

Quarterly Report

For the quarter ending 30 June 2011

HIGHLIGHTS

PILBARA IRON ORE PROJECT (PIOP) – WA

- *The Flinders Mines Limited (FMS) Board approved commencement of the PIOP Definitive Feasibility Study (DFS) at 15Mtpa.*
- *Project marketing in Asia confirmed strong demand for PIOP products and potential offtake relationships.*
- *Further excellent results were released from the initial BID intersections on the valley flanks of the Delta deposit.*
- *42km of Measured Resource drilling was completed with 830 holes drilled. **Significant intersections revealed the thickest and highest grade results since the PIOP drilling program began.***
- *The targeted Q3 2011 drilling program in new BID DSO target zones has commenced.*
- *The diamond drilling program was completed for Phase 3 metallurgy program.*
- *Native Title negotiations continued on schedule.*

CANEGRASS MAGNETITE PROJECT – WA

- *The maiden resource for Canegrass is still on target to be announced in Q3.*

CORPORATE

- *The immediate focus of the executive team remained on developing the preferred monetisation path for the PIOP.*
- *Available funds of A\$36.1 million at 30 June 2011.*

IRON ORE

PILBARA IRON ORE PROJECT

During the last quarter Flinders Mines has become increasingly confident that an infrastructure access arrangement will be achieved.

Project activities, which included Value Improvement Studies (VIS), were completed successfully and together with the favourable PFS results, are forming the basis of the Definitive Feasibility Study.

The completion of the VIS saw the Flinders Mines Board announce a move to the DFS using 15 Mtpa which has a significant positive impact on project economics, increasing NPV to A\$3.1 billion from the previous A\$2.2 billion modelled in the PFS base case.

The primary focus for the quarter has been the continuation of infrastructure access negotiations with a number of parties with whom Flinders Mines has confidentiality agreements in place. In several cases there is a level of understanding that has allowed for economic modelling to be undertaken.

The key activities progressed during the June quarter are summarised below.

MINING, PROCESSING AND INFRASTRUCTURE

- Preliminary CID testwork program has been completed, indicating potential for production of a CID product. Processing required is identical to that of the DID product, meaning no additional infrastructure requirements. Initial indications show that there is potential to produce a minimum of 25 Mt of CID and up to 80 Mt depending on final specifications. Mine planning and marketing studies during the DFS will ultimately define total final product. Together with the additional 17 Mt of product identified during mine planning studies in the previous quarter, the PIOP now has potential to produce as a minimum 260 - 270 Mt of product.
- A direct on line beneficiation study has been completed showing a lower net present cost than the de coupled option presented in the PFS. This option will be taken forward into the DFS.
- A capex reduction study has further enhanced project value by identifying A\$78 million in savings by commencing at 15 Mtpa production when compared to the PFS 5 Mtpa to 15 Mtpa expandable case.

- A Value In Use (VIU) Marketing study has been completed. This assessed the value of the two PIOP products to end-user blast furnace customers. The results are extremely encouraging as they value the PIOP product mix slightly higher than the valuations used in determining the PFS project value.
- A sinter pot testwork program has been undertaken by the CSIRO. Preliminary feedback indicates that the products perform well as a sinter feed.
- Metallurgical testwork continues with Phase 3 commencing, the CID testwork plan is being developed and tailings testwork is being undertaken.
- A hydrogeological study has been completed and a drilling program commenced in order to prove water supply for the 15 Mtpa case.

ENVIRONMENT AND APPROVALS

- Native Title negotiations continue to progress well and it is expected that a Native Title Agreement will be reached with the Eastern Guruma in Q4, 2011.
- Subterranean fauna investigations commenced in the Blackjack, Champion and Eagle pit areas. The final report for these areas will be completed in Q4, 2011.
- Geochemical characterisation of waste lithologies and tailings commenced.
- Activities associated with Phase 2 groundwater investigations continued with hydro-drilling planned for Q3, 2011.

FUTURE WORK PROGRAM

The corporate focus for Flinders Mines during the September quarter 2011 will remain on the optimum monetization path for the PIOP.

From a project perspective, efforts will now focus on the DFS.

Key activities will involve:

- Finalising the measured resource.
- Inclusion of Phase 3 and CID testwork into beneficiation factors to be utilised in plant design.
- Preparation for mine planning to commence on completion of new resource model.
- Continued development of financial scenario modelling software in order to understand impacts of various product, market and infrastructure alternatives.
- Hydrogeological drilling program and development of water balance.

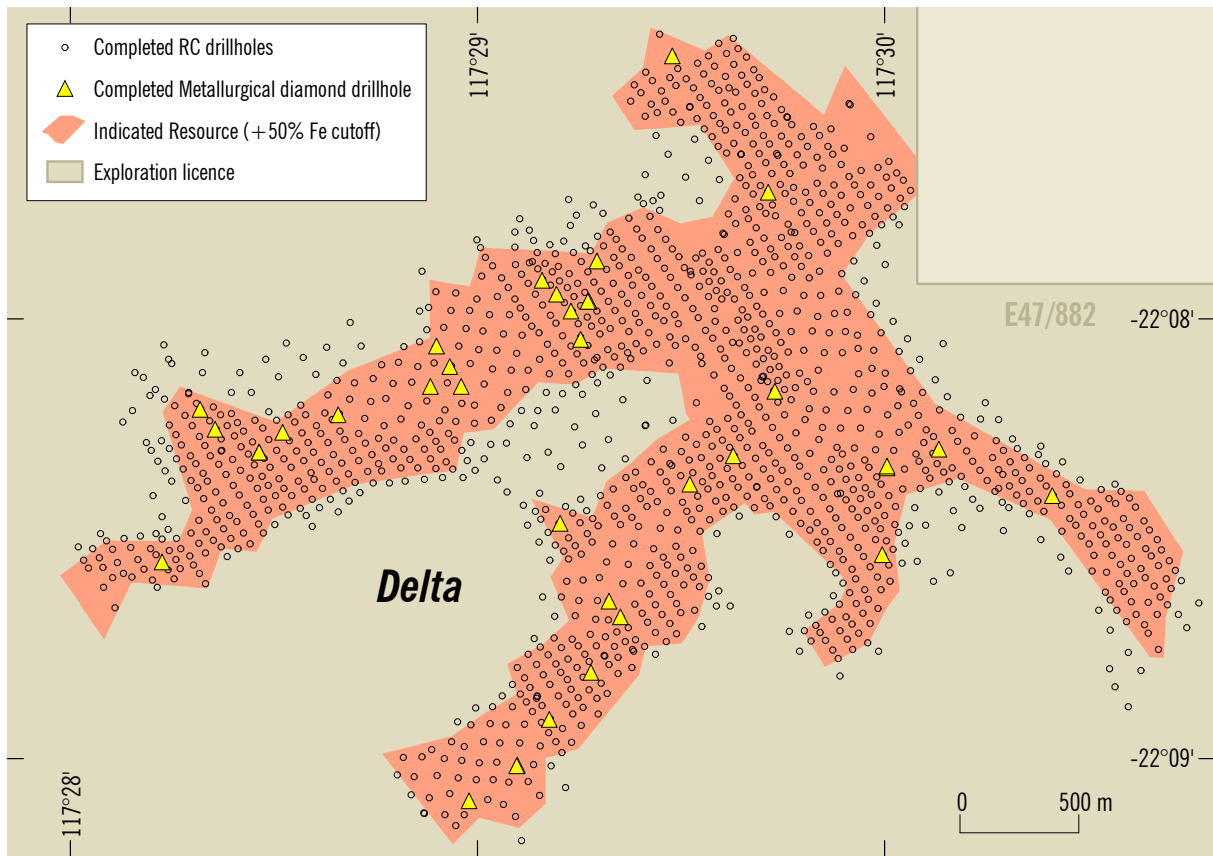


Figure 1 Location of Delta deposit, Pilbara Iron Ore Project, showing measured resource drilling.

EXPLORATION AND EVALUATION ACTIVITIES

The two reverse circulation (RC) rigs which were drilling during Q2 have continued to focus on the drill out of the Delta deposit, to convert the current Indicated Resource to Measured Resource to provide sufficient resource for the Definitive Feasibility Study (DFS). By the end of the quarter the Measured resource drill out was completed, with a total of 830 RC holes drilled for 42,255m (Figure 1). This brings the total number of holes drilled at the project to 2,705 holes for 135,657 metres.

One of the two RC rigs has demobilised. A single RC rig will remain on site for the remainder of the year testing high quality DSO target zones. Based upon the success of the BID drilling in the second half of 2011, additional rigs will be sourced as required.

Measured Resource

The infill drilling to Measured status is consistent with the distribution of known mineralisation. This confirms the robust nature of the geological and resource models which saw the conversion of the Inferred mineralisation in Delta to Indicated status at an exceptional 98%.

Approximately 60% of the assays have been received and based on the assays received to date, the significant intersections are shown in Table 1. Highlights include 70m @ 59.9% Fe (65.4% CaFe), 66m @ 59.7% Fe (64.8% CaFe) and 60m @ 60.6% Fe (65.8% CaFe). With such high iron contents the corresponding combined silica and alumina levels of these intersections is around 6%.

Table 1 – Significant Intersections

Hole	From (m)	To (m)	Interval (m)	Fe %	CaFe % *	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
HPRC3245	4	28	24	57.5	63.6	4.8	2.7	0.11	9.6
HPRC3184	12	40	28	58.2	62.9	5.9	2.8	0.09	7.3
HPRC3185	18	42	24	58.7	62.6	5.8	3.1	0.09	6.2
HPRC3186	28	48	20	58.3	62.9	5.8	2.6	0.13	7.3
HPRC3188	18	52	34	58.3	62.5	6.1	2.8	0.15	6.8
HPRC3189	26	50	24	60.0	64.7	3.5	2.2	0.16	7.3
HPRC3190	6	56	50	59.6	63.8	4.8	2.4	0.13	6.5
HPRC3221	0	58	58	58.0	63.5	5.4	2.1	0.14	8.7
HPRC3210	6	54	48	59.8	64.3	3.8	2.6	0.12	7.0
HPRC3191	8	70	62	59.8	65.3	3.2	2.0	0.01	8.1
HPRC3192	4	74	70	59.9	65.4	3.1	2.1	0.15	8.6
HPRC3193	2	32	30	59.5	65.0	4.2	1.5	0.12	8.4
HPRC3211	4	56	52	60.6	64.8	3.6	2.4	0.11	6.5
HPRC3212	6	66	60	60.6	65.8	2.5	2.1	0.15	7.8
HPRC3213	6	64	58	60.5	66.3	2.1	1.9	0.14	8.9
HPRC3179	14	54	40	60.0	65.1	3.1	2.3	0.14	7.8
HPRC3180	4	30	26	59.1	64.1	4.5	2.5	0.09	7.8
HPRC3209	10	46	36	60.2	64.2	4.4	2.4	0.10	6.3
HPRC3197	14	44	30	58.9	62.3	6.4	2.9	0.11	5.5
HPRC3198	8	54	46	60.7	64.4	4.3	2.2	0.13	5.8
HPRC3199	8	74	66	59.7	64.8	3.8	2.3	0.14	7.8
HPRC3170	22	50	28	58.3	63.1	5.2	3.0	0.14	7.5
HPRC3171	6	54	48	58.0	63.4	5.0	2.8	0.12	8.5
HPRC3159	8	38	30	58.0	63.3	5.1	2.7	0.11	8.5
HPRC3162	10	54	44	59.5	64.3	3.9	2.9	0.12	7.6
HPRC3118	28	48	20	58.3	65.3	3.4	1.8	0.11	10.7
HPRC3156	12	60	48	60.1	65.5	3.1	2.3	0.10	8.1
HPRC3296	16	48	32	60.0	65.4	2.3	2.8	0.12	8.3
HPRC3297	4	28	24	59.1	64.9	3.1	2.6	0.09	8.8
HPRC3310	38	60	22	61.2	65.2	2.9	2.2	0.13	6.2
HPRC5108	52	72	20	59.5	64.6	3.7	2.5	0.16	7.8
HPRC3309	26	46	20	59.9	65.6	2.7	2.1	0.10	8.8
HPRC5306	48	58	30	60.2	64.6	3.4	2.9	0.16	6.8
HPRC3332	30	56	26	60.6	64.8	3.2	2.6	0.13	6.6
HPRC5072	44	66	22	60.0	64.3	3.9	2.7	0.15	6.8
HPRC5231	24	48	24	57.6	62.9	5.7	2.7	0.10	8.5
HPRC3214	0	40	40	61.7	66.7	2.6	1.2	0.12	7.4
HPRC5221	10	36	26	55.9	61	8.1	2.9	0.08	8.3
HPRC3432	0	34	34	57.3	64.9	3.8	2.0	0.07	11.7
HPRC5232	16	54	38	59.3	63.9	3.5	3.4	0.13	7.2
HPRC3392	12	34	22	60.0	64.2	4.4	2.5	0.09	6.6
HPRC5441	12	34	22	60.6	64.3	4.9	1.8	0.11	5.6
HPRC5070	30	52	22	58.3	64.4	3.7	3	0.13	9.5
HPRC3387	0	28	28	60.7	65.4	2.9	2.5	0.09	7.1
HPRC3456	10	42	32	59.1	65.5	2.7	2.4	0.11	9.7
HPRC3475	10	36	26	58.9	64.9	3.4	2.6	0.11	9.2
HPRC5264	24	54	30	58.7	63.4	4.7	3.1	0.11	7.3
HPRC3398	12	36	24	59.8	63.1	5.3	2.9	0.08	5.3

* CaFe = Fe/(100-LOI)x100

Updated Global Resource Estimate

Since the last global resource estimate in October 2010, more than 57km of additional drilling has been carried out on the project. Almost three quarters of this drilling is attributed to Measured resource infill. However, there is a significant amount of additional completed drilling from 2010 of Indicated conversion and BID extensional drilling. All of this drilling will be included in the new global resource estimate.

Now that the Measured status drilling has been completed, validation work has already commenced on the assays received. Turnaround times at the laboratories have significantly increased since last year due to the extensive amount of iron ore drilling activity in Western Australia. This has been factored in to the timing of the completion of the new resource estimate and the Company expects to provide an updated global resource for the project in Q4 2011, in line with the timing of the DFS.

Brockman Iron Deposit (BID) DSO Exploration

Since the discovery hole was drilled at the project late in 2008, drilling on the tenements has focussed on the iron mineralisation in the channels (these channels cover only 30% of the tenement area). In 2010, Flinders

recognised BID on the flanks of the channels and has been investigating the potential for BID Direct Shipping Ore (DSO) mineralisation over the remaining 70% of unexplored ground. Late in 2010, several holes were drilled on the flanks of the valleys targeting high quality BID mineralisation and the results were outstanding, intersecting thick, near-surface BID mineralisation.

Based on the success and significance of the BID drilling undertaken late last year, Flinders Mines is currently investigating a range of potential targets on the flanks of the known mineralisation (Figure 2). These targets are based on proximity to known BID mineralisation beneath the valleys, relationship with known structural zones and anomalous geophysical signatures.

A mapping program in the hills has been implemented, not only in Delta but across the whole tenement, in the areas that may be prospective for high quality BID mineralisation. This mapping has identified areas of BID mineralisation in the hills in addition to that already tested in Delta in late 2010. Work is underway to prioritise these targets for drilling to test the extent and quality of this mineralisation as soon as necessary approvals and clearances can be obtained. The mineralisation identified on the flanks of the hills last year remains open and will be the focus of further investigation and drilling during the second half of 2011.

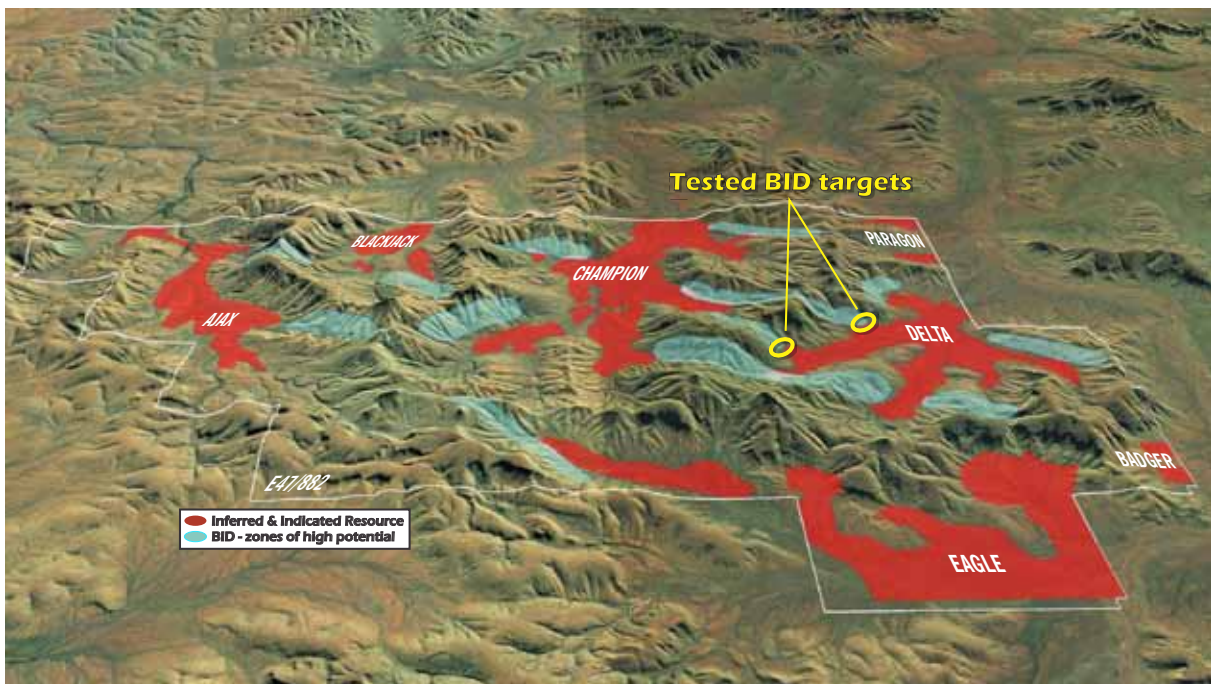


Figure 2 Location of Inferred and Indicated resource and zones of high potential BID Direct Shipping Ore targets.

CANEGRASS MAGNETITE PROJECT

Resource Estimate

Resource estimation consultancy Optiro is currently completing the resource estimate for the drilling conducted at the Canegrass project in the second half of 2010. The maiden resource estimate for this project is expected in Q3.

Electromagnetic Targets

The previous owner of the Canegrass project conducted an extensive Airborne Electromagnetic Magnetic (AEM) survey over the tenure. Work has commenced on assessing AEM data to derive a series of targets to be verified with ground EM. Flinders Mines plans to commence ground EM surveys late in Q3 to provide drill ready targets. Due diligence of existing historical data will be combined with new soil and rockchip surveys using the Company's handheld XRF analyser to aid in prioritising the targets.

OTHER COMMODITIES

The planned Initial Public Offering for Flinders Exploration Ltd (FEX) has been extended to a closing date of 14 October 2011. Although market conditions were not conducive to the IPO process during the quarter, solid progress was made in maturing the copper and gold projects held by FEX. In addition, FEX finalised its acquisition arrangements over the Black Cat gold project in the Coolgardie region of WA.



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Managing Director

29 July 2011

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The information that relates to iron ore project drilling data, mineral resources and geological interpretations is based on information compiled by Mr N Corlis (who is a member of the Australian Institute of Geoscientists) and Dr G McDonald (who is a member of the Australian Institute of Mining and Metallurgy). Mr Corlis and Dr McDonald are employees of Flinders Mines Limited. Both have sufficient experience that is relevant to the style of mineralisation and types of deposit under consideration and consent to inclusion of the information in this report in the form and context in which it appears. Mr Corlis and Dr McDonald qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Corlis and Dr McDonald consent to inclusion of the information in this report in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Flinders Mines Limited

ABN

46 091 118 044

Quarter ended ("current quarter")

30 June 2011

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	(4,976)	(17,194)
(b) development		
(c) production		
(d) administration	(1,186)	(4,660)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	866	3,303
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other	-	107
Net Operating Cash Flows	(5,296)	(18,444)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(13)	(189)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	15
1.10 Loans to other entities	-	(150)
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	(13)	(324)
1.13 Total operating and investing cash flows (carried forward)	(5,309)	(18,768)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,309)	(18,768)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	12	38
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		
	Net financing cash flows	12	38
	Net increase (decrease) in cash held	(5,297)	(18,730)
1.20	Cash at beginning of quarter/year to date	41,374	54,807
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	36,077	36,077

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	238
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	5,588
4.2 Development	
4.3 Production	
4.4 Administration	921
Total	6,509

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	1,512	2,809
5.2 Deposits at call	34,565	38,565
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	36,077	41,374

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining
tenements acquired or
increased

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+ See chapter 19 for defined terms.

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	1,820,839,571	1,820,839,571		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	135,000 70,000	135,000 70,000	\$0.045 \$0.084	\$0.045 \$0.084
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	400,000 362,500 1,209,999 300,000 320,000		<i>Exercise price</i> \$0.017 \$0.084 \$0.045 \$0.055 \$0.085	<i>Expiry date</i> 20/03/2012 05/03/2013 03/02/2014 26/08/2014 30/06/2015
7.8 Issued during quarter				
7.9 Exercised during quarter	70,000 135,000		\$0.084 \$0.045	05/03/2013 03/02/2014
7.10 Expired during quarter				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

(Company Secretary)

Date: 29 July 2011

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 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.