

Quarterly Report

For the quarter ending 30 September 2011

HIGHLIGHTS

CORPORATE

- *Strategic options review progressing*
- *Available funds of A\$31.4 million at 30 September 2011*

PILBARA IRON ORE PROJECT (PIOP) – WA

- *Assay results for Measured Resource drilling continue to deliver excellent results*
- *New resource estimate is underway and expected for completion in early Q4 2011, on schedule and in line with the timing of the Definitive Feasibility Study (DFS)*
- *Native Title negotiations continued on schedule for Q4 2011 completion*
- *Excellent initial results from 2011 Brockman Iron Deposit (BID) drilling program aiming to increase BID DSO resource*

CANEGRASS MAGNETITE PROJECT – WA

- *Significant high grade vanadium Inferred Mineral Resource - 107Mt @ 0.62% V₂O₅, +0.5% cut-off*

CORPORATE

On 1 September 2011, Flinders Mines engaged the Global Banking division of Citigroup Pty Ltd (Citi) to undertake an in-depth review of the strategic options open to the Company in finalising its future alliances for the 100% owned Pilbara Iron Ore Project (PIOP) in Western Australia.

As a result of Flinders' ongoing development planning for the PIOP, the Company has been engaged in

discussions with a number of parties looking to form alliances with Flinders.

On the basis of the strong levels of interest resulting from these incomplete and non-binding discussions, Flinders engaged Citi with the objective of maximising value for all shareholders by assessing expressions of interest from third parties, as well as reviewing other value-enhancing business strategies on behalf of the Flinders Board.

IRON ORE

PILBARA IRON ORE PROJECT

The focus for the September quarter was on progressing the DFS and the continuation of a number of confidential negotiations relating to infrastructure access.

Flinders Mines has been in frequent correspondence with the relevant authorities in Western Australia, the Department of State Development (DSD) and the Dampier Port Authority (DPA), to ensure that the needs of the Company (15Mtpa) are well understood with respect to the development of Anketell Point, the planned multi-user open-access port for the Pilbara region.

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

MINING, PROCESSING AND INFRASTRUCTURE

The Value-In-Use (VIU) Marketing study has been completed with positive results. PIOP products were included at up to 20% of a 'Pilbara' blend and showed similar sintering characteristics to the base blend. The output valuations from the VIU study showed that the PIOP products may add more value than currently attributed in the economic modelling.

The metallurgical drilling program has been completed. This has provided enough samples to complete the DFS test work program and produce bulk samples for testing by potential customers.

The Phase 3 metallurgical test work program has progressed on schedule and has for the first time included detailed test work for the Channel Iron Deposit (CID) material. This program will confirm the potential for additional CID product in the PIOP product mix.

The DFS level mining study will commence in November.

ENVIRONMENT AND APPROVALS

Native Title negotiations have progressed well and the Company still expects that a Native Title Agreement will be reached with the Eastern Guruma in Q4, 2011.

Subterranean fauna field work was completed in the Blackjack, Champion and Eagle pit areas. Groundwater investigations continued during the quarter with the completion of a network of monitoring wells in the Champion, Delta and Eagle catchments. Test production wells were also developed in the Eagle and Delta pit areas. Groundwater models for the Champion, Delta and Eagle pits and catchments will be completed in Q4, 2011.

Under Section 39A(3) of the Environmental Protection Act 1986, the Western Australian Environmental Protection Authority determined that the level of assessment for the PIOP be set at Assessment on Proponent Information – Category A.



Flinders Mines geologist Ben Thomas taking XRF readings of BID outcrop at the Pilbara Iron Ore Project

FUTURE WORK PROGRAM

The corporate focus for Flinders Mines during the December 2011 quarter 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:

- Finalisation of the Native Title Agreement.
- Completion of Phase 3 Metallurgy test work program.
- Completion of DFS level geotechnical study.
- Commencement of DFS level mining study.
- Completion of hydrogeological drilling program and water balance.
- Commencement of detailed engineering and design requirements.

EXPLORATION AND EVALUATION ACTIVITIES

During the quarter the drill-out of the Delta deposit, to convert to Measured Resource, was completed to provide sufficient resource for the DFS. During the period, a single Reverse Circulation (RC) rig was testing high quality Direct Shipping Ore (DSO) target zones

and completing some Indicated Resource infill. By the end of the quarter 211 drill holes were completed, for 12,610m (Figure 1). This brings the total number of holes drilled at the project to 2,916 holes for 148,267m.

Overall, the Company's drilling is well ahead of schedule due to faster than expected drilling rates and the 2011 BID drilling program is expected to be completed much earlier than planned. Heritage surveys will need to be conducted to clear additional areas to further test the BID targets and these will be completed after the signing of the Native Title agreement which is scheduled for Q4 2011.

UPDATED GLOBAL RESOURCE ESTIMATE

Work has commenced on the updated global resource estimate for the PIOP. More than 57,000m of additional drilling has been carried out on the project since the most recent global resource estimate in October 2010. Almost three quarters of this drilling is attributed to Measured Resource infill in Delta. However, there is a significant amount of additional Indicated drilling from Eagle and Champion and BID extensional drilling in Delta that will be included in the updated resource estimate. All of the assays have been received for the Measured Resource drilling, with the significant intersections shown in Table 1.

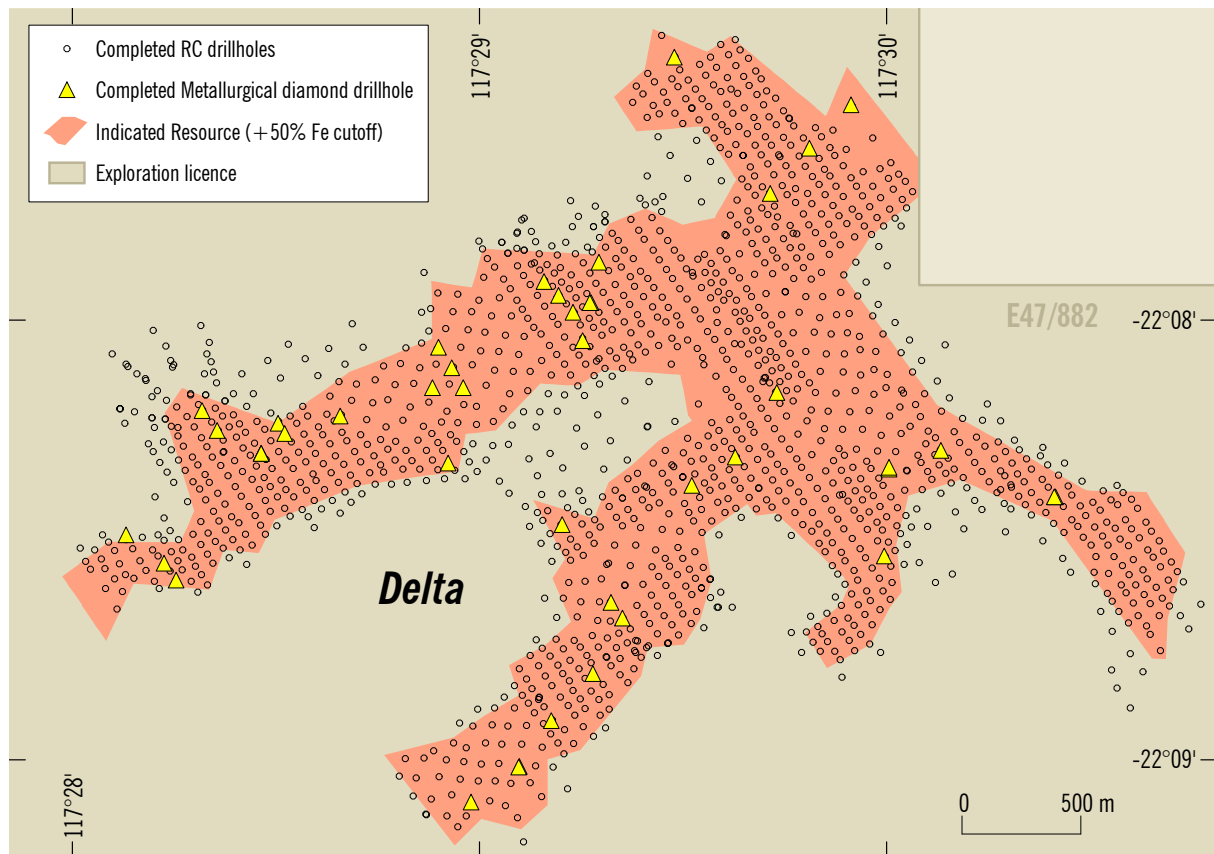


Figure 1 Location of Delta deposit, Pilbara Iron Ore Project, showing measured resource drilling.

Table 1 Pilbara Iron Ore Project significant reverse circulation drilling intersections.

| Hole | From (m) | To (m) | Interval (m) | Fe % | CaFe % * | SiO ₂ % | Al ₂ O ₃ % | P% | LOI% |
|-----------|----------|--------|--------------|------|----------|--------------------|----------------------------------|------|------|
| HPRC0929 | 4 | 28 | 24 | 57.9 | 65.0 | 3.2 | 2.4 | 0.13 | 10.8 |
| HPRC0995 | 22 | 38 | 16 | 59.8 | 64.0 | 4.7 | 2.2 | 0.11 | 6.6 |
| HPRC0997 | 12 | 26 | 14 | 61.1 | 65.9 | 2.1 | 2.0 | 0.10 | 7.3 |
| HPRC1034 | 6 | 40 | 34 | 58.1 | 63.6 | 4.1 | 3.0 | 0.11 | 8.8 |
| HPRC1036 | 4 | 34 | 30 | 56.9 | 63.7 | 4.1 | 3.0 | 0.14 | 10.7 |
| HPRC1038 | 12 | 44 | 32 | 58.6 | 64.5 | 2.8 | 3.3 | 0.12 | 9.1 |
| HPRC3377 | 8 | 28 | 20 | 61.9 | 64.3 | 3.7 | 3.1 | 0.07 | 3.7 |
| HPRC3387 | 0 | 28 | 28 | 60.7 | 65.4 | 2.9 | 2.5 | 0.09 | 7.1 |
| HPRC3389 | 10 | 36 | 26 | 60.8 | 63.8 | 4.4 | 3.1 | 0.08 | 4.7 |
| HPRC3391 | 20 | 40 | 20 | 58.2 | 62.4 | 5.9 | 3.2 | 0.10 | 6.8 |
| HPRC3392 | 12 | 34 | 22 | 60.0 | 64.2 | 4.3 | 2.5 | 0.09 | 6.6 |
| HPRC3393 | 6 | 24 | 18 | 57.6 | 64.0 | 4.7 | 2.3 | 0.09 | 9.9 |
| HPRC3396 | 10 | 28 | 18 | 61.3 | 63.7 | 5.0 | 2.8 | 0.08 | 3.7 |
| HPRC3398 | 12 | 36 | 24 | 59.8 | 63.1 | 5.3 | 2.9 | 0.08 | 5.3 |
| HPRC3402 | 4 | 24 | 20 | 60.6 | 62.2 | 6.2 | 3.6 | 0.06 | 2.6 |
| HPRC3414A | 14 | 38 | 24 | 59.5 | 62.5 | 5.8 | 3.4 | 0.07 | 4.8 |
| HPRC3431 | 2 | 36 | 34 | 57.8 | 64.8 | 3.5 | 2.3 | 0.08 | 10.9 |
| HPRC3432 | 0 | 34 | 34 | 57.3 | 64.9 | 3.8 | 2.0 | 0.07 | 11.7 |
| HPRC3446 | 14 | 32 | 18 | 58.4 | 64.0 | 4.4 | 2.6 | 0.10 | 8.7 |
| 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 |
| HPRC3479 | 30 | 48 | 18 | 60.1 | 63.3 | 5.2 | 2.8 | 0.13 | 5.1 |
| HPRC3484 | 30 | 46 | 16 | 60.7 | 64.6 | 3.6 | 2.5 | 0.15 | 6.1 |
| HPRC5081 | 14 | 34 | 20 | 60.9 | 64.2 | 3.9 | 2.6 | 0.08 | 5.1 |
| HPRC5226 | 54 | 74 | 20 | 58.0 | 63.1 | 5.6 | 2.1 | 0.19 | 8.1 |
| HPRC5234 | 14 | 34 | 20 | 60.0 | 65.6 | 2.9 | 2.4 | 0.10 | 8.7 |
| HPRC5235 | 20 | 50 | 30 | 59.1 | 64.2 | 4.0 | 2.9 | 0.08 | 8.0 |
| HPRC5236 | 26 | 52 | 26 | 58.1 | 64.1 | 3.6 | 3.3 | 0.08 | 9.4 |
| HPRC5249 | 54 | 74 | 20 | 59.3 | 64.3 | 4.2 | 2.3 | 0.17 | 7.8 |
| HPRC5286 | 12 | 42 | 30 | 61.5 | 65.9 | 2.4 | 2.2 | 0.10 | 6.8 |
| HPRC5287 | 18 | 48 | 30 | 58.7 | 64.3 | 3.7 | 2.8 | 0.10 | 8.7 |
| HPRC5289 | 24 | 46 | 22 | 58.2 | 62.4 | 5.8 | 3.3 | 0.09 | 6.7 |
| HPRC5302 | 50 | 70 | 20 | 61.0 | 65.4 | 2.5 | 2.5 | 0.13 | 6.7 |
| HPRC5342 | 4 | 26 | 22 | 58.1 | 63.9 | 4.2 | 3.1 | 0.09 | 9.1 |
| HPRC5344 | 16 | 34 | 18 | 59.3 | 63.8 | 4.8 | 2.6 | 0.09 | 7.1 |
| HPRC5355 | 8 | 34 | 26 | 59.9 | 64.7 | 3.3 | 2.7 | 0.10 | 7.5 |
| HPRC5356 | 14 | 44 | 30 | 58.5 | 63.0 | 5.1 | 3.4 | 0.11 | 7.2 |
| HPRC5369 | 18 | 38 | 20 | 58.4 | 63.9 | 4.2 | 2.7 | 0.11 | 8.6 |
| HPRC5370 | 16 | 44 | 28 | 59.3 | 63.9 | 4.2 | 3.1 | 0.11 | 7.2 |
| HPRC5380 | 20 | 40 | 20 | 58.7 | 64.5 | 3.5 | 2.6 | 0.12 | 8.9 |
| HPRC5384 | 4 | 20 | 16 | 57.0 | 63.7 | 4.3 | 2.7 | 0.13 | 10.5 |
| HPRC5385 | 10 | 30 | 20 | 58.7 | 64.5 | 3.4 | 2.7 | 0.12 | 9.0 |
| HPRC5390 | 24 | 40 | 16 | 57.6 | 63.4 | 4.6 | 2.7 | 0.16 | 9.3 |
| HPRC5395 | 12 | 32 | 20 | 58.1 | 63.0 | 5.1 | 3.0 | 0.10 | 7.7 |
| HPRC5396 | 14 | 42 | 28 | 58.6 | 62.7 | 5.4 | 3.1 | 0.13 | 6.6 |
| HPRC5428 | 38 | 72 | 34 | 59.5 | 63.9 | 3.9 | 3.3 | 0.10 | 6.8 |

* CaFe = Fe/(100-LOI)x100

All assays have been received and the interpretation and validation work is close to completion. Optiro Pty Ltd consultants have commenced the resource estimation and Flinders expects to provide an updated global resource for the project in Q4 2011.

CANEGRASS MAGNETITE PROJECT

RESOURCE ESTIMATE

In August 2010 Flinders announced a maiden Inferred Mineral Resource on schedule at the Company's Canegrass Magnetite Project (CMP), also in WA (Figure 2). Drilling completed in late 2010 targeted magnetite iron mineralisation and a maiden Inferred Resource has revealed both magnetite iron mineralisation and significant high grade vanadium mineralisation. Both resources are contained within the same geological units.

The Mineral Resource for the vanadium mineralisation is 107 Mt @ 0.62% V₂O₅ (Table 2) with the Mineral Resource inventory based on a +0.5% V₂O₅ cut-off.

Table 2 Canegrass vanadium Inferred Mineral Resource tonnage and grade report by area.

| Area | Inferred Mineral Resource for V ₂ O ₅ > 0.5% (5/8/2011) | | | | | | |
|--------------|---|---------------------------------|--------------------|-------------|--------------------|----------------------------------|--------------|
| | Mt | V ₂ O ₅ % | TiO ₂ % | Fe% | SiO ₂ % | Al ₂ O ₃ % | P% |
| Fold Nose | 87 | 0.63 | 5.9 | 29.3 | 24.1 | 12.6 | 0.005 |
| Kinks | 20 | 0.57 | 5.5 | 27.4 | 25.9 | 13.0 | 0.009 |
| Total | 107 | 0.62 | 5.8 | 29.0 | 24.5 | 12.6 | 0.006 |

Flinders' Mineral Resource for the iron mineralisation at Canegrass is 216Mt @ 25.4% Fe (Table 3). This Inferred Mineral Resource inventory is based on a +20% Fe cut-off.

Table 3 Canegrass iron Inferred Mineral Resource tonnage and grade report by area.

| Area | Inferred Mineral Resource for Fe > 20% (5/8/2011) | | | | | | |
|--------------|---|-------------|--------------------|---------------------------------|--------------------|----------------------------------|--------------|
| | Mt | Fe% | TiO ₂ % | V ₂ O ₅ % | SiO ₂ % | Al ₂ O ₃ % | P% |
| Fold Nose | 157 | 26.0 | 5.1 | 0.53 | 27.6 | 13.8 | 0.005 |
| Kinks | 59 | 23.8 | 4.8 | 0.48 | 29.3 | 14.7 | 0.013 |
| Total | 216 | 25.4 | 5.0 | 0.52 | 28.1 | 14.0 | 0.007 |

The resource estimates (Tables 2 and 3) were prepared by independent geological consultants Optiro Pty Ltd, based on data collated and interpreted by Flinders staff. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004).

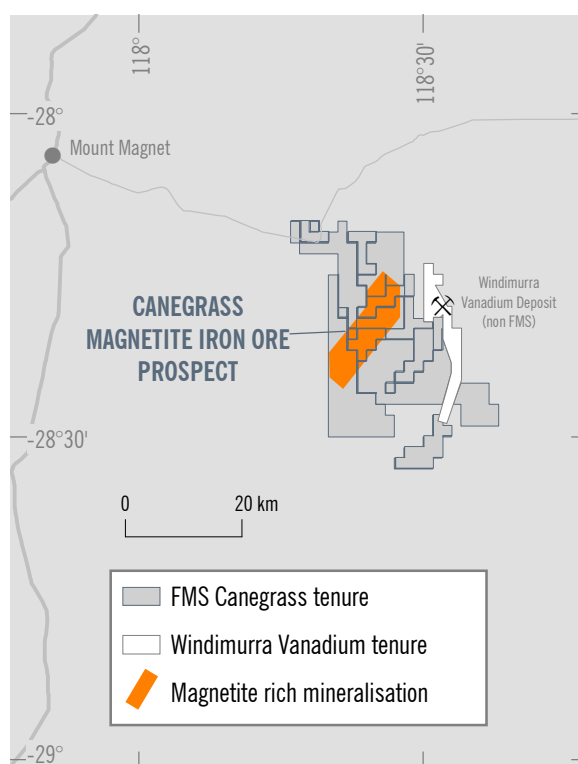


Figure 2 Location of the Canegrass Magnetite Iron Ore Project, situated approximately 60km SW of Mount Magnet, Western Australia.

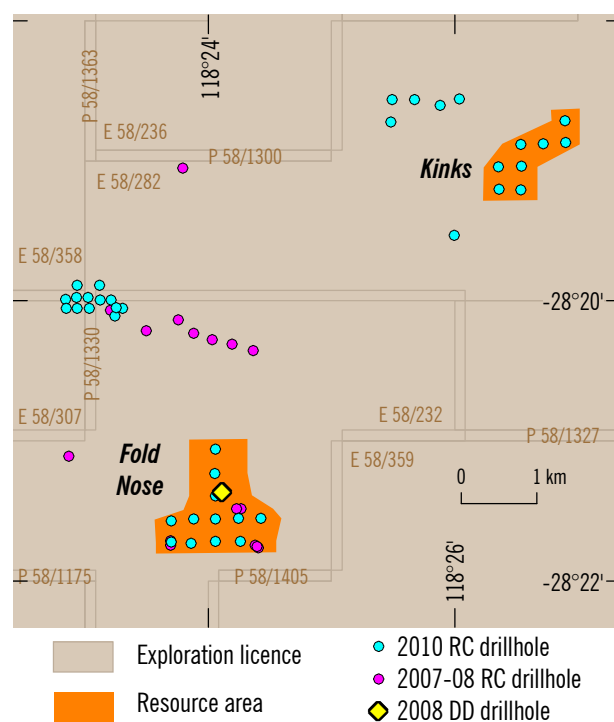


Figure 3 Completed RC drillholes and the Fold Nose and Kinks Resource areas, Canegrass Magnetite Project, Western Australia.

The resource estimate is based on the results of 27 RC holes and 1 diamond (DD) hole drilled across 2 locations at the project between December 2007 and December 2010 (Figure 3). The total number of RC metres drilled is 4,814m. Total drill hole spacing was approximately 300m between holes. Average in situ densities were derived via direct measurement from the diamond drill core.

CANEGRASS EXPLORATION

Work is continuing on assessing Airborne Electro Magnetic (AEM) data to derive a series of targets to be verified with ground Electro Magnetic (EM) surveys. Flinders plans to commence ground EM surveys in Q4 2011 to provide drill ready targets. These surveys have been delayed due to a shortage of available quality ground EM survey companies.



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28 October 2011

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The information that relates to the drilling data 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 Australasian Institute of Mining and Metallurgy). Mr Corlis and Dr McDonald are employees of Flinders Mines Limited. The information that relates to the Mineral Resource Estimate has been compiled by Mr Paul Blackney of Optiro Pty Ltd. who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Blackney, Mr Corlis and Dr McDonald have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Blackney, Mr Corlis and Dr McDonald consent to the inclusion of matters based on their information in the form and context in which it appears.

| | | | | | |
|------|---|---------|--|---------|------------|
| 7.9 | Exercised during quarter | 400,000 | | \$0.017 | 20/03/2012 |
| | | 32,500 | | \$0.084 | 05/03/2013 |
| | | 28,333 | | \$0.045 | 03/02/2014 |
| 7.10 | Expired during quarter | 90,000 | | \$0.084 | 05/03/2013 |
| | | 60,000 | | \$0.045 | 03/02/2014 |
| 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: 28 October 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.