

Quarterly Report

For the quarter ending 30 September 2012

HIGHLIGHTS

- Continued focus on 100%-owned flagship Pilbara Iron Ore Project (PIOP) in WA
- Development discussions recommenced with a number of high quality local and overseas-based third parties
- Excellent sintering test results for potential PIOP products
- Commonwealth environmental approval granted for activities on the Blacksmith tenement (ML47/1451)
- Greenfields exploration commenced at the Company's Canegrass base metals project, also in WA
- Available funds of \$13.1M at September 30, 2012

CORPORATE

Following the 3 July 2012 termination of the Scheme Implementation Agreement with MMK, Flinders re-engaged in discussions during the September quarter, on a fully unconditional basis, with a number of interested parties with respect to the development of the PIOP, and in particular, infrastructure and off-take options.

An electronic data room was established for due diligence purposes and confidentiality agreements were signed with several interested entities.

The Company continues to progress discussions aimed at de-risking the PIOP development path in areas including financing and access to third party rail and port infrastructure.

PROJECTS

PILBARA IRON ORE PROJECT (PIOP)

The September quarter Definitive Feasibility Study (DFS) level activities were focused solely on metallurgy, product sinter testwork and China marketing. These aspects of the study have a significant bearing on design of the processing circuit and will be finalised before commencing detailed engineering.

Key activities for the quarter are summarised below.

Mining, Processing And Infrastructure

- The drilling of five diamond drill holes to support the Phase 4 metallurgical testwork programme

was completed during the quarter. Phase 4 is now approximately 50% complete and is expected to be completed during the December 2012 quarter, with the results crucial in the selection of a DFS level process flow diagram.

- The University of Science & Technology, Beijing, completed the sinter pot testwork programme, with excellent results. Three samples of the PIOP Detrital Iron Deposit (DID) and Brockman Iron Deposit (BID)/Channel Iron Deposit (CID) as well as a single blended product were tested with each showing excellent results on a number of performance criteria, especially sinter productivity which was shown to be significantly higher than a variety of commonly used international fines products.
- Planning for the next phase of the Company's China marketing campaign has been completed and is expected to be implemented in the December 2012 quarter.

Environment And Approvals

- In accordance with Part 9 of the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act), the Federal Government's Department of Sustainability, Environment, Water, Population and Communities (DSEWP&C) granted Flinders approval to proceed with its "on-tenement" mining and mining-related activities for the Pilbara Iron Ore Project.
- Approval from the Government of Western Australia's Environmental Protection Authority for the "on-tenement" component of the Pilbara Iron Ore Project is now expected in the December 2012 quarter, following a request by the Office of the Environmental Protection Authority for additional information.
- A Heritage Survey in conjunction with the Badamia People (Traditional Owners) was completed on three priority targets within the Company's Canegrass base metal tenements.

Future Work Programme

The scope for Project activities in the December quarter will remain narrow and focused on those activities that are critical to achieving PIOP timeframes, including:

- Infrastructure negotiations;
- Finalisation of PIOP product(s) to be marketed

based on outcomes of customer feedback, sinter testwork, mine planning studies and financial evaluation;

- Completion of Phase 4 metallurgical testwork programme and establishment of a process flow diagram for DFS level study;
- Technical visits with preferred Chinese steel mill customers focusing on excellent results of sinter testwork programme.

Exploration And Evaluation Activities

During the quarter, the focus was on targeting higher grade, BID direct shipping ore (DSO) and advancing all the approvals required in preparation for extensional drilling. BID drill targeting is concentrated on extending known BID mineralisation into the hills around the PIOP's Delta deposit. A new BID target area, Blackjack Hills, was identified during the quarter and a drilling programme prepared to test this new zone.

Activities included developing a high quality 3D geological model of the Delta deposit, with significant field mapping and downhole geophysics being conducted during the quarter. This model is proving extremely useful for targeting new BID zones based on the location of known mineralisation.

Drilling programmes have also been planned for upgrading the Inferred Mineral Resource, currently in the mine plan, to Indicated status. This will ensure that all resources in the mining inventory can be converted to Reserve status upon completion of the DFS.

Heritage surveys were conducted on the Inferred Resources areas intended to be upgraded and Blackjack Hills drilling, and a proportion of the Delta Hills areas. Programmes of Works (PoW) were granted by the WA Department of Mines and Petroleum (DMP) for the Inferred upgrade and Delta Hills areas and the Company still awaits granting of the Blackjack Hills PoW. The DMP PoW system is slow, with Flinders waiting almost six months for approval at Delta Hills.

No exploration drilling was completed during the quarter. A substantial mineral resource base already exists, supporting a project with strong economics.

CANEGRASS PROJECT

Exploration

Greenfields exploration commenced at the Canegrass Project late in the quarter, testing a pipeline of targets generated over the past six months, based on historical data and available datasets. Base metals are the targeted commodities.

A first phase of exploration drilling is planned for the December quarter 2012. This phase aims to drill test two targets and carry out additional exploration to generate new targets and provide several additional drill ready targets for 2013.

A PoW was granted during the quarter and a heritage avoidance survey conducted for three drill targets. These targets consist of strong electromagnetic (EM) anomalies, with one target exhibiting anomalous surface geochemistry.

Detailed work programmes have been developed and reviewed for the priority target areas, covering tasks such as mapping, soil sampling, and ground-based geophysics. The soil sampling will combine both traditional soil sampling and portable x-ray fluorescence analysers (pXRF) to reduce costs and speed up result turnaround. Flinders has in-house expertise in the collection of ground-based EM and magnetics, to further reduce costs and provide faster target testing.

SOUTH AUSTRALIA

No activities were carried out on any of the South Australia tenements during the September 2012 quarter.



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Managing Director

30 October 2012

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Qualifying Statements

JORC Compliance

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. 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 Corlis and Dr McDonald consent to the inclusion of matters based on their information in the form and context in which it appears.

Forward-looking statements

This release may include forward-looking statements. These forward-looking statements are based on Flinders Mines Limited's expectations concerning future events. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside the control of Flinders Mines Limited and the Company 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.

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 September 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration & evaluation	(2,784)	(2,784)
(b) development		
(c) production		
(d) administration	(1,240)	(1,240)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	247	247
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (R&D concession)	864	864
Net Operating Cash Flows	(2,913)	(2,913)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(33)	(33)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	16	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	(17)	(17)
1.13 Total operating and investing cash flows (carried forward)	(2,930)	(2,930)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,930)	(2,930)
	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		
	Net financing cash flows		
	Net increase (decrease) in cash held	(2,930)	(2,930)
1.20	Cash at beginning of quarter/year to date	16,071	16,071
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	13,141	13,141

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	250
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	2,167
4.2 Development	-
4.3 Production	-
4.4 Administration	884
Total	3,051

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	1,041	971
5.2 Deposits at call	12,100	15,100
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	13,141	16,071

Changes in interests in mining tenements

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

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.1	Interests in mining tenements relinquished, reduced or lapsed	EL4303 EL4641 EL4712 EL4091 EL4131 EL4227 EL4463 EL4899 EL4854	All interests relinquished	100%	0%
6.2	Interests in mining 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 <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	1,821,300,404	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 <i>(description)</i>			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted			

+ See chapter 19 for defined terms.

7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		240,000		\$0.084	05/03/2013
		1,121,666		\$0.045	03/02/2014
		300,000		\$0.055	26/08/2014
		320,000		\$0.085	30/06/2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
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: 30 October 2012

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.