

Quarterly Report

For the quarter ending 30 June 2013

HIGHLIGHTS

- *Additional drilling program commenced at Pilbara Iron Ore Project targeting BID mineralisation*
- *Memorandum of Understanding executed with Brockman Mining to work towards an Aggregation Agreement post June Quarter*
- *Further mine planning completed showing potential for 60% Fe DSO ore production with low Capex*
- *Available funds of \$6.0 million at 30 June, 2013*



CORPORATE

The key focus of the Flinders' Board and executive team remains on realising the strong economic potential of the large, high quality Pilbara Iron Ore Project (PIOP) orebodies for the benefit of our shareholders. Entering into agreements with potential third party providers of critical rail and port infrastructure remains pivotal to achieving these goals.

Flinders has made significant progress in dialogue with interested parties regarding moving forward with the development of the PIOP, with continuing discussions advancing to the due diligence phase. The dialogue has centred on access to rail and port infrastructure, as well as the provision of project funding and off-take contracts.

Discussions undertaken during the quarter resulted in the execution of a Memorandum of Understanding

between Flinders and Brockman Mining Australia Pty Ltd post the end of June Quarter to work towards an Aggregation Agreement covering their respective iron ore interests and export aspirations in the Pilbara region of Western Australia. An aggregation of iron ore tonnage potentially places both groups in a strong position to move forward to deliver ore to market.

During the quarter, the Company made significant moves to reduce project and administrative expenditure with a number of redundancies at head office and on site and a repositioning of exploration initiatives to focus more closely on value accretive targets. It remains the Board's intent to appoint a new Managing Director as soon as circumstances permit.

PROJECTS

PILBARA IRON ORE PROJECT (PIOP) - WA

During the June 2013 quarter project based activities were restricted in order to reduce project expenditure, but did include work with the ongoing marketing strategy and value improvement and conceptual mine production studies.

Key activities for the quarter are summarised below.

Mining, Processing And Infrastructure

Flinders conducted a number of studies that can demonstrate alternative means to commence production whilst minimising capex and reducing operating costs. 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 (Figure 1, Table 1).

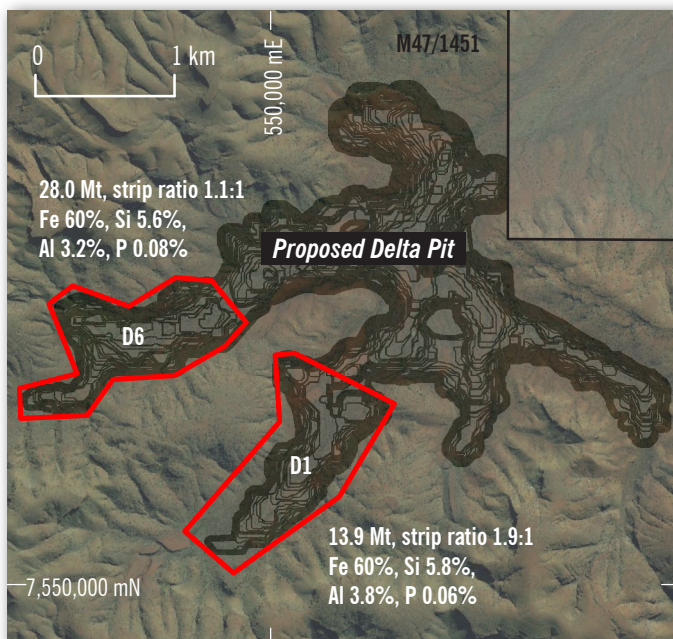


Figure 1 Location of conceptual D1 and D6 pits in Delta deposit.

This shows there is potential to produce high quality DSO ore (60% + Fe) for an initial 5 to 10 year timeframe. This concept has potential to add significant value to the PIOP project, not only by reducing start up Capex but by also producing a higher value product at a greatly reduced Opex as a result of being able to mine at lower strip ratios than previously anticipated.

Environment And Approvals

A revised Groundwater Operating Strategy was prepared in accordance with feedback from key stakeholders. The revised GOS will be submitted to the Department of Water in Q3, 2013. Flinders is seeking a Section 5C Licence (to take water and manage its use per the *Rights in Water and Irrigation Act 1914*) for four (4) Gegalitres per annum (GL/a). The Section 5C Licence is for the purpose of on-tenement (M47/1451) dewatering and water supply for PIOP mining and associated activities.

Future Work Program

DFS level activities remain on hold and are not expected to recommence until infrastructure access has been finalised. The in-house team will continue to investigate opportunities that improve project value through reduction in start-up capital expenditure, or operating cost, or both.

Exploration And Evaluation Activities

The Board approved a small program of drilling to commence in the September 2013 quarter. This drilling is aimed at extending the resource of Brockman Iron Deposit (BID) mineralisation, which is high grade and shallow, leading to reduced strip ratios.

The drilling will primarily target the margin of the Delta deposit in two ways. Extending areas of known open mineralisation from previous drilling campaigns and testing new targets identified on the flanks of the valley as part of the mapping and geological modelling undertaken by company geologists.

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.

CANEGRASS PROJECT – WA

Exploration And Evaluation Activities

During the quarter, the Company continued to explore for base metals and gold at its wholly owned Canegrass Project, located 60km southeast of Mount Magnet, in Western Australia's Mid-West region (Figure 2).

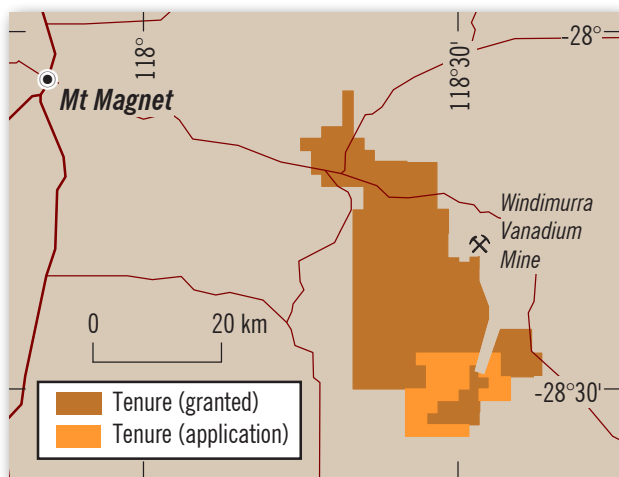


Figure 2 Canegrass Project located near Mt Magnet, WA.

Assays for a small diamond drilling program completed during the first quarter have now been received. The program consisted of 3 diamond drill holes designed to test electromagnetic (EM) anomalies identified by Down Hole Electromagnetic (DHEM) surveys undertaken in RC holes drilled in 2012. Although no economic intersections were observed the Company believes the potential for base metals discovery remains in the area.

Future Activities

There is no intention to carry out any exploration at Canegrass in the latter half of 2013 with the Company's key focus remaining on the Pilbara Iron Ore Project.

SOUTH AUSTRALIA/ NORTHERN TERRITORY

During the quarter, the Company withdrew from the Strangways and Adelaide Hills joint ventures. This is in line with Flinders' ongoing strategy to divest all diamond projects.

Robert Kennedy
Executive Chairman

30 July 2013

Contact us

Robert Kennedy

Executive Chairman
Ph: (08) 8132 7950
Email: info@flindersmines.com

Duncan Gordon

Executive Director - Adelaide Equity Partners
Ph: (08) 8232 8800 or 0404 006 444
Email: dgordon@adelaideequity.com.au

Head Office

Level 1, 136 Frome Street
Adelaide, South Australia

PO Box 3065
Rundle Mall SA 5000

Ph: (08) 8132 7950 Fax: (08) 8132 7999
Email: info@flindersmines.com

www.flindersmines.com

Qualifying Statements

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.

Investment decisions should not be made based on production estimates for the Pilbara Iron Ore Project. Financial viability to be confirmed following further Mineral Resource conversion, consideration of the Modifying Factors in the JORC Code and final feasibility studies.

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 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 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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Flinders Mines Limited

ABN

46 091 118 044

Quarter ended ("current quarter")

30 June 2013

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for:		
	(a) exploration & evaluation	(1,684)	(8,493)
	(b) development		
	(c) production		
	(d) administration	(1,414)	(4,740)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	55	521
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (R&D rebates)	1,808	2,672
Net operating cash flows		(1,235)	(10,040)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(6)	(51)
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	-	16
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
Net investing cash flows		(6)	(35)
1.13	Total operating and investing cash flows (carried forward)	(1,241)	(10,075)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,241)	(10,075)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,241)	(10,075)
1.20	Cash at beginning of quarter/year to date	7,237	16,071
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	5,996	5,996

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	323
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,926
4.2 Development	-
4.3 Production	-
4.4 Administration	868
Total	2,794

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	330	471
5.2 Deposits at call	5,666	6,766
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	5,996	7,237

Changes in interests in mining tenements

Tenement reference	Nature of interest (note (2))	Interest at beginnin g of quarter	Interest at end of quarter

+ See chapter 19 for defined terms.

Appendix 5B**Mining exploration entity and oil and gas exploration entity quarterly report**

6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements and petroleum tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	1,821,300,404	1,821,300,404		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	+Convertible debt securities (description)				

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,121,666 300,000 320,000		<i>Exercise price</i> \$0.045 \$0.055 \$0.085	<i>Expiry date</i> 03/02/2014 26/08/2014 30/06/2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 30 July 2013

Print name: David W Godfrey

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.