

# Quarterly Report

For the quarter ending 30 September 2014



## HIGHLIGHTS

- Resource infill drilling program completed at Pilbara Iron Ore Project "PIOP" (WA)
- New Indicated Resource Estimates delivered for PIOP's Eagle, Champion and Blackjack Deposits
- Excellent high grade drilling results outside of planned pits at Blackjack deposit
- Metallurgical testwork and environmental approvals advanced
- Planning for new Bedded Iron drilling completed

## CORPORATE

During the quarter, the Company continued to advance discussions and coordinate development of the Alliance agreement with its Pilbara Iron Ore Project (PIOP) partners, the Balla Balla JV (Rutila Resources Ltd and an Australian subsidiary of Todd Corporation of NZ). Both parties are focussed on delivering separate feasibility studies for the PIOP and the port and rail solution.

The Company on 15 July 2014 appointed Mr Justin Nelson as its Company Secretary and published its Annual Report on 19 September 2014. The Annual Report is available on the Company's website at [www.flindersmines.com](http://www.flindersmines.com).

Activities during the quarter included:

- Completion of the Reverse Circulation (RC) drilling program to upgrade the Inferred Mineral Resource to Indicated status;
- Update of three resource models, showing excellent conversion from Inferred to Indicated Resource;
- Completion of the diamond drill program to support the final round of metallurgical test work leading to process plant design;
- Selection of sites for camp facility, air strip and access roads and applications for miscellaneous licenses;
- Update of capital cost estimate showing a lower direct cost estimate of A\$726M;
- Issue of Request for Proposal document in order to engage a Project Management Consultant. These proposals are currently under review. Flinders Mines expects to make an appointment during Q4 2014.

## PROJECTS

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

Study progress has continued on budget and as planned. The planned completion date of the Bankable Feasibility Study remains on target at the end of June 2015.

## Metallurgical Test Work

The Phase V metallurgy test work program has continued on schedule throughout the September 2014 quarter with a total of 36 PQ diamond core samples having been delivered to the Nagrom laboratory in Kelmscott, WA. These PQ diamond holes were selected to cover the Blacksmith deposits of Delta, Eagle, Champion, Blackjack, Badger and Paragon within the PIOP project and were designed to intersect all of the geomet units of the resource.

The metallurgy program has been planned to provide all of the necessary data needed for detailed design of a robust processing flowsheet for the production of 25Mtpa of -10mm sinter fines.

The test program included sub-sampling for physical tests, head assays, size by assays, scrub testing, DMS sighter testing, wet tabling and hydrocycloning. Preliminary upgrade factors and yields have been produced and are in line with previous results.

During September, a bulk sample of BID and DID ore comprising a total of approximately 12,000kg was excavated from areas of outcrop in the Delta deposit. This sample will be processed in a pilot scrubber and hydrocyclone plant at the Nagrom laboratory to generate engineering design data to support final plant design and also enable a large customer sample to be produced for sintering tests.

The Phase V metallurgy test work program has been managed in house by Flinders Mines and is on schedule and within budget. It is planned for completion during November 2014, with customer sinter testing to be conducted during Q1 2015.

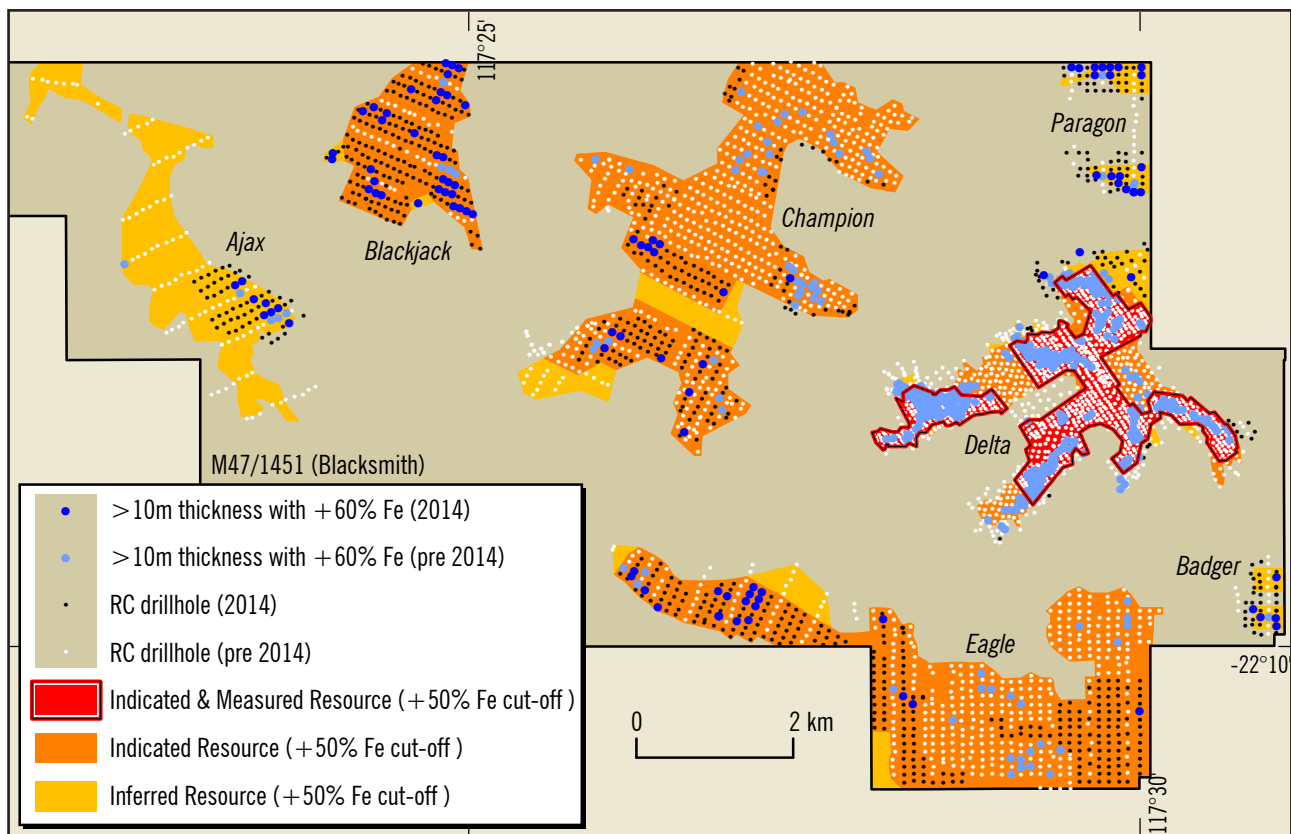
## Heritage

Flinders Mines has continued to work closely with the Eastern Guruma Native Title group and a number of heritage surveys have been completed during the quarter. These ongoing surveys have involved both Archaeological and Ethnographic components and are critical to ensure that we capture areas of significance to the local indigenous people which should ensure the project and future PIOP mining activities can commence without delay.

## Environment and Approvals

The development proposed for the PIOP under the terms of the Alliance Agreement requires that existing approvals be updated in order to cover the additional requirements of this project configuration. The change to a production rate of 25 Mtpa will require amendments to the water use licencing, additional approvals for on-site ore processing and tailings disposal as well as the approvals required for an airstrip, camp and access roads.

Draft documentation has been prepared and will be submitted to the WA EPA during Q4 2014.



**Figure 1** RC drillholes drilled prior to 2014 and those drilled in the 2014 RC infill campaign, highlighting holes with greater than 10m thickness with +60% Fe.

## Exploration and Evaluation Activities

During the quarter, the Company completed its 2014 infill Reverse Circulation (RC) drilling campaign. The purpose of this campaign is to upgrade the majority of the Mineral Resource to the Indicated category and provide key inputs to support the Bankable Feasibility Study for development of the PIOP.

A total of 887 RC drill holes for 36,592m have been completed across all deposits within the Blacksmith tenement (M47/1451) as part of this drilling campaign (Figure 1). This extensive infill drilling and subsequent geological modelling undertaken during the quarter has culminated in the release of Mineral Resource updates for the Eagle, Champion and Blackjack deposits within the PIOP.

The updated Mineral Resource for the Eagle deposit is 295.0 Mt @ 54.8% Fe. This consists of a significant increase in the Indicated Mineral Resource to 291.4 Mt @ 54.8% Fe and an Inferred Mineral Resource of 3.6 Mt @ 53.9% Fe (Table 1).

The updated Mineral Resource for the Champion deposit is 202.1 Mt @ 55.7% Fe. A significant proportion of this Mineral Resource is now Indicated - 199.5 Mt @ 55.7% Fe (Table 2).

The updated Mineral Resource for the Blackjack deposit is 86.2 Mt @ 56.8% Fe. This represents a significant increase of 93% over the previously reported Inferred Mineral Resource for Blackjack. The majority of this Mineral Resource is now Indicated - 84.2 Mt @ 56.7% Fe (Table 3).

All Mineral Resources quoted are based on a +50% iron cut-off. The Mineral Resource Estimates were compiled in accordance with the 2012 JORC Code.

As part of the infill drill program and Mineral Resource upgrades, a significant number of high grade detrital and bedded mineralisation intersections have been reported during the quarter. This is highlighted in Figure 1, showing the large number of holes drilled this year with intersections of >10m thickness at +60% Fe.

All assays have now been received and the revision of the geological models for the PIOP's remaining deposits is currently underway and an update to the Mineral Resource Estimates is expected to follow in the December quarter.

**Eagle Deposit Mineral Resource for + 50% Fe (September 2014)**

JORC Classification	Tonnage Mt	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	LOI%
Total Inferred	3.6	53.9	12.2	4.7	0.06	4.9
Total Indicated	291.4	54.8	9.2	4.8	0.08	6.8
<b>TOTAL</b>	<b>295.0</b>	<b>54.8</b>	<b>9.2</b>	<b>4.8</b>	<b>0.08</b>	<b>6.8</b>

**Table 1** Eagle Deposit Indicated and Inferred Mineral Resource.

**Champion Deposit Mineral Resource for + 50% Fe (September 2014)**

JORC Classification	Tonnage Mt	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	LOI%
Total Inferred	2.6	55.8	11.3	4.1	0.07	3.7
Total Indicated	199.5	55.7	9.4	4.8	0.07	5.1
<b>TOTAL</b>	<b>202.1</b>	<b>55.7</b>	<b>9.5</b>	<b>4.7</b>	<b>0.07</b>	<b>5.1</b>

**Table 2** Champion Deposit Indicated and Inferred Mineral Resource.

**Blackjack Deposit Mineral Resource for + 50% Fe (October 2014)**

JORC Classification	Tonnage Mt	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	LOI%
Total Inferred	2.0	59.7	3.5	2.4	0.10	8.2
Total Indicated	84.2	56.7	9.8	4.2	0.07	4.0
<b>TOTAL</b>	<b>86.2</b>	<b>56.8</b>	<b>9.7</b>	<b>4.2</b>	<b>0.07</b>	<b>4.1</b>

**Table 3** Blackjack Deposit Indicated and Inferred Mineral Resource.

## Future Program

In the December 2014 quarter, the Company will undertake drilling to test for further high grade mineralisation adjoining the Blackjack Mineral Resource and other BID targets within the PIOP. Significant results from drilling targeting new mineralisation will be reported as they are received.

The Mineral Resource updates, when combined with those of the other deposits across the PIOP in coming months, will culminate in an update to the PIOP global resource. This global resource will be integrated into the Bankable Feasibility Study.

Work will continue on the Bankable Feasibility Study, currently due for completion by the end of June 2015.

## CANEGRASS PROJECT – WA

During the quarter, interest has been sought in the project for possible divestment. No work was carried out on the project during the September 2014 quarter.

## SOUTH AUSTRALIA

There were no exploration and evaluation activities carried out on South Australian tenements during the September 2014 quarter.



**Ian Gordon**

Managing Director

27 October 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.*

# Flinders Mines Limited

## Tenement Schedule For the quarter ending 30 September 2014

Tenement	Status	Name	Registered Holder /Applicant	Flinders Mines Interest
<b>WESTERN AUSTRALIA</b>				
<b>Pilbara Iron Ore Project</b>				
E47/1011	Granted	Bold Cliff	Flinders Mines Ltd	100%
E47/1016	Granted	Mulga Downs	Flinders Mines Ltd	100%
E47/1306	Granted	Hamersley West	Flinders Mines Ltd	100%
E47/1560	Granted	Anvil	Flinders Iron Pty Ltd	100%
L47/728	Pending	PIOP Airstrip	Flinders Mines Ltd	100%
L47/730	Pending	PIOP Village	Flinders Mines Ltd	100%
L47/731	Pending	Northern Road	Flinders Mines Ltd	100%
L47/734	Pending	Southern Road	Flinders Mines Ltd	100%
M47/663-672	Pending	Mulga Downs FMG	Flinders Mines Ltd	100%
M47/1407	Granted	Hamersley West FMG	Flinders Mines Ltd	100%
M47/1451	Granted	Blacksmith ML	Flinders Mines Ltd	100%
P47/1291	Granted	Gap Area	Flinders Mines Ltd	100%
<b>Canegrass Project</b>				
E58/232	Granted	Boulder Well	Flinders Canegrass Pty Ltd	100%
E58/235	Granted	Canegrass Well	Flinders Canegrass Pty Ltd	100%
E58/236	Granted	Challa	Flinders Canegrass Pty Ltd	100%
E58/271	Granted	Gingier Pool	Flinders Canegrass Pty Ltd	100%
E58/282	Granted	Honey Pot	Flinders Canegrass Pty Ltd	100%
E58/358	Granted	Pipeline	Flinders Canegrass Pty Ltd	100%
E58/359	Granted	Bundy Well	Flinders Canegrass Pty Ltd	100%
E58/448	Granted	Sandhill	Flinders Canegrass Pty Ltd	100%
E58/449	Pending	Claypan	Flinders Mines Ltd	100%
E59/1935	Granted	Warrambo	Flinders Canegrass Pty Ltd	100%
P58/1403	Granted	Challa A	Flinders Canegrass Pty Ltd	100%
P58/1404	Granted	Challa A	Flinders Canegrass Pty Ltd	100%
<b>SOUTH AUSTRALIA</b>				
<b>Jamestown Project</b>				
EL 4368	Granted	Caltowie	Flinders Mines Ltd	100%

Miscellaneous licences L47/728, L47/730, L47/731 and L47/734 were applied for during the quarter.

Exploration licences E58/307 and E57/308 were relinquished during the quarter.

## 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")

30 September 2014

#### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	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	(3,610)	(3,610)
(b) development		
(c) production		
(d) administration	(1,113)	(1,113)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	88	88
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>(4,635)</b>	<b>(4,635)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(19)	(19)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
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>(19)</b>	<b>(19)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(4,654)</b>	<b>(4,654)</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>(4,654)</b>	<b>(4,654)</b>
	<b>Cash flows related to financing activities</b>		
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)		
	<b>Net financing cash flows</b>		
	<b>Net increase (decrease) in cash held</b>	<b>(4,654)</b>	<b>(4,654)</b>
1.20	Cash at beginning of quarter/year to date	<b>9,869</b>	<b>9,869</b>
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	<b>5,215</b>	<b>5,215</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	3,571
4.2 Development	-
4.3 Production	-
4.4 Administration	660
<b>Total</b>	<b>4,231</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	843	520
5.2 Deposits at call	4,372	9,350
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>5,215</b>	<b>9,870</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	E58/307 Holder E57/308 Holder	100% 100%	0% 0%
6.2	Interests in mining tenements and petroleum 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 <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>	2,400,995,602	2,400,995,602		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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				
7.10	Expired during quarter				
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 27 October 2014

Print name:

Justin Nelson

**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.