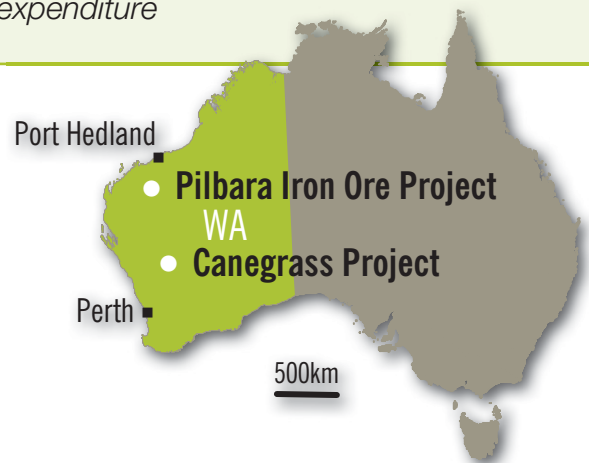


Quarterly Report

For the quarter ending 31 December 2013

HIGHLIGHTS

- Mine scheduling exercise undertaken showing that the PIOP can sustain a production rate of 25Mtpa
- Continued focus on finalising an infrastructure solution
- Further rationalisation of administrative expenditure



CORPORATE

During the December 2013 quarter, the main focus for Flinders was to continue progressing dialogue with a number of interested parties regarding the development of the PIOP. This dialogue, much of which is now at an advanced stage, continues to be centred on access to rail and port infrastructure, the provision of project funding, and off-take agreements.

During the quarter, the Company continued the rationalisation of expenses to further reduce administrative cash expenditure. The Company had available funds of \$1.7 million at 31st December 2013.

During the quarter, the Company held its Annual General Meeting, with all resolutions passed overwhelmingly by shareholders.

PROJECTS

PILBARA IRON ORE PROJECT (PIOP) - WA

Mining, Processing And Infrastructure

The majority of studies have continued to remain on hold until an infrastructure solution has been finalised.

Flinders conducted a number of mine scheduling exercises during the quarter which demonstrated that the PIOP is capable of producing a product to specification at rates up to 25 Mt per annum (Mtpa). One particular study has shown that the PIOP is capable of producing a product to specification for the life of the operation at this significantly increased rate. While financial analysis of this alternative has not been carried out, it is expected to generate significantly better returns due to higher early cash flows and expected reduction in operating costs.

The production rate of 25 Mtpa is based on a mining inventory of 318 Mt (Table 1) that comprises Measured, Indicated and Inferred mineral resources across all deposits on the Blacksmith Mining Lease M47/1451 (Figure 1, Table 1). There is a low level of geological confidence associated with Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

Assumptions made as part of this study are :

- All material will be beneficiated via a simple crush, screening and de-sliming circuit
- Producing >250 Mt of a single fines product with a target grade of 58.5% Fe, 6.00% Si and 3.30% Al
- Mine strip ratio of 3:1
- Native Title Agreement in place
- Mining Lease Granted (M47/1451)
- State and Federal on-tenement environmental approvals in place

Table 1 : Pilbara Iron Ore Project mining inventory.

Mineral Resource Category	Mt
Measured	48
Indicated	162
Inferred	108
Total	318

Mineral Resources

At 31st December 2013, the PIOP Mineral Resource remains unchanged at 917 Mt @ 55.2% Fe (Table 2). Refer to ASX "Mineral Resource for Pilbara Iron Ore Project increased to more than 900 Mt" announcement of 14th November 2011.

Environment And Approvals

Flinders has received conditional approval from the WA Department of Water that it intends to grant a Section 5C Licence under the *Rights in Water and Irrigation Act 1914* for the purpose of on-tenement (M47/1451) dewatering and water supply for PIOP mining and associated activities. Flinders is progressing activities to ensure the requirements of the conditional approval are met.

Figure 1 : Location of PIOP Global Measured, Indicated and Inferred Resources.

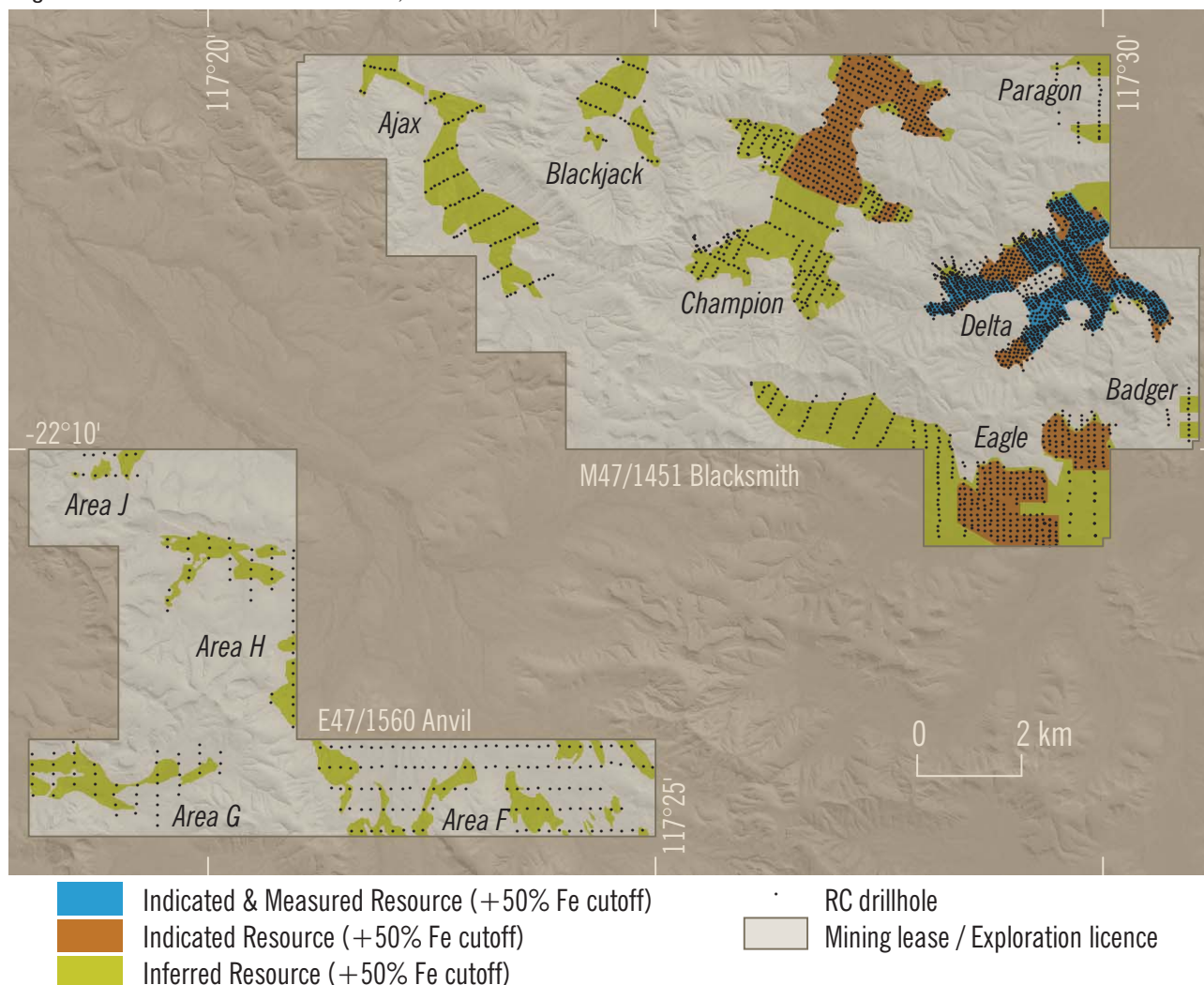


Table 2 : Pilbara Iron Ore Project Global Resource, by deposit.

Global Mineral Resource for Fe >50% (11/11/2011)						
JORC Classification	Tonnage Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
Ajax Inferred	68.5	55.2	10.6	5.1	0.060	4.5
Blackjack Inferred	44.7	55.3	12.8	4.6	0.057	2.7
Champion Inferred	61.1	55.6	10.1	4.6	0.069	4.7
Champion Indicated	112.4	55.2	9.6	4.9	0.075	5.5
Delta Inferred	12.1	56.0	8.2	4.6	0.085	6.2
Delta Indicated	111.8	56.3	7.9	3.9	0.100	6.8
Delta Measured	101.0	56.4	10.5	5.1	0.054	2.8
Eagle Inferred	173.4	54.0	9.5	5.0	0.076	7.7
Eagle Indicated	119.5	55.0	9.3	4.8	0.074	6.4
Badger Inferred	8.7	57.5	6.3	3.4	0.092	7.3
Paragon Inferred	21.7	58.0	6.6	3.9	0.080	5.5
Anvil Inferred	82.4	53.6	11.4	5.8	0.050	4.9
Total Inferred	472.6	54.7	10.2	5.0	0.067	5.7
Total Indicated	343.7	55.5	8.9	4.5	0.083	6.2
Total Measured	101.0	56.4	10.5	5.1	0.054	2.8
Total	917.3	55.2	9.7	4.8	0.072	5.6

Figure 2: Reverse circulation drilling on the north-eastern flanks of Delta deposit, 2013.



Exploration And Evaluation Activities

There were no exploration and evaluation activities carried out at PIOP during the December 2013 quarter, with the Blacksmith exploration camp undergoing an orderly shutdown.

CANEGRASS PROJECT – WA

Flinders continued to seek interest in the Canegrass Project for possible divestment of the project. There were no exploration and evaluation activities carried out at Canegrass during the December 2013 quarter.

SOUTH AUSTRALIA/ NORTHERN TERRITORY

Flinders continued its on-going strategy to divest all diamond projects and continued to seek interest in its remaining South Australian projects. There were no exploration and evaluation activities on South Australian tenements during the December 2013 quarter.



Robert Kennedy

Executive Chairman

31 January 2014

Contact us

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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.

Exploration Targets

Exploration Targets are reported according to Clause 17 of the 2012 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 Targets, Exploration Results, or 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 2012 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")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration & evaluation	(582)	(2,007)
(b) development		
(c) production		
(d) administration	(1,278)	(2,415)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	119
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (R&D rebates)		
Net operating cash flows	(1,859)	(4,303)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(20)	(30)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	43	60
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
Net investing cash flows	23	30
1.13 Total operating and investing cash flows (carried forward)	(1,836)	(4,273)

+ 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)	(1,836)	(4,273)
	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	(1,836)	(4,273)
1.20	Cash at beginning of quarter/year to date	3,559	5,996
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	1,723	1,723

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	340
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	-
4.2 Development	-
4.3 Production	-
4.4 Administration	762
Total	762

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	187	193
5.2 Deposits at call	1,536	3,366
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	1,723	3,559

+ See chapter 19 for defined terms.

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

+ 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	1,826,716,748	1,826,716,748		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	1,873,072	1,873,072		
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>	1,121,666 320,000		<i>Exercise price</i> \$0.045 \$0.085	<i>Expiry date</i> 03/02/2014 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>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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: 31 January 2014

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 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.