

30 April 2021

Quarterly Report

For the period ended 31 March 2021

HIGHLIGHTS

- Flinders Mines Limited (Flinders) and BBI Group Pty Ltd (BBIG) continue to advance the Pilbara Iron Ore Project (PIOP) pursuant to the farm-in incorporated joint venture.
- Flinders has continued to progress negotiations with BBIG on the non-binding indicative offer (NBIO) to acquire the BBIG rail, port and marine infrastructure. The Flinders' negotiating team consists of Messrs Neil Warburton, James Gurry, Hon Cheryl Edwardes AM, Dr Andrew Whitehead and consultants.
- BBIG supporting Flinders' third-party costs in relation to the NBIO of up to \$1m.
- Appointment of Ms Amy Jiang as Non-executive Director.

Pilbara Iron Ore Project (PIOP)

During the quarter ended 31 March 2021, 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 March 2021 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).
 - Stratigraphic reinterpretation was completed for Blacksmith.
 - New detritals logging handbook received. First pass geological model created for Delta with new stratigraphy.
 - BFS Resource Definition programme design completed.
- Maturing of the preferred mine plan and finalising and documenting the draft mine plan report.
- Continued planning associated with the upcoming field based metallurgical test work programme.
- Update completed to the PIOP Exploration Environmental Management Plan in support of proposed site-based activities in 2021.
- Submission of a Programme of Works (POW) to DMIRS for approval in relation to existing disturbance areas at PIOP.
- Planning and risk management with potential contractors completed for PIOP camp restart, which will include repairs and upgrade.
- Continued development of updated Opex model for the complete supply chain (pit to market).

NBIO

As previously advised on 14 December 2020, the Company 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 (**Potential Transaction**). The Potential Transaction would result in Flinders retaining 100% ownership of the PIOP as well as 100% of BBIG's port and rail infrastructure assets, as an integrated project within one public corporate group (Flinders). If successful, Flinders would then control its own destiny and better facilitate financing and management of the integrated project development or a staged development approach.

During the March 2021 quarter, independent Non-executive Directors, Messrs Neil Warburton, James Gurry and Ms Cheryl Edwardes (**Independent Directors**) and General Manager Dr Andrew Whitehead continued to progress the Potential Transaction with BBIG, along with external advisors.

The negotiations have been progressing with several high level commercial issues being resolved to the satisfaction of both parties although no binding or non-binding agreement has been signed. There still remains many legal and commercial issues to be resolved and agreed.

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

Canegrass

No field work has been undertaken since the previous exploration program which was announced on ASX on 21 January 2021. The Company continues to work to meet its minimum tenement expenditure commitments.

Financial

As of 31 March 2021, the Company had \$3.021 million in cash, which includes \$1.311m in restricted cash which is only available to fund the Pilbara Iron Ore Project feasibility study under the Farm In Agreement with BBIG. In addition, in the quarter ending 31 March 2021, the Company received \$667k under the Funding Agreement with BBIG for third party costs associated with the review of the NBIO. Subsequent to quarter end, the final \$333k was received under the Funding Agreement. The Company has an unsecured fully drawn loan of \$3.0m with PIO Mines Pty Ltd, a related entity to its major shareholder TIO (NZ) Limited, due to be repaid on or before 30 June 2022.

The Company's expenditure during the quarter was focused on the negotiations with BBIG and no substantive exploration activities were undertaken.

The Company notes that during the quarter, a total of \$95k was paid to related parties, including Directors and their associates. Of this, \$35k in Non-executive Director fees was paid to TIO for Director services provided by Messrs Michael Wolley and Evan Davies, \$60k was paid to the Company's independent Directors, Messrs Warburton, Gurry and Ms Edwardes and \$4.7k is payable to Ms Jiang following her appointment on 8 March 2021.

Corporate Activities

As announced on 8 March 2021, Ms Amy Jiang was appointed as a Non-executive Director of the Company as a nominee of the Company's second largest shareholder, OCJ Investment (Australia) Pty Ltd (**OCJ**). Ms Jiang is the Company Secretary and Executive Manager of OCJ. She holds a Bachelor of Arts and is in her final year of a Juris Doctor, both from the University of Sydney.

Post the end of the quarter the subject of this report (on 14 April 2021), the Company announced the extension of General Manager, Dr Andrew Whitehead's Contract from 16 June 2021 until 16 September 2021, with a further 3 month extension at the election of the Company.

Authorised by:

Board of Flinders Mines Limited

For further information please contact:

Investors and Shareholders

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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 March 2021

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. E58/236 extension of term was lodged on 24 February 2021 and is still pending. E58/282 extension of term was lodged on 16 April 2021 and is still pending.
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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(1,135)	(2,668)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	8
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	(1,134)	(2,660)

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)	(1,655)	(5,010)
(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)	-	-
2.6	Net cash from / (used in) investing activities	(1,655)	(5,010)

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	667	667
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)		
	Proceeds from issues of PIOP Mine Co NL Class B Shares	1,480	5,923
3.10	Net cash from / (used in) financing activities	2,147	6,590

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,663	4,101
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,134)	(2,660)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,655)	(5,010)

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
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,147	6,590
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period ¹	3,021	3,021

¹ Includes \$1.311m of restricted cash only available to fund the feasibility study of the Pilbara Iron Ore Project.

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	1,710	2,182
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) Restricted JV Cash ¹	1,311	1,481
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,021	3,663

¹ Restricted cash is only available to fund the feasibility study of the Pilbara Iron Ore Project.

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	95
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities ¹	3,000	3,000
7.2 Credit standby arrangements	-	-
7.3 Other (please specify) Funding Agreement BBIG ²	1,000	667
7.4 Total financing facilities	4,000	3,667
7.5 Unused financing facilities available at quarter end		333
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.		
<p>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.</p> <p>2. Funding Agreement with BBI Group Pty Ltd (BBIG), a related entity of the major shareholder, TIO (NZ) Limited, for third party costs incurred by the Company in progressing discussions with BBIG in relation to the potential ownership restructuring opportunity of the infrastructure associated with the Pilbara Iron Ore Project. The funding is only repayable if a transaction is executed with BBIG on the later of the completion date or 31 December 2021.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,134)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,655)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,789)
8.4 Cash and cash equivalents at quarter end (Item 4.6) ¹	3,021
¹ Includes \$1.311m of restricted cash only available to fund the feasibility study of the Pilbara Iron Ore Project.	
8.5 Unused finance facilities available at quarter end (Item 7.5)	333
8.6 Total available funding (Item 8.4 + Item 8.5)	3,354
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.2
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: The Company is in discussions with BBIG about a potential advance payment of obligations due by BBIG under the Farm-in Agreement. If this occurs, this would likely bring sufficient funds to meet financial commitments when they fall due. A further capital raise is also being considered but the terms and timing have not yet been finalised. The Company has a reasonable expectation that it would be successful in any capital raising based on its previous successful capital raises.

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.

Date: 30 April 2021

Authorised by: Board of Flinders Mines Limited

 (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.