

26 October 2021

Quarterly Report

For the period ended 30 September 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.
- Discussions with BBIG on the non-binding indicative offer (NBIO) to acquire the BBIG rail, port and marine infrastructure remain ongoing.
- Negotiations with BBIG on a staged development approach that would accommodate a potential trucking operation on a private haul road owned by BBIG prior to rail under the existing Farm-in Agreement (FIA) remain ongoing.
- BBIG confirms \$5,486,279, being the shortfall under the FIA to PIOP Mine Co NL.
- General Manager, Dr Andrew Whitehead's contract extended until 16 September 2022.

Pilbara Iron Ore Project (PIOP)

During the quarter ended 30 September 2021, BBIH Pty Limited (BBIH), a wholly owned subsidiary of BBIG, as Manager of Flinders' flagship Pilbara Iron Ore Project (PIOP), continued to progress the development of the PIOP integrated project pursuant to the FIA that was completed with BBIG in the September 2020 quarter.

During the September 2021 quarter, BBIH carried out a range of activities associated with the advancement of the PIOP Feasibility Study including:

- Completion of the Blacksmith camp remedial works. The camp is now fully operational and being used to support current rehabilitation activities.
- The Blacksmith rehabilitation activities are progressing well. Initial efforts are concentrated at Eagle. One of Wintawari Guruma Aboriginal Corporation (WGAC) traditional owner contracting arms, Muntulgura Guruma Pty Ltd, was awarded the rehabilitation works contract.
- A geophysics contractor has been selected to conduct downhole logging of existing water bore holes.
- A proposal has been received from a hydrological consultant and is currently under consideration for the replacement / re-instatement of disused groundwater monitoring data loggers at Blacksmith.
- On the 17 August 2021, BBI's extension to the State Rail Agreement (SRA) was passed.

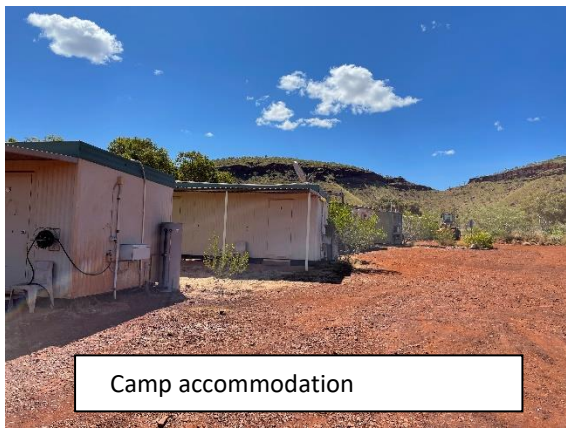
As announced on 15 October 2021, BBIH informed the Company of the occurrence of a bushfire nearby to the Blacksmith Camp and as a result, rehabilitation activities were suspended and the Blacksmith / PIOP camp evacuated. There was no damage sustained to equipment or facilities at PIOP and no injuries to BBIG personnel or contractors currently on-site.

BBIG has subsequently advised that it has suspended further rehabilitation work on site ahead of the summer cyclone season (approximately one month earlier than initially planned). Rehabilitation activities are re-forecast to commence in April 2022 when conditions are considered more favourable and the likelihood of program disruption from either cyclone or bushfire events significantly reduced.

Key activities planned for the next period include:

- Re-assessment of the rehabilitation programme (extent of works required, schedule and cost) based on recent site reconnaissance and DMIRS feedback.
- Progress discussions with WGAC on cultural heritage, social surrounds and the Flinders Native Title Agreement over PIOP.
- Progression of further studies relating to a phased private road-based integrated development strategy.

As announced on 30 September 2021, BBIG confirmed the shortfall in project expenditure for the first year (ending 2 September 2021) under the terms of FIA that requires BBIG to procure a minimum annual spend on the PIOP mine feasibility study of \$15 million was net \$5,486,279 (FIA Shortfall) following an earlier pre-payment of \$2m in June 2021. BBIG will be required to pay this FIA Shortfall to PIOP Mine Co NL by 30 November 2021, following which it will be paid to the Company by way of a selective capital reduction.



Camp accommodation



Outdoor covered area



Camp kitchen



Camp Mess



Meeting Room



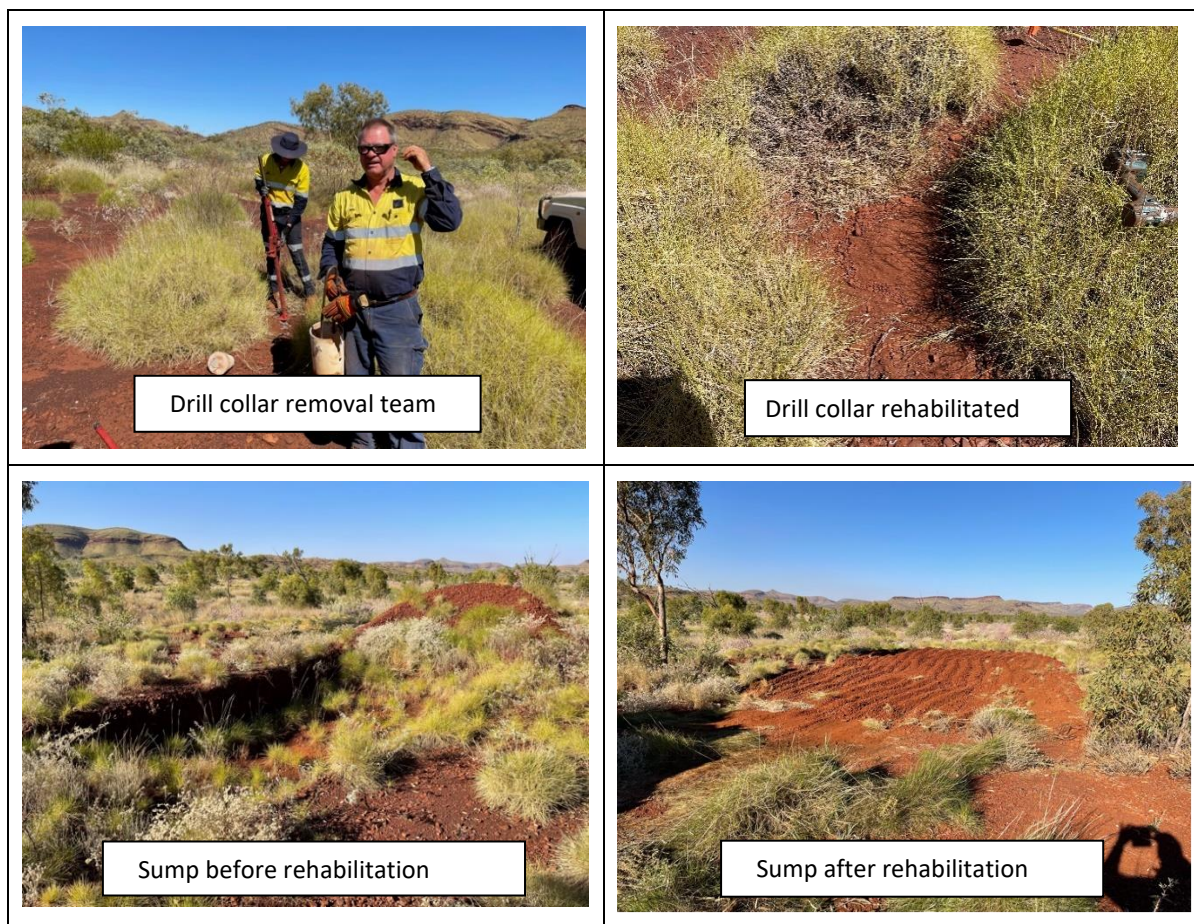
Camp Offices



Heritage area reflagged in Eagle



Heritage area reflagged in Delta



NBIO

As noted in previous quarterly reports, the Company received in December 2020 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).

During the September 2021 quarter and as announced on 15 June 2021, 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. Flinders also continued to hold discussions with BBIG on a staged development approach that would accommodate a potential trucking operation on a private purpose-built haul road owned by BBIG prior to rail, varying the existing FIA framework.

There is no guarantee that the Proposed Transaction or any transaction will eventuate from these discussions and negotiations, and if the Proposed Transaction or variations to the existing FIA framework does not eventuate, the existing FIA will remain in place.

Canegrass

During the June 2021 quarter, no field work was undertaken. The Company continues to work to meet its minimum tenement expenditure commitments.

Financial

As at 30 September 2021, the Company had \$1,878,869 in cash. 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 negotiations with BBIG and no substantive direct exploration activities were undertaken by the Company on Canegrass or PIOP.

The Company notes that during the quarter, a total of \$122k 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, \$70k was paid to the Company's independent Directors, Messrs Warburton, Gurry and Ms Edwardes and \$17k was paid to Ms Jiang, a nominee of the Company's second largest shareholder, OCJ Investment (Australia) Pty Ltd.

Corporate

As announced on 24 August 2021, the Company's General Manager Dr Andrew Whitehead's contract was extended from 16 September 2021 until 16 September 2022, with a further 3-month extension at the election of the Company.

The Company confirms the Annual General Meeting will be held virtually at 9:00am (WST) on Tuesday, 23 November 2021.

Conference Call

Flinders is holding a shareholder conference call at 10:00am WST on 4 November 2021 to discuss the Quarterly Report. This call will be led by Mr Neil Warburton, Chairman, and Dr Andrew Whitehead, General Manager. Shareholders can register for the conference call at the link below:

Pre-Registration Link: <https://s1.c-conf.com/diamondpass/10017273-37svc7.html>

Authorised by:

Board of Flinders Mines Limited

For further information please contact:

Investors and Shareholders

Andrew Whitehead

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Media

Michael Weir

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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
30 September 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 Project

E58/232	Granted	Boulder Well	29/07/2002	28/07/2022	16.1	Flinders Canegrass Pty Ltd	100%	
E58/236	Granted	Challa	22/03/2002	21/03/2022	12.7	Flinders Canegrass Pty Ltd	100%	
E58/282	Granted	HoneyPot	3/05/2007	2/05/2022	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)¹

R47/21 ²	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

- Tenements related to the PIOP were transferred to PIOP Mine Co NL, along with the relevant regulatory approvals.
- 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.
- EL640 Jamestown Project South Australia: Under the minerals rights agreement dated 31 December 2009, the agreement automatically terminated if Flinders did not make a 'Discovery' within 10 years of the agreement (i.e. by 30 December 2019). The definition of 'Discovery' is the delineation of mineralisation which falls within the category of an Inferred Mineral Resource within the meaning of the JORC Code. Flinders did not make a 'Discovery' within 10 years of the agreement.

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")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(974)	(974)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
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	(972)	(972)

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)	(1,620)	(1,620)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	(1,620)	(1,620)

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)		
	Proceeds from issues of PIOP Mine Co NL Class B Shares	900	900
3.10	Net cash from / (used in) financing activities	900	900

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,685	3,685
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(972)	(972)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,620)	(1,620)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	900	900
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period ¹	1,993	1,993

¹ Includes \$0.114 million of restricted cash 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	1,879	2,938
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details) Restricted JV Cash ¹	0.114	0.747
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,993	3,685

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

- 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
122
-

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 Wolley and Davies.

Non-executive fees paid to Ms Jiang, a nominee of the Company's second largest shareholder, OCJ Investment (Australia) Pty Ltd, of \$17k for the quarter

Non-executive Director fees paid to the Company's independent Directors, Messrs Warburton, Gurry and Ms Edwardes, of \$70k 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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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	1,000
7.4	Total financing facilities	4,000	4,000
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.		
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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(972)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,620)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(2,592)
8.4	Cash and cash equivalents at quarter end (Item 4.6) ¹ ¹ Includes \$1.311m of restricted cash only available to fund the feasibility study of the Pilbara Iron Ore Project.	1,993
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	1,993
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.3
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: The Company announced on 30 September 2021, that under the Farm-In Agreement with BBI Group Pty Ltd (BBI) and PIOP Mine Co NL that BBI has confirmed a shortfall of \$5,486,279 to the minimum annual expenditure requirement of \$15 million. This \$5,486,279 is expected to be received by the Company in November 2021.

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

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.

26 October 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.