



11 February 2020

By email

Madeleine Green
Senior Adviser, ASX Listings Compliance (Perth)
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Ms Green

Re: Fin Resources Limited ('FIN'): Appendix 5B Queries

We refer to your letter dated 5 February 2020 with subject line "Fin Resources Limited ('FIN'): Appendix 5B Queries". Please see the responses of Fin Resources Limited (**FIN** or **the Company**) to the queries raised in your letter below.

- 1. "Please explain why the exploration and evaluation expenditure outflows in paragraph C above were substantially less than the estimated outflows for the same period. In answering this question, please advise the basis upon which the estimated outflows for the quarters were estimated with specific reference to FIN's budgets, accounting policies and any other relevant documentation and considerations and why the estimated outflows appeared to be reduced by \$50,000 or \$25,000 each quarter."**

The Company takes a systematic, staged approach with respect to its exploration programs on all projects, with prudent monitoring, assessing and refocusing of exploration programs as necessary. Given the uncertain nature of exploration, estimates of future exploration activities and associated expenses are subject to significant uncertainties and, accordingly, actual costs often differ significantly from initial estimates.

The Company commenced exploration activities at the McKenzie Springs Project in August 2018 with a program of soil geochemical sampling, rock chip sampling and geological mapping (see ASX announcement dated 30 August 2018). The results of these activities were obtained in the December 2018 quarter (see quarterly report dated released 31 January 2019). At around this time, new electromagnetic survey data relating to the area of the McKenzie Springs Project was released to the public.

As noted in the quarterly report released 31 January 2019 (prior to finalisation of the review of the new electromagnetic survey data), the Company was planning to undertake a maiden drilling program at the McKenzie Springs Project, most likely during the Kimberley dry season in the second half of 2019.

All of these matters were included in the Company's budget, which, as is typical for companies of this size, is part of an annual cycle and then as a matter of practice, revised for significant events when they occur. Estimated outflows have reduced each quarter as the Company has moved from conducting an exploration program comprising field work through reviewing and assessing exploration results and now to assessing opportunities and next steps with its projects. The reduced estimated outflows allow for heritage works or additional exploration and evaluation work where it presents itself (e.g. where additional geological data becomes available). Prior to conducting a drilling program and providing the expenditure for the drilling program in the estimates, the next budgeted step was to seek a heritage clearance for the area and the proposed activities. This step (and the extent to which it would be conducted in the relevant quarter) has been continually pushed out, which is reflected in the outflow updates. This has occurred for four reasons:

ONE: The Company engaged a geologist to review the new electromagnetic survey data, whose opinion was that the resource at the McKenzie Springs Project was potentially deeper than initially anticipated, but still



prospective. The Company then engaged geologist Kell Nielsen in August 2019, who has greater experience exploring in the area, to review the new electromagnetic survey data and the first geologist's views. The results of that review confirmed that the resource appears to be at depth. As a result, any drill program would no longer be a surface program, and would require 3 holes and downhole electromagnetic surveys at each drill location. The added time, money and complexity because of the requirement for deeper drilling meant the Company was cautious in its approach to continuing exploration of the project, including by delaying the maiden drilling program and considering other options for funding and exploring the McKenzie Springs Project.

TWO: As noted in the December 2019 quarterly report released on 31 January 2020, "*introductions were made to third parties to assess the opportunity for further exploration work at McKenzie Springs by funding the next phase of drilling at McKenzie Springs via a farm-in or joint venture agreement.*"

THREE: The term of exploration licence E80/4808 (the exploration licence comprising the McKenzie Springs Project) was due to expire in September 2019. The Company had applied for an extension of term, however there was no guarantee that the extension would be granted. The Company determined that, given the significant amount of expenditure required to conduct the maiden drilling program, it was too great a risk to commence the drilling program absent a partner and in circumstances where the Company was not guaranteed ongoing tenure beyond September 2019. As such, the decision was made to delay the maiden drilling program at the McKenzie Springs Program in any event until the tenure extension was granted. In November 2019 the term of E80/4808 was extended to 10 September 2024.

FOUR: Post the extension, the hot and cyclonic weather conditions in the region during the summer months has also contributed to further delaying commencement of the drilling program; the Company has no base camp for use during summer months.

The McKenzie Springs Project has been a higher priority than the South Big Bell Project and the Sentinel Project is situated on a salt lake that has been, and continues to be, covered in water, delaying further exploration.

2. "What procedures does FIN have in place to ensure that its estimated outflows in its Appendices 5B are accurately estimated?"

In estimating the outflows in expenditure for exploration and evaluation for the following quarter, the Company Secretary has reference to the annual budget, and then discusses the planned exploration and evaluation activities with the Company's Directors and the Company's consultant geologist, who provide details regarding the then current timing of planned activities and the estimated associated costs, and any material changes. There is constant communication between the Company's Board and its management team and consultant geologist in relation to the status of the Company's projects and results of work undertaken in respect of those projects. It is the Company's practice to be conservative in its estimations so as not to under-estimate its outflow for each quarter.

3. "If the current procedures are inadequate, what additional steps does FIN intend to take to ensure that the estimated outflows are accurately estimated?"

The Company believes its procedures are adequate for a Company of its size (it has three Directors, one Company Secretary and no employees) and nature.

4. "Having regard to the fact that it appears only one exploration program has been completed by FIN since Re-compliance please explain why the amounts expended by FIN on exploration and evaluation since the date of its Re-compliance have been so much lower than what was forecast in the Prospectus, as set out in paragraph F above."

The Company acknowledges that expenditure on exploration to date is lower than the indicative budget that was set out in the re-compliance prospectus released by the Company on 4 April 2018 (**Prospectus**). That said, the indicative budget in the Prospectus was qualified by the following statement:



“The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors including, but not limited to, the success of the Company’s exploration and evaluation programs, as well as regulatory developments and economic conditions. In light of this, the Company reserves the right to alter the way the funds are applied.”

The Company’s decisions to incur expenditure on exploration activities must be based on a sound analysis of publicly available information as well as results obtained from its exploration activities. Given the nature of exploration, the results of such activities are never certain. As such, estimates of future exploration activities and associated expenses are subject to significant uncertainties and, accordingly, actual costs often differ significantly from initial estimates. This uncertainty and the associated risks were communicated to investors in sections 4.1.8 and 4.1.9 of the Prospectus.

To date, the Company’s focus has been primarily on the McKenzie Springs Project (see section 1 for more information regarding the exploration and evaluation activities undertaken with respect to this Project). As such, the Company has undertaken low cost activities in respect of the Sentinel and South Big Bell Projects, while it continues to improve understanding of the land the subject of these projects (given they were only acquired in May 2018). As noted in the Company’s quarterly report released on 25 July 2019, the Company has completed desktop studies, reports and a GIS data review in respect of the Sentinel Project and desktop studies on the South Big Bell Project.

The Company’s decision to delay incurring significant expenditure on exploration activities in respect of the Sentinel and South Big Bell Projects was intended to ensure capital is allocated to activities that will deliver the greatest commercial benefit for the Company’s shareholders. Further, while the Company may not have spent money on exploration activities as quickly as it estimated in the Prospectus, its cash balance is currently \$3,625,000. This means the Company may still spend the estimated amounts on the activities stated in the Prospectus, just over a slightly longer period.

5. “Please explain:

5.1 why FIN considers its Listing Rule 4.10.19 statement set out in paragraph H above adequate in the context of the information above and the answer to question 4; and

5.2 why FIN considered its use of funds to be consistent with its business objectives and therefore not required to provide an explanation of how the cash and assets were used.”

As a junior explorer, FIN has an obligation to its shareholders to ensure its limited funds are allocated in a careful and considered manner. As the response to question 4 (and question 1) indicate, while the Company may not have incurred as much expenditure on exploration as it had initially estimated, the money it has spent to date has been dedicated in a methodical manner towards activities that have increased the Company’s understanding of its recently acquired projects. The Company has been wary to ensure it doesn’t commit to spending money on expensive drilling campaigns until it has undertaken sufficient analysis of all information available. Further, the Company’s cash balance is currently \$3,625,000, which shows that it remains sufficiently funded to conduct exploration and earn in activities in the future. In the Company’s opinion, prudent expenditure on targeted exploration based on thorough analysis is consistent with its business objectives as a junior explorer.

6. “Please provide a breakdown of how much FIN has spent on each of its three projects in the context of the earn-in requirements summarised in paragraph J above, including confirmation of whether any of the earn-in requirements have been met or have lapsed.”

The Company has spent approximately \$260,000 out of the required \$500,000 to earn an additional 19% interest in the McKenzie Springs Project. The earn-in right expired on 14 November 2019. The Company is in confidential incomplete negotiations with the counterparty to the earn-in regarding an extension of the date by which the earn-in can be met. The Company is confident it will reach an agreement with the counterparty.



The Company has spent approximately \$25,000 out of the required \$1,000,000 to earn an additional 19% interest in the Sentinel Project. The earn-in requirement has not yet been met but the option to complete the earn-in is still on foot and the Company has sufficient cash reserves to proceed if exploration results are positive.

The Company has spent approximately \$33,000 out of the required \$1,000,000 to earn an additional 19% interest in the South Big Bell Project. The earn-in requirement has not yet been met but the option to complete the earn-in is still on foot and the Company has sufficient cash reserves to proceed if exploration results are positive.

7. “Please explain FIN’s current statement of intention regarding achieving the earn-in minimum spend requirements on each of the McKenzie Springs, Big Bell and Sentinel projects.”

The Company intends to meet minimum spend requirements on the McKenzie Springs project.

The Company will continue to assess its options in relation to a third party “earning-in” to the Sentinel Project, following further exploration of the project (see above).

The Company is currently reviewing the recently completed annual report on the South Big Bell Project and is assessing its options in relation to that project.

8. “Why did FIN’s directors only hold one meeting during the 30 June 2018 financial year? In answering this question please have reference to FIN’s Board Charter.”

The Company has three Directors, one Company Secretary and no employees. The Directors are actively involved in the operations of the Company and work together closely. As noted in the Company’s 2018 Annual Report,

“During the financial year, the Directors met regularly to discuss all matters associated with investment strategy, review of opportunities, and other Company matters on an informal basis. The regular nature of these meetings was facilitated through the sharing of office space along with Max Capital, Fin Resource’s Corporate Advisor. Circular resolutions were passed as necessary to execute formal Board decisions.”

The size and composition of the Company’s Board and management means that frequent formal Board meetings are perhaps not as crucial to the functioning of the Company, when compared to large corporations with Board members located in various parts of the world and a separate management team. That said, the Company acknowledges the importance of formal Board meetings in the context of good corporate governance. As identified in your letter, the Company’s Board Charter provides that the Board will schedule formal Board meetings at least once quarterly. The Company acknowledges that the Board has not been meeting this frequently and, going forward, will endeavour to ensure that formal Board meetings are held at least once quarterly.

9. “Please confirm that FIN is complying with the Listing Rules and, in particular, Listing Rule 3.1.”

The Company confirms that it remains in compliance with the Listing Rules and in particular, Listing Rule 3.1.

10. “Please confirm that FIN’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FIN with delegated authority from the board to respond to ASX on disclosure matters.”

The Company confirms that these responses are authorised and approved in accordance with the Company’s continuous disclosure policy.



Yours sincerely

A handwritten signature in black ink, appearing to read "Jason Bontempo".

Jason Bontempo
Director
Fin Resources Limited



5 February 2020

Mr Aaron Bertolatti
Company Secretary
Fin Resources Limited

By email: abertolatti@finresources.com.au

Dear Mr Bertolatti

Fin Resources Limited ('FIN'): Appendix 5B Queries

ASX Limited ('ASX') refers to the following:

- A. FIN's re-compliance with Chapters 1 and 2 of the Listing Rules and the reinstatement of its securities to trading on 25 May 2018 ('Re-compliance') following FIN completing a transaction to acquire 51% of the McKenzie Springs Project, 51% of the South Big Bell Project and 51% of the Sentinel Project (together, 'Acquisition') and raising \$1,000,000 pursuant to an offer under its prospectus dated 4 April 2018 ('Prospectus').
- B. FIN's announcement entitled, '*Exploration results confirm Nickel-Copper sulphide potential*' lodged on the Market Announcements Platform ('MAP') on 31 January 2019 which discloses exploration results at the McKenzie Springs project and appears to be the only exploration results from an exploration program FIN has released since Re-compliance.
- C. FIN's expenditure and estimated expenditure on 'Exploration & Evaluation' and 'Administration and Corporate Costs' as per its Appendix 5B quarterly reports for each quarter since the reinstatement of FIN's securities following Re-compliance, as follows:

Date	Exploration & Evaluation	Estimated Exploration & Evaluation	Administration and Corporate Costs	Estimated Administration and Corporate Costs
June 2018	\$20,000	NA	\$270,000	NA
September 2018	\$113,000	\$200,000	\$48,000	\$100,000
December 2018	\$85,000	\$150,000	\$64,000	\$65,000
March 2019	\$33,000	\$125,000	\$81,000	\$75,000
June 2019	\$49,000	\$100,000	\$83,000	\$75,000
September 2019	\$21,000	\$75,000	\$99,000	\$75,000
December 2019	\$17,000	\$50,000	\$55,000	\$75,000
TOTAL (excluding June 2018)	\$318,000	\$700,000	\$430,000	\$465,000

- D. FIN's exploration and evaluation cash outflow based on the Appendix 5Bs lodged since Re-compliance being significantly lower than the estimated spend, specifically by \$382,000 representing a difference of 56% compared to its estimated administration and corporate costs where there was only a difference of \$35,000 over the same period.

E. The Appendix 5B compliance statement which states as follows:

This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

This statement gives a true and fair view of the matters disclosed.

F. The proposed use of funds for the 2 years following the Re-compliance set out on page 24 of the Prospectus, as follows:

Use of funds

Following completion of the Offers, the Company intends to apply funds as follows:

Item	Amount	Proportion
Available funds		
Existing cash reserves	\$3,600,000	78.3%
Funds from the Public Offer	\$1,000,000	21.7%
Funds from the Broker Offer	\$1,200	0%
Total	\$4,601,200	100%
Use of funds		
Expenses the Offers ¹	\$225,898	4.9%
Exploration and other geological expenditure on the McKenzie Springs Project ²	\$1,510,000	32.8%
Exploration and other geological expenditure on the South Big Bell Project ³	\$315,000	6.9%
Exploration and other geological expenditure on the Sentinel Project ⁴	\$735,000	16%
Corporate expenditure ⁵	\$375,000	8.2%
Other general working capital ⁶	\$1,440,302	31.2%
Total	\$4,601,200	100%

G. The proposed allocation of funds for each of the projects acquired pursuant to the Acquisition set out on pages 42 and 43 of the Prospectus, as follows:

The Company proposes to allocate funds towards exploration and other geological expenditure on the McKenzie Springs Project as set out below.

Item	Year 1	Year 2	Total
Data compilation	\$40,000	-	\$40,000
Geophysical review	\$30,000	-	\$30,000
Petrological studies	\$5,000	\$10,000	\$15,000
Geophysical surveys	\$250,000	\$100,000	\$350,000
Drilling and assays	\$350,000	\$500,000	\$850,000
Downhole geophysics	\$125,000	\$100,000	\$225,000
Total	\$800,000	\$710,000	\$1,510,000

The Company proposes to allocate funds towards exploration and other geological expenditure on the Sentinel Project as set out below.

Item	Year 1	Year 2	Total
Data compilation	\$15,000	-	\$15,000
Geological mapping	\$20,000	-	\$20,000
Geophysical and geochemical surveys	\$50,000	-	\$50,000
Drilling and assays	\$80,000	\$150,000	\$230,000
Total	\$165,000	\$150,000	\$315,000

The Company proposes to allocate funds towards exploration and other geological expenditure on the South Big Bell Project as set out below.

Item	Year 1	Year 2	Total
Data compilation	\$20,000	Nil	\$20,000
Geological mapping	\$30,000	Nil	\$30,000
Geophysical and geochemical surveys	\$60,000	\$25,000	\$85,000
Drilling and assays	\$250,000	\$350,000	\$600,000
Total	\$360,000	\$375,000	\$735,000

- H. The following statement on page 41 of FIN's 2019 Annual Report lodged on MAP on 19 September 2019 ('Annual Report'):

"Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial ended 30 June 2019."

- I. Listing Rule 4.10.19, which states (emphasis added):

*"In its first two +annual reports after admission (or in the case of an entity that has been required to comply with listing rule 1.3.2(b) because of the application of Listing Rule 11.1.3, in the first two annual reports after the reinstatement of the entity's securities to quotation following compliance with listing rule 11.1.3), a statement about whether the entity used the cash and **assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. If the use was not consistent, an explanation of how the cash and assets were used.** The statement in the first +annual report must be for the time between admission (or reinstatement to quotation) and the end of the reporting period. The statement in the second +annual report must be for the whole of the reporting period. This rule applies to an entity admitted under rule 1.3.2(b) and an entity required to comply with listing rule 1.3.2(b) because of the application of listing rule 11.1.3."*

- J. The terms of each term sheet for the Acquisition detailed on pages 30-31 of the Prospectus, specifically the following excerpts relating to the earn-in for each project:

'The Company may earn a further 19% interest (for an aggregate of 70%) in the McKenzie Springs Project by spending \$500,000 on the Project within 18 months from completion.'

'The Company may earn a further 19% interest (for an aggregate of 70%) in the South Big Bell Project by spending \$1,000,000 on the Project within 3 years from completion.'

'The Company may earn a further 19% interest (for an aggregate of 70%) in the Sentinel Project by spending \$1,000,000 on the Project within 3 years from completion.'

K. FIN's Board Charter that states at paragraph 6.2 that:

'The Board will schedule formal Board meetings at least quarterly and hold additional meetings, including by telephone, as may be required.'

L. The statement on page 5 of the Annual Report confirming that FIN's directors had one meeting during the year ended 30 June 2019 and that it was only attended by two out of the three directors.

M. Listing Rule 12.1 which states:

That the level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.

Request for Information

Having regard to the above, ASX asks FIN to respond separately to each of the following questions and requests for information:

1. Please explain why the exploration and evaluation expenditure outflows in paragraph C above were substantially less than the estimated outflows for the same period. In answering this question, please advise the basis upon which the estimated outflows for the quarters were estimated with specific reference to FIN's budgets, accounting policies and any other relevant documentation and considerations and why the estimated outflows appeared to be reduced by \$50,000 or \$25,000 each quarter.
2. What procedures does FIN have in place to ensure that its estimated outflows in its Appendices 5B are accurately estimated?
3. If the current procedures are inadequate, what additional steps does FIN intend to take to ensure that the estimated outflows are accurately estimated?
4. Having regard to the fact that it appears only one exploration program has been completed by FIN since Re-compliance please explain why the amounts expended by FIN on exploration and evaluation since the date of its Re-compliance have been so much lower than what was forecast in the Prospectus, as set out in paragraph F above.
5. Please explain:
 - a. why FIN considers its Listing Rule 4.10.19 statement set out in paragraph H above adequate in the context of the information above and the answer to question 4; and
 - b. why FIN considered its use of funds to be consistent with its business objectives and therefore not required to provide an explanation of how the cash and assets were used.
6. Please provide a breakdown of how much FIN has spent on each of its three projects in the context of the earn-in requirements summarised in paragraph J above, including confirmation of whether any of the earn-in requirements have been met or have lapsed.
7. Please explain FIN's current statement of intention regarding achieving the earn-in minimum spend requirements on each of the McKenzie Springs, Big Bell and Sentinel projects.
8. Why did FIN's directors only hold one meeting during the 30 June 2018 financial year? In answering this question please have reference to FIN's Board Charter.
9. Please confirm that FIN is complying with the Listing Rules and, in particular, Listing Rule 3.1.

10. Please confirm that FIN's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FIN with delegated authority from the board to respond to ASX on disclosure matters.

Listing Rule 12.1 Considerations

It is ASX's opinion, based solely on information available to date, that FIN's operations are not sufficient to warrant the continued quotation of its securities.

ASX will afford FIN a period of 6 months from the date of this letter to demonstrate to ASX that it is compliant with Listing Rule 12.1. If FIN does not demonstrate compliance with this rule to ASX's satisfaction by 5 August 2020, ASX may suspend FIN's securities from official quotation.

If FIN proposes to enter into any transactions it must consult with ASX so that it may consider the application of Listing Rule 11.1, in particular, Listing Rule 11.1.3. Please refer to ASX Guidance Note 12: *Significant Changes to Activities* which provides further information on significant changes to listed entity activities and the application of the Listing Rules to those changes.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00PM AWST Tuesday, 11 February 2020**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to FIN's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that FIN's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in FIN's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Madeleine Green
Senior Adviser, Listings Compliance (Perth)