/2020	29/01/2023	44.4	PIOP Mine Co NL	100%	Prenti Agreement
L47/728	Granted	PIOP Airstrip	29/05/2015	28/05/2036	3.0	PIOP Mine Co NL	100%	
L47/730	Granted	PIOP Village	29/05/2015	28/05/2036	0.1	PIOP Mine Co NL	100%	
L47/731	Granted	Northern Road	18/11/2019	17/11/2040	4.9	PIOP Mine Co NL	100%	
L47/734	Granted	Southern Road	29/05/2015	28/05/2036	4.2	PIOP Mine Co NL	100%	
M47/1451	Granted	Blacksmith ML	26/03/2012	25/03/2033	111.6	PIOP Mine Co NL	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. E58/232 extension of term granted on 20 October 2020.
2. Tenements related to the PIOP were transferred to PIOP Mine Co NL, along with the relevant regulatory approvals.
3. 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 December 2020

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	(980)	(1,533)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	7
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	(977)	(1,526)
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)	(253)	(393)
	(e) investments	-	-
	(f) other non-current assets	-	-

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	(253)	(393)

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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,412	4,101
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(977)	(1,526)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(253)	(393)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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	2,182	2,182

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	2,182	3,412
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)	2,182	3,412

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
95
-

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 \$35k 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 \$60k for the quarter.

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

7. Financing facilities											
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>											
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>											
	<table> <tr> <th>Total facility amount at quarter end \$A'000</th><th>Amount drawn at quarter end \$A'000</th></tr> <tr> <td>3,000</td><td>3,000</td></tr> <tr> <td>-</td><td>-</td></tr> <tr> <td>-</td><td>-</td></tr> <tr> <td>3,000</td><td>3,000</td></tr> </table>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000	3,000	3,000	-	-	-	-	3,000	3,000
Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000										
3,000	3,000										
-	-										
-	-										
3,000	3,000										
7.1	Loan facilities										
7.2	Credit standby arrangements										
7.3	Other (please specify)										
7.4	Total financing facilities										
7.5	Unused financing facilities available at quarter end										
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 BBSW +2% pa. A\$3m was drawn on 22 March 2019 and is due on 30 June 2022.										

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

Answer: Yes. The Company has agreed with BBI Group Pty Ltd (**BBIG**)(a related party of its major shareholder, TIO (NZ) Limited), that \$1m will be advanced in support of third party costs directly associated with the Company progressing discussions on the Non-Binding Indicative Offer (**NBIO**) that the Company announced on 14 December 2020.

The funds will be drawn in 3 equal instalments on 29 January 2021, 5 March 2021 and 9 April 2021. Should an approved transaction result from the NBIO then the Company will reimburse the funds to BBIG or offset against any monies owed by BBIG from the termination fee associated with the farm-in incorporated joint venture on the later of completion of the transaction or the 31 December 2021. Should no transaction eventuate then the funds are not repayable by Flinders to BBIG.

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 refer response above.

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.

28 January 2021

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.