



ASX ANNOUNCEMENT

28 November 2019

Flinders enters into binding agreements with BBIG

- Flinders has entered into binding agreements with BBIG in relation to a farm-in incorporated joint venture arrangement for the PIOP, subject to Flinders' shareholder approval
- The Proposed Transaction represents a pathway to development of the PIOP
- Transaction Documents remain subject to Flinders' shareholder approval, with TIO (NZ) Limited (**TIO**) (Flinders' majority shareholder) excluded from voting
- Further details will be provided in a Notice of Meeting and Explanatory Memorandum, including an Independent Expert's Report which is expected to be dispatched to Flinders' shareholders in December 2019

Flinders Mines Limited (**ASX:FMS**) (**Flinders** or the **Company**) is pleased to advise it has negotiated binding agreements and associated documents (**Transaction Documents**) with BBI Group Pty Ltd (**BBIG**) in relation to a farm-in incorporated joint venture for Flinders' flagship Pilbara Iron Ore Project (**PIOP**), subject to Flinders' shareholder approval (**Proposed Transaction**).

The Proposed Transaction is consistent with the framework outlined in the non-binding terms sheet (**Terms Sheet**) announced by Flinders on 2 September 2019 and provides a pathway for development of the PIOP.

Proposed Transaction Overview

Flinders and BBIG will form an incorporated joint venture (**PIOP Mine Co**) to hold and develop the PIOP. BBIG (or an entity controlled by it) has agreed to fund feasibility studies for the PIOP development in return for an initial 10% voting interest in PIOP Mine Co.

If a final investment decision (**FID**) subsequently occurs, BBIG and any prospective funding partners will fund development and construction of the PIOP¹ mine in return for a further 50% shareholding (60% in aggregate as between BBIG and any prospective funding partners) in PIOP Mine Co. At that point, Flinders will elect to either:

- i. continue as a 40% shareholder of PIOP Mine Co, free-carried¹ to production (**Mining Option**); or
- ii. (subject to Flinders' shareholder approval at that time, with TIO excluded from voting) convert its 40% shareholding in PIOP Mine Co to an ongoing 2.5% gross revenue stream over the life of the mine production from the PIOP (**Royalty Option**).

While the PIOP development is being progressed, BBIG will develop the Balla Balla infrastructure project (**BBI Project**).

¹ Subject to pro rata responsibility of Flinders for, in some circumstances, capital cost overruns beyond an agreed contingency during construction and costs associated with provision of any required completion security

PIOP Mine Co will become a foundation customer for the BBI Project under a long-term Infrastructure Services Agreement, thus providing an infrastructure solution for the PIOP development. As part of its foundation customer status, assuming Flinders elects to continue with the Mining Option, a rebate for third party use of the infrastructure and a post-PIOP mine life fee (based on the total wet tonnes transported by PIOP Mine Co) have been negotiated, enabling Flinders to further share in the longer-term benefits of the infrastructure solution.

Flinders Deputy Chair and Chair of the PIOP Infrastructure Committee, Hon. Cheryl Edwardes AM, said:

“This is a significant milestone in the development of the Pilbara Iron Ore Project. We finally have a clear pathway for the integrated development of what we expect will become a significant mine, rail and port system in the Pilbara. We will now embark on a further round of engagement with our shareholders, ahead of a formal vote at the planned Extraordinary General Meeting, to ensure they have a good understanding of this transaction and how it can deliver value to all shareholders.”

Conditions

The Transaction Documents remain subject to Flinders' shareholder approval at an Extraordinary General Meeting for the purposes of ASX Listing Rule 10.1 and Chapter 2E of the *Corporations Act 2001* (Cth). Flinders' largest shareholder, TIO, a related party of BBIG, will be excluded from voting on the relevant resolution at the Extraordinary General Meeting.

The Proposed Transaction is also subject to other conditions, including foreign investment review board (FIRB) approval.

Next Steps

Further details of the Proposed Transaction will be provided to Flinders' shareholders in the Notice of Meeting and Explanatory Memorandum which will include a detailed description of the Proposed Transaction, benefits and risks, and an Independent Expert's Report.

The Notice of Meeting and Explanatory Memorandum is expected to be dispatched in December 2019 and the Extraordinary General Meeting is expected to be held in January 2020.

Flinders also intends to hold a series of information sessions with Flinders' shareholders in relation to the Proposed Transaction in advance of the Extraordinary General Meeting. Further details of the timetable will be provided when the Notice of Meeting and Explanatory Memorandum is dispatched.

Flinders is being advised by Greenhill & Co. and MinterEllison.

For further information please contact:

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