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Flinders Mines Limited

ABN 46 091 118 044

Financial Report for the half-year ended 31 December 2022

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Corporate Directory

Board of Directors

The Hon. Cheryl Edwardes, AM	Independent Non-Executive Chair
Steven Michael	Managing Director and Chief Executive Officer
James Gurry	Independent Non-Executive Director
Rob Foster	Non-Executive Director
Daniel Harris	Independent Non-Executive Director
Amy Jiang	Non-Executive Director
Michael Wolley	Non-Executive Director

Joint company secretaries

Sarah Wilson
Shannon Coates

Registered office

45 Ventnor Avenue
West Perth WA 6005
Telephone: 08 9389 4483
Email: info@flindersmines.com
Website: www.flindersmines.com

Share registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: 08 9323 2000
Website: www.computershare.com.au

Auditors

KPMG
235 St Georges Terrace
Perth WA 6000

Securities Exchange Listing

Shares in Flinders Mines Limited are quoted on the Australian Securities Exchange under trading code FMS.

Directors' Report

Your Directors present their report on the Consolidated Entity comprising Flinders Mines Limited (the **Company** or **Flinders**) and its controlled entities (the **Group**) for the half-year ended 31 December 2022.

Directors

The following persons held office as Directors of Flinders Mines Limited from the start of the financial year to the date of this report, unless otherwise stated.

Name	Title	Appointment	Resigned
The Hon. Cheryl Edwardes AM	Independent Non-Executive Chairman	17 June 2019	
Steven Michael	Managing Director	2 March 2023	
Michael Wolley	Non-Executive Director	19 October 2016	
James Gurry	Independent Non-Executive Director	18 September 2019	
Amy Jiang	Non-Executive Director	5 March 2021	
Neil Warburton	Independent Non-Executive Chair	19 October 2016	1 July 2022
Daniel Harris	Independent Non-Executive Director	8 August 2022	
Rob Foster	Non-Executive Director	6 October 2022	

Operating results and financial position

The net profit after income tax for the half-year was \$15.809 million, including \$18.683 million deferred income tax benefit (2021: Loss \$1.002 million).

Review of operations

Corporate

Director and Management Changes

Mr Neil Warburton resigned as an Independent Non-executive Director and Chair effective 1 July 2022 and was replaced by Mr Daniel Harris on 8 August 2022 as an Independent Non-Executive Director. Hon. Cheryl Edwardes AM assumed the role of Non-executive Chair effective 1 July 2022.

On 6 October 2022, the Company advised of the appointment of Mr Robert (Rob) Foster as a nominee Non-executive Director of the Company's major shareholder, TIO (NZ) Limited. Mr Foster replaced Mr Evan Davies, who resigned from the Board in April 2022.

On 16 December 2022 the Company advised of the appointment of Mr Matt Owen as Chief Financial Officer following the resignation of Ms Rebecca Broughton.

Post the end of the reporting period, the Company announced the appointment of Mr Steven Michael as Managing Director and Chief Executive Officer effective 2 March 2023.

Pilbara Iron Ore Project (PIOP)

Termination of the Farm-In Agreement

On 5 September 2022, the Company announced that it had received a withdrawal notice from BBI Group Pty Ltd (BBIG), which terminated the Farm-In Agreement (FIA) effective immediately. Pursuant to the FIA, the termination payment/settlement amount was \$11.668 million, of which \$9.045 million was received by the Company within 30 days of the termination date. The remaining \$2.250 million was received by the Company in December 2022 to fund the rehabilitation program that was undertaken by BBIG pursuant to a Services Agreement dated 2 September 2022. The Services Agreement allowed for continuation of the rehabilitation program for a further 3 months before it was duly terminated in December 2022 with the rehabilitation program completed. On 8 December 2022 the Pilbara Iron Ore Project Rehabilitation Program Final Report was submitted to the Department of Mines, Industry Regulation and Safety and the Pilbara Iron Ore Project (PIOP) camp was returned to care and maintenance. Full operational and management control of PIOP was returned to the Company in December 2022.

The termination of the FIA enables the Company to pursue a more flexible and staged development approach to its PIOP. The Company considers a staged development of PIOP, encompassing a Stage One lower volume and near-term trucking operation to take advantage of current iron ore prices is the optimum strategy to commence operations on site and provide a near term cashflow. The Company will continue to investigate a longer-term expansion of PIOP including a higher volume operation involving rail, road and/or port facilities.

Balla Balla Infrastructure Project

On 17 January 2023, the Company announced that it had entered into binding agreements with BBIG to acquire 100% of the share capital in Forge Resources Swan Pty Ltd (**FRS**).

The FRS Acquisition will occur via a two-stage process:

Stage One – the Company will acquire FRS, which through its subsidiaries and controlled entities holds the majority of BBIG's assets related to the Infrastructure Project. BBIG's subsidiaries which are parties to the Railway (BBI Rail Aus Pty Ltd) Agreement Act 2017 (WA) (**State Rail Agreement**) (**Rail Entity**) will be retained by BBIG as part of a corporate restructure prior to Stage One completion, with the effect that Flinders will not acquire the State Rail Agreement as part of Stage One; and

Stage Two – subject to further preconditions being met, the Rail Entity will be transferred to the Company.

The Company will acquire all the shares in FRS at completion of Stage One for a purchase price of \$3.3 million. If the Proposed Transaction proceeds to Stage Two completion, a further \$1 purchase price is payable to BBIG for the purchase of all the shares in the Rail Entity.

The Company and BBIG are endeavouring to satisfy the various conditions to Stage One in the next 3-6 months. The Preconditions include:

1. Flinders obtaining FIRB approval in relation to the acquisition of the shares in FRS; and
2. completion by BBIG of an internal restructure to give effect to the staged acquisition of the Infrastructure Project and BBIG's retention of assets held by FRS which do not form part of the Infrastructure Project, noting this internal restructure is conditional upon:
 - a) FIRB approval;
 - b) corporate reconstruction relief in respect of the transfer of assets held by FRS which do not form part of the Infrastructure Project to another BBIG subsidiary; and
 - c) consent from the Ngarluma Aboriginal Corporation in relation to the transfer of the assets held by FRS which are not part of the Infrastructure Project to the same BBIG subsidiary.

Stage Two of the Proposed Transaction is conditional upon the guarantors under the State Rail Agreement (which include various subsidiaries of Todd) being fully and finally released from their obligations as guarantors under that agreement, or upon Todd otherwise providing consent to the transfer of the shares in the Rail Entity to the Company.

If neither of these events occur within five years, or if the State Rail Agreement is at any stage terminated, Stage Two completion will not occur.

Canegrass Project

On 30 November 2022 the Company announced that its wholly owned subsidiary Flinders Canegrass Pty Ltd (**Flinders Canegrass**) entered into a Farm-in Agreement (**Canegrass FIA**) with Viking Critical Minerals Pty Ltd (**Viking Critical Minerals**), a wholly owned subsidiary of Viking Mines Limited (ASX: VKA) (**Viking**), for all minerals on the Canegrass tenements.

Flinders Canegrass is holder of the Canegrass tenements being E58/232, E58/236, E58/282, E58/520, E58/521 and E58/522 (**Canegrass Tenements**), all of which are subject to the Canegrass FIA.

Under the terms of the Canegrass FIA, Viking Critical Minerals has the right to acquire up to a 99% interest in the Canegrass Tenements and related mining information for up to \$4,000,000 expenditure over four stages as summarised below. Flinders Canegrass will also receive joint venture cash payments from Viking Critical Minerals at completion of each stage - totalling to \$1,250,000. In consideration for executing this agreement, Viking Critical Minerals paid a non-refundable deposit of \$50,000 to Flinders Canegrass.

Earn-in Stage	JV Cash Payment to FMS	Expenditure	Maximum Earning Period	Equity Interest earned	Acquirer's Total Equity
Stage 1	\$225,000	\$1,000,000	18 months	25%	25%
Stage 2	\$275,000	\$1,000,000	12 months	24%	49%
Stage 3	\$325,000	\$1,000,000	12 months	26%	75%
Stage 4	\$375,000	\$1,000,000	12 months	24%	99%
Total Earn-in inclusive of non-refundable deposit	\$1,250,000	\$4,000,000	54 months	99%	99%

On 5 January 2023, the Company advised that all conditions precedent to the Canegrass FIA were now complete and exploration work plans would now be developed and executed by Viking Critical Minerals.

Rounding

The amounts contained in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which this class order applies.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of Directors.



The Hon. Cheryl Edwardes, AM
Independent Non-Executive Chairman

Perth, Western Australia
13 March 2023

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Flinders Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Flinders Mines Limited for the half-year ended 31 December 2022 there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. No contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

A handwritten signature in black ink that reads 'G. Diedrich'.

Glenn Diedrich

Partner

Perth

13 March 2023

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Flinders Mines Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

	Notes	31 Dec 22 \$'000	31 Dec 21 \$'000
Finance income		70	4
Other income	3	50	1,000
Impairment of exploration assets		(1,498)	-
Administrative expenses	4	(1,478)	(1,971)
Finance costs		(18)	(35)
Loss before income tax		(2,874)	(1,002)
Income tax benefit	11	18,683	-
Profit/(Loss) for the period		15,809	(1,002)
<i>Items that may be reclassified to profit or loss:</i>			
Other comprehensive income		-	-
Other comprehensive income/(loss) for the period attributable to owners of the Company		15,809	(1,002)
Profit/(Loss) per share attributable to ordinary equity holders:		Cents	Cents
Basic and diluted profit/(loss) per share		9.363	(0.593)

The above statement should be read in conjunction with the accompanying notes.

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Flinders Mines Limited
Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	31 Dec 22 \$'000	30 Jun 22 \$'000
Current assets			
Cash and cash equivalents		8,824	2,595
Restricted cash	5	-	1,603
Trade and other receivables		97	34
Other assets	6	1,203	12,022
Total current assets		10,124	16,254
Non-current asset			
Exploration and evaluation	7	77,916	78,315
Total non-current asset		77,916	78,315
Total assets		88,040	94,569
Current liabilities			
Trade and other payables	8	556	561
Loans and borrowings	9	-	1,261
Provisions	10	1,070	3,459
Total current liabilities		1,626	5,281
Non-current liability			
Deferred tax liability	11	-	18,683
Total non-current liability		-	18,683
Total liabilities		1,626	23,964
Net assets		86,414	70,605
Equity			
Contributed equity	12	160,694	160,694
Reserves	13	-	30,000
Accumulated losses		(74,280)	(120,089)
Total equity		86,414	70,605

The above statement should be read in conjunction with the accompanying notes.

Flinders Mines Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

	Contributed equity	Accumulated losses	PIOP B Class Reserves	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 Jul 21	160,694	(117,698)	15,000	57,996
Loss for the period	-	(1,002)	-	(1,002)
Total comprehensive loss for the period	-	(1,002)	-	(1,002)
Transactions with owners in their capacity as owners:				
Issue of PIOP B Class Shares	-	-	15,000	15,000
Balance as at 31 Dec 21	160,694	(118,700)	30,000	71,994
Balance at 1 Jul 22	160,694	(120,089)	30,000	70,605
Profit for the period	-	15,809	-	15,809
Total comprehensive income for the period	-	15,809	-	15,809
Transactions with owner in their capacity as owner:				
Repurchase and cancellation of B Class Share	-	30,000	(30,000)	-
Balance as at 31 Dec 22	160,694	(74,280)	-	86,414

The above statement should be read in conjunction with the accompanying notes.

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Flinders Mines Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022

	31 Dec 22	31 Dec 21
	\$'000	\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(1,668)	(2,429)
Received on termination of PIOP FIA	11,295	-
Received on execution of Canegrass FIA	50	-
Interest paid	(17)	-
Interest received	70	4
Net cash inflow/(outflow) from operating activities	9,730	(2,425)
Cash flows from investing activity		
Payments for exploration and rehabilitation activity	(3,843)	(2,719)
Net cash outflow from investing activities	(3,843)	(2,719)
Cash flows from financing activities		
Proceeds from issues of PIOP Mine Co NL Class B Shares	-	7,386
Repayment of borrowings	(1,261)	-
Net cash (outflow)/inflow from financing activities	(1,261)	7,386
Net increase in cash and cash equivalents	4,626	2,242
Cash and cash equivalents at 1 July	4,198	3,685
Cash and cash equivalents at 31 December	8,824	5,927

The above statement should be read in conjunction with the accompanying notes.

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1 Corporate information

The interim consolidated financial report of Flinders Mines Limited and its subsidiaries (together referred to as the "the Group") for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the Directors on 13 March 2023.

Flinders Mines Limited (the "Company" or "Flinders") is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company and its subsidiaries were incorporated and domiciled in Australia. The registered office and principal place of business of the Company is 45 Ventnor Avenue, West Perth, WA 6005.

The amounts contained in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Instrument 2016/191. The Company is an entity to which this Class Order applies.

2 Summary of significant accounting policies

a) Basis of preparation

The interim consolidated financial statements for the half-year ended 31 December 2022 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The interim consolidated financial statements do not include all the information and disclosures normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial statements.

It is recommended that the interim consolidated financial statements be read in conjunction with the Group's annual financial statements for the year ended 30 June 2022 and considered together with any public announcements made by Flinders Mines Limited during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX listing rules.

b) Adoption of new and revised accounting standards

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2022.

c) Changes in accounting policy

All relevant new and amended Accounting Standards and Interpretations which became applicable on 1 July 2022 have been adopted by the Group. The adoption of these amendments did not have any material impact on the current period, prior period and is not likely to affect future periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

d) Going concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Group had net current assets of \$8.498m (30 June 2022: \$10.973m) and made a net profit after tax for the half year to 31 December 2022 of \$15.809m, including \$18.683m income tax benefit (31 December 2021: net loss of \$1.002m), with net operating cash inflows of \$9.730m, including \$11.295m receipt of cash from the termination of the farm-in agreement with BBI Group Pty Ltd (FIA) (31 December 2021: net cash outflows of \$2.425m) .

Management intends to continue undertaking the Group's exploration program and evaluate Pilbara Iron Ore Project (PIOP) development options and will require additional funding within the next 12 months on this basis. This funding may include capital raising or other funding options. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

Whilst the Group is dependent on securing additional funding options to remain a going concern, the Directors are confident these will be received, and the group will meet its current liabilities when they fall due in the next 12 months and therefore have prepared the financial report on a going concern basis.

3 Segment reporting

	PIOP	Canegrass	Total
31 Dec 22	\$'000	\$'000	\$'000
Segment results	-	50	50
Impairment of assets	-	(1,498)	(1,498)
Capital expenditures	373	39	412
Total segment assets	77,436	1,052	78,488
Total segment Liabilities	(1,384)	-	(1,384)
31 Dec 21			
Segment results	-	-	-
Impairment of assets	-	-	-
Capital expenditure	2,157	20	2,177
30 June 22			
Total segment assets	77,407	2,511	79,918
Total segment liabilities	(22,631)	-	(22,631)
Capital expenditures	5,136	274	5,410

Reportable segments' assets are reconciled to total assets as follows:

	Dec 2022	Jun 2022
	\$'000	\$'000
Segment assets	78,488	79,918
Unallocated:		
Cash and cash equivalents	8,824	2,595
Trade and other receivables	97	34
Other current assets	631	12,022
Total assets	88,040	94,569

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Dec 2022	Jun 2022
	\$'000	\$'000
Segment liabilities	1,384	22,631
Unallocated:		
Trade and other payables	242	72
Loans and borrowings	-	1,261
Total liabilities	1,626	23,964

3 Segment reporting (continued)

A reconciliation of segment results to loss before income tax is provided as follows:

	31 Dec 22	31 Dec 21
	\$'000	\$'000
Total segment results	50	-
Impairment of assets	(1,498)	-
Finance income	70	4
Other income	-	1,000
Administrative expenses	(1,478)	(1,971)
Finance costs	(18)	(35)
Loss before income tax	(2,874)	(1,002)

4 Expenses

	31 Dec 22	31 Dec 21
	\$'000	\$'000
Administrative expenses		
Compliance	139	134
Insurance	326	385
Consultants	113	630
Administration costs	146	44
Salary and wages	496	392
Legal fees	245	364
Occupancy costs	8	15
Other	5	7
	1,478	1,971

5 Restricted cash

	31 Dec 22	30 Jun 22
	\$'000	\$'000
Restricted cash ¹	-	1,603
	-	1,603

¹ Restricted cash relates to cash held by PIOP Mine Co NL which was an incorporated Joint Venture vehicle under which the Farm-In Agreement with BBI Group Pty Ltd operated until its termination on the 2 September 2023.

6 Other assets

	31 Dec 22 \$'000	30 Jun 22 \$'000
Prepayments ¹	637	331
Receivable from BBIG ²	566	11,691
	1,203	12,022

¹ Prepayments include the prepaid portion of the Group's insurances.

² A receivable has been recognised in relation to the balance of the termination payment required under the Farm-In Agreement with BBI Group Pty Ltd. The balance \$0.566 million at 31 December 2022 represents the balance of the funds receivable from BBIG in respect of the termination of the Farm-In Agreement. The balance of \$11.691 million at 30 June 2022 represents the receivable recognised in relation to the second anniversary year of the Farm-in Agreement minimum annual expenditure required with BBI Group Pty Ltd of \$15.0 million offset by the actual expenditure incurred on the exploration and evaluation under the Farm-in Agreement and the funds were received during the half year ended 31 December 2022.

7 Exploration and evaluation expenditure

	31 Dec 22 \$'000	30 Jun 22 \$'000
Opening balance	78,315	73,761
Expenditure incurred	1,104	3,748
Recognition of rehabilitation asset	-	817
Exploration expenditure expensed	(5)	(11)
Impairment loss ¹	(1,498)	-
	77,916	78,315

¹Impairment

Under the terms of the Canegrass FIA, Viking has the right to acquire up to a 99% interest in the Canegrass tenements and related mining information for up to \$4 million expenditure over four stages for a maximum earning period of 54 months. Canegrass will also receive joint venture cash payments from Viking Critical Minerals at completion of each stage totalling to \$1.250 million. In consideration for executing this agreement, Viking paid a non-refundable deposit of \$50,000 to Canegrass which was recognised in other income by the Group.

Management have considered the Canegrass FIA in its impairment assessment for Canegrass' exploration and evaluation assets. At 31 December 2022, management have written down the carrying value of the assets to \$1.052 million and recognised an impairment loss of \$1.498 million in the profit or loss. The net book value after impairment of \$1.052 million is consistent with the expected consideration of \$1.250 million (before discounting over an estimated 4.5 year period) from Viking.

Future receipts from Viking would reduce the carrying value of remaining Canegrass exploration and evaluation assets. In addition, should the farm-in agreement cease or change the carrying value of these assets would require reassessment.

8 Trade and other payables

	31 Dec 22 \$'000	30 Jun 22 \$'000
Trade and other payables	556	72
Joint Venture payables ¹	-	489
	556	561

¹ Joint Venture payables was related to amounts owing by PIOP Mine Co Pty Ltd which was the incorporated Joint Venture vehicle under which the Farm-In Agreement with BBIG operated until the agreement was terminated on 2 September 2022.

9 Borrowings

In October 2022, the Company repaid the outstanding loan with PIO Mines Pty Ltd, a related party. This loan was unsecured, with interest capitalised annually at a rate of BBSW plus a 2% margin. The balance of the loan as at 30 June 2022 inclusive of capitalised interest was \$1.261 million. The balance of \$1.278 million inclusive of capitalised interest was repaid in full on 12 October 2022.

10 Provision

	31 Dec 22 \$'000	30 Jun 22 \$'000
Current Rehabilitation provision	1,070	3,459
	1,070	3,459
Opening balance	3,459	3,735
Expenditure incurred	(2,389)	(1,093)
Change in estimate	-	817
Closing balance	1,070	3,459

11 Income tax benefit

During the year ended 30 June 2021, PIOP Mine Co NL issued Class B shares to its Farm-In partner, BBI Group Pty Ltd (BBIG). Upon the issue of the Class B shares, PIOP Mine Co NL exited the Company's tax consolidated group and the deferred tax asset shielding the deferred tax liability was derecognised as it was no longer considered sufficiently probable that forecast taxable profits will be available against which these deductible temporary differences can be utilised, resulting in a deferred income tax expense of \$18.683 million in the year ended 30 June 2021.

On 5 September 2022, BBIG withdrew from the Farm-In Agreement, and as such the Class B share was transferred back to the Company and PIOP Mine Co Pty Ltd (Formerly PIOP Mine Co NL) has once again become a member of the Company's tax consolidated group. Therefore, as at and for the six months ended 31 December 2022, the deferred tax asset to the extent of the deferred tax liability amount of \$18.683 million was recognised resulting in a corresponding deferred tax benefit in the profit or loss.

In addition, on 5 September 2022, in view of the termination of the Farm-In Agreement, PIOP Mine Co Pty Ltd meets the eligibility criteria to re-enter the tax consolidated Group. Upon consolidation, PIOP's tax current and deferred taxes have been absorbed into the Tax Consolidated Group and all tax implications are assessed by single entity principles in accordance with AASB 112 Income Taxes and on the basis that:

- The Tax Consolidated Group has sufficient deferred tax assets on unutilised tax losses (\$42.473 million at 30 June 2022) to offset the deferred tax liability; and
- The Tax Consolidated Group is in a surplus deferred tax asset position. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will arise to offset the carry forward losses.

12 Contributed equity

	Number of shares	\$'000
Issued shares:		
As at 1 Jul 22	168,848,577	160,694
As at 31 Dec 22	168,848,577	160,694

13 Reserves

The PIOP B Class Reserve was the minimum annual expenditure required under the Farm-In Agreement with BBI Group Pty Ltd. Following the termination of the Farm-In Agreement the single remaining Class B share was transferred to the Company by the BBI Group Pty Ltd for a consideration of \$1 under the terms of the agreement. The Class B share has been cancelled and the B Class reserve was credited to accumulated losses during the period.

14 Contingent assets and liabilities

The Directors are not aware of any contingent assets or liabilities as at 31 December 2022.

15 Commitments

Exploration Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various States and Territory Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in this financial report.

The minimum level of exploration expenditure expected in the year ending 30 June 2023 for the Group is approximately \$0.310 million relating to the Group's Canegrass project. These obligations are expected to be met by the companies Farm-in agreement between Flinders Canegrass Pty Ltd and Viking Mines Ltd. The minimum level of exploration expenditure required for the Group's Pilbara Iron Ore Project of \$1.115 million is expected to be met in the ordinary course of business.

16 Related party transactions

Other transactions with related parties

For the period ended 31 December 2022, the Group paid Director Fees to TIO (NZ) Limited, its major shareholder, for Director services provided by Mr M Wolley and Mr R Foster. The total value of these services was \$30,000 (HY 2021: \$70,000). Following his departure from Todd Corporation, (TIO (NZ) Limited's ultimate parent entity) from 10 September 2022, Mr Wolley's Director Fees of \$21,583 were paid to Omaha Holdings Pty Ltd, a company he controls. Mr Wolley remains as a nominee director for Todd Corporation.

Refer to Note 8 for details of the loan facility with PIO Mines Pty Ltd, a subsidiary of the major shareholder, TIO (NZ) Limited.

Refer to Note 17 for details of the agreement with BBI Group Pty Ltd, a fellow subsidiary of the major shareholder, TIO (NZ) Limited.

The above transactions are all entered into under arm's length terms and conditions and in the normal course of business.

17 Events occurring after the reporting period

On 17 January 2023 the Company announced that it had entered into binding agreements with BBIG to acquire 100% of the share capital in Forge Resources Swan Pty Ltd (**FRS**).

The FRS Acquisition will occur via a two-stage process:

Stage One – the Company will acquire FRS, which through its subsidiaries and controlled entities holds the majority of BBIG's assets related to the Infrastructure Project. BBIG's subsidiaries which are parties to the Railway (BBI Rail Aus Pty Ltd) Agreement Act 2017 (WA) (**State Rail Agreement**) (**Rail Entity**) will be retained by BBIG as part of a corporate restructure prior to Stage One completion, with the effect that Flinders will not acquire the State Rail Agreement as part of Stage One; and

Stage Two – subject to further preconditions being met, the Rail Entity will be transferred to the Company.

The Company will acquire all the shares in FRS at completion of Stage One for a purchase price of \$3.3 million. If the Proposed Transaction proceeds to Stage Two completion, a further \$1 purchase price is payable to BBIG for the purchase of all the shares in the Rail Entity.

The Company and BBIG are endeavouring to satisfy the various conditions to Stage One in the next 3-6 months. The Preconditions include:

1. Flinders obtaining FIRB approval in relation to the acquisition of the shares in FRS; and
2. completion by BBIG of an internal restructure to give effect to the staged acquisition of the Infrastructure Project and BBIG's retention of assets held by FRS which do not form part of the Infrastructure Project, noting this internal restructure is conditional upon:
 - a) FIRB approval;
 - b) corporate reconstruction relief in respect of the transfer of assets held by FRS which do not form part of the Infrastructure Project to another BBIG subsidiary; and
 - c) consent from the Ngarluma Aboriginal Corporation in relation to the transfer of the assets held by FRS which are not part of the Infrastructure Project to the same BBIG subsidiary.

Stage Two of the Proposed Transaction is conditional upon the guarantors under the State Rail Agreement (which include various subsidiaries of Todd) being fully and finally released from their obligations as guarantors under that agreement, or upon Todd otherwise providing consent to the transfer of the shares in the Rail Entity to the Company.

If neither of these events occur within five years, or if the State Rail Agreement is at any stage terminated, Stage Two completion will not occur.

Directors Declaration

In accordance with a resolution of the Directors of Flinders Mines Limited, I state that:

1. In the opinion of the Directors:
 - a) The financial statements and notes of Flinders Mines Limited for the half-year ended 31 December 2022 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2022 and performance for the half year ended on that date;
 - (ii) complying with Accounting Standards AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
 - b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



The Hon. Cheryl Edwardes, AM
Independent Non-Executive Chairman

Perth, Western Australia
13 March 2023

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Independent Auditor's Review Report

To the shareholders of Flinders Mines Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying **Half-Year Financial Report** of Flinders Mines Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-Year Financial Report of Flinders Mines Limited does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-Year Financial Report** comprises

- Consolidated statement of financial position as at 31 December 2022;
- Consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Flinders Mines Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 2(d), "Going concern" in the Half-Year Financial Report. The conditions disclosed in Note 2(d), indicate a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-Year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-Year Financial Report

The Directors of the Company are responsible for:

- The preparation of the Half-Year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- Such internal control as the Directors determine is necessary to enable the preparation of the Half-Year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the Half-Year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-Year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-Year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG.

KPMG

Glenn Diedrich

Partner

Perth

13 March 2023

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