

1 July 2013

CORPORATE UPDATE



highlights

- *Flinders PIOP delivers 60%+ DSO ore with minimal strip ratios*
- *Monthly cash expenditure minimized*
- *Corporate discussions in due diligence phase*

Flinders Mines ("Flinders") provides an update regarding operational and corporate activities surrounding its 100% owned Pilbara Iron Ore Project ("PIOP") in Western Australia.

VALUE IMPROVEMENT AND CONCEPTUAL MINE PRODUCTION STUDIES

Flinders' operational team has been engaged in a number of value improvement studies aimed at providing significant project value uplift by maximising the quality of ore delivered from the PIOP over an initial 5 to 10 year period. In addition, these value improvement studies will result in reduced project Capex and operational costs as a result of targeting those areas that can deliver high grade direct shipping ore (DSO) product at low strip ratios.

In summary, Flinders is able to deliver DSO product at a grade of 60% Fe from its D1 and D6 pits within the Delta deposit at a production rate of 5Mtpa for the first 8 years of mining (Table 1, Figure 1). Importantly, for the first 5 years this ore is also able to be delivered with a strip ratio of approximately 1.1:1, providing a significant reduction in operating costs. This does not affect Flinders' ability to deliver higher annual tonnages of ore if required.

Through detailed studies and optimisation, Flinders believes it may be possible to produce even higher grade product for a longer time period and this will continue to be a focus for the management team.

YEAR	1	2	3	4	5	6	7	8
Pit	Delta	Delta	Delta	Delta	Delta	Delta	Delta	Delta
Area Inferred	D6	D6	D6	D6	D6	D6/D1	D1	D1
Ore Tonnes (Mt)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Strip Ratio (W:O)	1.1:1	1.1:1	1.1:1	1.1:1	1.1:1	1.4:1	1.9:1	1.9:1
Fe %	60.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0
SiO ₂ %	5.57	5.57	5.57	5.57	5.57	5.68	5.84	5.84
Al ₂ O ₃ %	3.20	3.20	3.20	3.20	3.20	3.45	3.83	3.83
P %	0.08	0.08	0.08	0.08	0.08	0.08	0.06	0.06

Table 1 Pilbara Iron Ore Project conceptual DSO production plan.

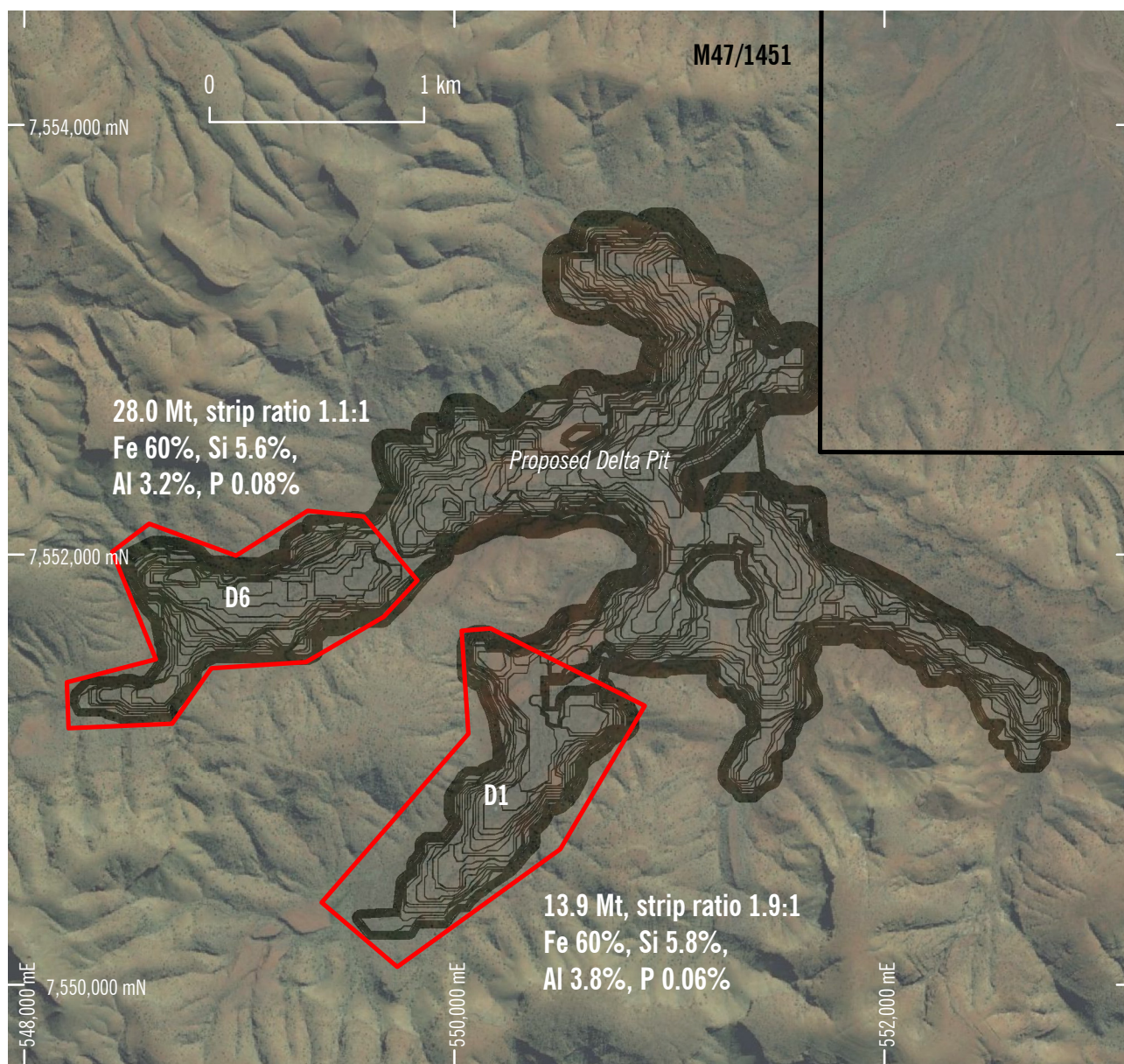


Figure 1 Location of conceptual D1 and D6 pits in Delta deposit.

CASHFLOW MANAGEMENT

Flinders believes that in a changing iron ore market, it is imperative that value be added through sensible investment in the PIOP resource, both in terms of on ground activities such as the BID drilling program as well as desktop based studies to improve mining efficiency.

Notwithstanding this, the Company has made significant moves to reduce project and administrative cash expenditure. These moves have included a number of redundancies at head office and on site, a reduction of expenditure at the PIOP mine camp and a continued program of negotiation with service providers to ensure the current cash balance of \$6.0M is sufficient to see Flinders through to positive outcomes at a corporate level.

Flinders' current cash expenditure currently stands at \$0.7M per month. BID drilling of approximately \$900K is scheduled for completion by the third quarter of the calendar year. Flinders is in a position to further reduce this monthly cash expenditure if required.

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Flinders has made significant progress in dialogue with interested groups regarding moving forward with the development of the PIOP.

This dialogue has centered on access to rail and port infrastructure as well as the provision of project funding and offtake contracts. The form of these discussions includes the potential for mining joint ventures as well as consolidation at the corporate level.

Continuing discussions with third parties have now advanced to the due diligence phase.

APPOINTMENT OF MANAGING DIRECTOR

Flinders announced on 22 April 2013 that it was likely to be in a position to announce the appointment of a new Managing Director to the Company. Since then, the continuing progress of corporate discussions referred to above make it impractical for there to be a commitment to this appointment.

It remains the Board's intent to appoint a new Managing Director as soon as circumstances permit.



ROBERT KENNEDY
EXECUTIVE CHAIRMAN

1 July 2013

Forward Looking Statements

This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events as of the time of the release of this document. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, some of which are outside the control of Flinders Mines Limited, that could cause actual results to differ materially from such statements. Flinders Mines Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

*Exploration Targets

Exploration Targets are reported according to Clause 18 of the JORC Code. This means that the potential quantity and grade is conceptual in nature and that considerable further exploration, particularly drilling, is necessary before any Identified Mineral Resource can be reported. It is uncertain if further exploration will lead to a larger, smaller or any Mineral Resource.

Competent Persons

The information in this report that relates to Pilbara Iron Ore Project Exploration Results is based on information compiled by Mr Nick Corlis who is a member of the Australian Institute of Geoscientists and a full-time employee of Flinders Mines Limited. Nick Corlis has sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Nick Corlis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources at Pilbara Iron Ore Project is based on information compiled by Dr Graeme McDonald who is a member of the Australian Institute of Mining and Metallurgy and a full-time employee of Flinders Mines Limited. Graeme McDonald has sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Graeme McDonald consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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