

# Quarterly Report

For the quarter ending 31 March 2014

## HIGHLIGHTS

- Alliance Agreement signed for provision of iron ore transport solution
- Successful \$14.3 Million capital-raising
- New Managing Director
- Preparations for PIOP drilling campaign



## CORPORATE

### Alliance Agreement

During the March 2014 quarter, the main focus for Flinders was to continue progressing dialogue with interested parties regarding the development of the Company's 100%-owned Pilbara Iron Ore Project (PIOP) in the Hamersley Ranges of Western Australia.

On 26 February 2014, Flinders announced that it had entered into an Alliance Agreement (Agreement) with the Balla Balla Joint Venture (consisting of ASX listed Rutila Resources Ltd and an Australian subsidiary of Todd Corporation Ltd of NZ) which, subject to satisfaction of conditions, would secure Flinders' access to the Joint Venture's proposed port and rail infrastructure facilities for the PIOP.

The Agreement, conditional upon completion of Bankable Feasibility Studies (BFS) confirming the viability of the mining and infrastructure operations, all necessary approvals, final investment decisions and the execution of Services Agreements, will result in the Joint Venture providing rail services, port handling and ship loading services to Flinders for its iron ore to be mined at the PIOP. (For further information, please refer to ASX Announcement dated 26 February 2014).

These arrangements are a game-changer for Flinders, allowing it to develop the PIOP and break the deadlock that Flinders has faced in having stranded high-quality assets without access to rail and port services.

### Capital Raising

On 28 February 2014 Flinders announced it was undertaking a \$14.3 million capital raising (before costs), consisting of a Placement to raise approximately \$6.8 million and a fully underwritten non-renounceable 1-for-7 Entitlement Offer to raise a further \$7.5 million. Euroz Securities Limited and BBY Limited acted as joint lead managers to the Placement and underwriters to the Entitlement Offer. (For further information, please refer to ASX Announcement dated 28 February 2014).

Funds raised under the Placement and Entitlement Offer will be used to:

- Conduct further drilling on the PIOP intended to upgrade existing Inferred Resources to Indicated status;
- Commence Bankable Feasibility Studies, incorporating detailed design studies; and
- Provide working capital to the Company.

The share Placement was completed during March with 274 million shares being issued to sophisticated and professional investors, many of them new to Flinders' register. The Entitlement Offer was commenced in mid-March and was successfully completed and settled early in April.

## Managing Director

In early April, Flinders announced that it had secured Mr Ian Gordon to take on the role of Managing Director from mid-June of this year. Mr Gordon is an experienced mining industry executive and his appointment reflects the Company's confidence in his ability to bring together and grow a team that will deliver positive outcomes in project development and financing as Flinders moves towards mining at its PIOP in Western Australia. Mr Kennedy's role will revert to that of Non-executive Chairman on Mr Gordon's commencement.

An upgrade to the PIOP Global Resource will occur once drilling is completed and results received, feeding into the BFS process.

## 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 March 2014 quarter.

## PROJECTS

### PILBARA IRON ORE PROJECT (PIOP) - WA

With the signing of the Alliance Agreement with the Balla Balla JV managed by Rutila, Flinders has now commenced work on a Bankable Feasibility Study for the PIOP. The basis of this study will be a 20 Mtpa operation producing a single sinter fines product. The preliminary activities will be focused on the following critical activities:

- Additional Reverse Circulation (RC) drilling to upgrade the inferred mineral resource to indicated status;
- Additional diamond drill sampling and subsequent phase of the metallurgical test work program leading to process plant design;
- Site heritage clearances with the Eastern Guruma Native Title group;
- Assessment of any additional water use requirements and if necessary gaining additional water use approvals;
- Commencement of site infrastructure location studies that align with Balla Balla JV rail alignment locations;
- Alignment of schedules for Balla Balla JV port and rail and Flinders mine development projects;
- Appointment of consultants to progress Bankable Feasibility Study scopes of work;
- Resumption of product marketing to Chinese steel mill customers.

### Exploration and Evaluation Activities

Since announcing the Alliance Agreement with the Balla Balla JV for the provision of an ore transport solution, the PIOP exploration camp has been re-commissioned in readiness for field operations.

Flinders has secured two RC drill rigs and a Diamond drill rig to complete the work. RC drilling has already commenced on the PIOP's Eagle Deposit to complete the infill drilling.

## SOUTH AUSTRALIA

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 carried out on South Australian tenements during the March 2014 quarter.



**Robert Kennedy**

Executive Chairman

29 April 2014

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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 March 2014

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for:		
(a) exploration & evaluation	(566)	(2,573)
(b) development		
(c) production		
(d) administration	(1,104)	(3,519)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	125
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (R&D rebates)		
<b>Net operating cash flows</b>	<b>(1,664)</b>	<b>(5,967)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(7)	(27)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	49
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(7)</b>	<b>22</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,671)</b>	<b>(5,945)</b>

+ 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)	<b>(1,671)</b>	<b>(5,945)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	6,473	6,473
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)		
	<b>Net financing cash flows</b>	6,473	6,473
	<b>Net increase (decrease) in cash held</b>	<b>4,802</b>	<b>528</b>
1.20	Cash at beginning of quarter/year to date	<b>1,722</b>	<b>5,996</b>
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>6,524</b>	<b>6,524</b>

**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	90
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	5,330
4.2 Development	-
4.3 Production	-
4.4 Administration	860
<b>Total</b>	<b>6,190</b>

**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	74	186
5.2 Deposits at call	6,450	1,536
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,524</b>	<b>1,722</b>

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+ 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			

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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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	2,100,866,748	2,100,866,748		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	150,000 274,000,000	274,000,000	0.045 0.025	0.045 0.025
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	120,000		<i>Exercise price \$0.085</i>	<i>Expiry date 30/06/2015</i>
7.8 Issued during quarter				

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+ See chapter 19 for defined terms.



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

7.9	Exercised during quarter	150,000		0.045	
7.10	Expired during quarter	1,171,666			
7.11	<b>Debentures</b> (totals only)				
7.12	<b>Unsecured notes</b> (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.



(Company Secretary)

Sign here:

Date: 29 April 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.

+ See chapter 19 for defined terms.