

31 January 2018

# Quarterly Report

## For the period ending 31 December 2017

### PIOP Maturation Work

During the quarter ending 31 December 2017, Flinders Mines Limited (**Flinders Mines** or the **Company**) continued to make progress with its planned maturation work at the Pilbara Iron Ore Project (**PIOP**), located 70km from Tom Price in Western Australia. The site based activities were completed by late November 2017, including metallurgical, geotechnical and hydrogeological drilling and related sampling as well as downhole geophysical testing.

At the end of the quarter, all samples had been despatched to the Perth laboratory, logged and head assayed with laboratory analysis work underway. Wet testing and pilot plant work commenced in early 2018. The Company anticipates that the analysis work will be completed during the quarter ending 31 March 2018.

Water modelling for ore processing was completed during the December quarter and the requirements updated for the potential production capacity of circa 45M dry tonnes per year. This analysis and associated water balance was submitted for regulatory review and assessment by the Department of Water and Environmental Regulation. Subsequent to the end of the quarter, the Company received confirmation of the requested revised water allocation.

In the March quarter 2018, the Company plans to progress resource assessment, preliminary mine planning and processing studies. When completed, the Company expects to release a revised JORC Code 2012 Resource Statement based on the results of the maturation activities.

As announced on 12 December 2017, the Railway (BBI Rail Aus Pty Ltd) Agreement Bill received Royal Assent and became an Act of Parliament in Western Australia. Whilst Flinders Mines has no existing commercial agreement in place with BBI Group Pty Ltd (**BBIG**) or its subsidiaries, or any other potential provider around an infrastructure solution for the PIOP, the Company sees this progress by BBIG as a positive step for a potential viable infrastructure solution for the PIOP. The Company will consider all viable infrastructure options, including BBIG if available, following the completion of the maturation work.

### Other Tenements

The Company completed the planned field drilling and analysis work on the Canegrass tenements located in Western Australia during the quarter. The drilling program conducted at Canegrass between 17 and 26 November 2017 targeted Cobalt (Co)- Nickel (Ni)- Copper (Cu) soil and rock chip anomalies and included reverse circulation (RC) (161m, two holes) and air-core (AC) drilling (611m, 29 holes). None of the drilling intersected any Co-Ni-Cu sulphide mineralisation of economic interest. Previous drilling on Canegrass where Cu, Co and PGE were also analysed supports this result, with only low values of Co and PGE associated with the Cu zones, and reinforces the conclusion that the prospects of any significant Co and/or PGE mineralisation in the current tenure are negligible.

The intersection of vanadium, titanium and iron mineralisation within drill hole RC282-01 is of interest. The vanadium graded 0.71% V<sub>2</sub>O<sub>5</sub> over a 51m interval from 21m downhole and compares favourably to the updated JORC Code 2012 Canegrass Vanadium Mineral Resource (announced on 30 January 2018) which averaged 0.64% V<sub>2</sub>O<sub>5</sub> (0.5% V<sub>2</sub>O<sub>5</sub> cut-off) for the Inferred Resource of 79 million tonnes.

The Mineral Resource estimate is shown in Table 1, reported above a cut-off grade of 0.5% V<sub>2</sub>O<sub>5</sub>.

Table 1: Canegrass Project Global Mineral Resource estimate, 0.5% V<sub>2</sub>O<sub>5</sub> cut-off grade, >210 m RL

| Project            | JORC classification | Tonnage (Mt) | V <sub>2</sub> O <sub>5</sub> (%) | TiO <sub>2</sub> (%) | Fe (%)      | Al <sub>2</sub> O <sub>3</sub> (%) | P (%)        | SiO <sub>2</sub> (%) | LOI (%)    |
|--------------------|---------------------|--------------|-----------------------------------|----------------------|-------------|------------------------------------|--------------|----------------------|------------|
| Fold Nose          | Inferred            | 59           | 0.66                              | 6.5                  | 30.5        | 11.9                               | 0.006        | 22.9                 | 2.9        |
| Kinks              | Inferred            | 20           | 0.57                              | 5.5                  | 27.4        | 13.0                               | 0.009        | 25.9                 | 3.1        |
| <b>Grand total</b> |                     | <b>79</b>    | <b>0.64</b>                       | <b>6.0</b>           | <b>29.7</b> | <b>12.2</b>                        | <b>0.007</b> | <b>23.6</b>          | <b>3.0</b> |

*\* Due to the effects of rounding, the total may not represent the sum of all components*

During the March 2018 quarter, the Company will assess the next stages of exploration of the Canegrass tenements.

## Corporate

On 28 November 2017, the Company advised it had extended the term of Interim Executive Director, Mr David McAdam's appointment from 31 December 2017 to 30 April 2018. All other terms of Mr McAdam's appointment remain the same as previously announced.

The Company held its Annual General Meeting on 21 November 2017. The results of this meeting have been announced to ASX and posted to the Company's website.

## Financial

As at 31 December 2017, the Company had \$4.62 million in cash and \$3 million in debt.

As announced on 6 November 2017, the Company executed a loan facility agreement with PIO Mines Pty Limited, a subsidiary of the Company's major shareholder TIO (NZ) Limited, for a total of \$5 million to assist Flinders in completing the maturation phase of the PIOP and to meet short term capital requirements. \$3 million was drawn down in November 2017 and the remaining \$2 million was drawn down in January 2018.

For further information please contact:

### Shareholders

David McAdam  
Interim Executive Director  
(08) 9389 4483

### Media

Kat Fremlin  
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### About Flinders Mines Limited

Flinders Mines Limited is an ASX-listed (ASX: FMS) exploration and development company focused on the commercialisation of its large, high quality hematite resource - the Pilbara Iron Ore Project (PIOP).

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**Tenement Schedule**  
For the Quarter ending  
31 December 2017

| Tenement No. | Status | Tenement Name | Grant/ Application Date | Expiry Date | Area (Sq Km) | Registered Holder /Applicant | Interest | Related Agreement |
|--------------|--------|---------------|-------------------------|-------------|--------------|------------------------------|----------|-------------------|
|--------------|--------|---------------|-------------------------|-------------|--------------|------------------------------|----------|-------------------|

## WESTERN AUSTRALIA

### Canegrass Project<sup>1</sup>

|         |         |              |            |            |      |                            |      |  |
|---------|---------|--------------|------------|------------|------|----------------------------|------|--|
| E58/232 | Granted | Boulder Well | 29/07/2002 | 28/07/2018 | 16.1 | Flinders Canegrass Pty Ltd | 100% |  |
| E58/236 | Granted | Challa       | 22/03/2002 | 21/03/2018 | 16.1 | Flinders Canegrass Pty Ltd | 100% |  |
| E58/282 | Granted | HoneyPot     | 03/05/2007 | 02/05/2018 | 27.2 | Flinders Canegrass Pty Ltd | 100% |  |
| E58/520 | Granted | Waramboo     | 14/09/2017 | 13/09/2022 | 3.1  | Flinders Canegrass Pty Ltd | 100% |  |
| E58/521 | Granted | Waramboo     | 14/09/2017 | 13/09/2022 | 15.1 | Flinders Canegrass Pty Ltd | 100% |  |
| E58/522 | Granted | Waramboo     | 14/09/2017 | 13/09/2022 | 24.1 | Flinders Canegrass Pty Ltd | 100% |  |

### Pilbara Iron Ore Project<sup>2</sup>

|          |             |               |            |            |       |                    |      |                  |
|----------|-------------|---------------|------------|------------|-------|--------------------|------|------------------|
| E47/1560 | Granted     | Anvil         | 6/09/2007  | 5/09/2018  | 44.4  | Flinders Mines Ltd | 100% | Prenti Agreement |
| L47/728  | Granted     | PIOP Airstrip | 29/05/2015 | 28/05/2036 | 3.0   | Flinders Mines Ltd | 100% |                  |
| L47/730  | Granted     | PIOP Village  | 29/05/2015 | 28/05/2036 | 0.1   | Flinders Mines Ltd | 100% |                  |
| L47/731  | Application | Northern Road | 1/09/2014  |            | 4.9   | Flinders Mines Ltd | 100% |                  |
| L47/734  | Granted     | Southern Road | 29/05/2015 | 28/05/2036 | 4.2   | Flinders Mines Ltd | 100% |                  |
| M47/1451 | Granted     | Blacksmith ML | 26/03/2012 | 25/03/2033 | 111.6 | Flinders Mines Ltd | 100% | Prenti Agreement |

## SOUTH AUSTRALIA

### Jamestown Project

|        |         |          |            |           |       |                    |              |                          |
|--------|---------|----------|------------|-----------|-------|--------------------|--------------|--------------------------|
| EL5557 | Granted | Washpool | 10/11/2014 | 9/11/2019 | 135.0 | PNX Metals Limited | Gold, Copper | Phoenix Copper Agreement |
|--------|---------|----------|------------|-----------|-------|--------------------|--------------|--------------------------|

1. E58/232, E58/236 and E58/282 are the subject of a current granted extension of term. A further extension of term will be applied for prior to the expiry of the current term.
2. E47/1560 is the subject of a current granted extension of term. A further extension of term will be applied for prior to the expiry of the current term.

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## **Competent Persons Statement**

The information in this report that relates to Mineral Resources is based on information compiled by Mr Aaron Meakin. Mr Meakin is a full-time employee of CSA Global Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. Mr Meakin has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates continue to apply and have not materially changed.

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## 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, 01/05/13, 01/09/16

### Name of entity

Flinders Mines Limited

### ABN

46 091 118 044

### Quarter ended ("current quarter")

31 December 2017

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               | -                          | -                                     |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                              | (4,288)                    | (7,676)                               |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) staff costs   | -                          | -                                     |
| (e) administration and corporate costs                    | (537)                      | (893)                                 |
| 1.3 Dividends received (see note 3)                       | -                          | -                                     |
| 1.4 Interest received                                     | 23                         | 65                                    |
| 1.5 Interest and other costs of finance paid              | -                          | -                                     |
| 1.6 Income taxes paid                                     | -                          | -                                     |
| 1.7 Research and development refunds                      | -                          | -                                     |
| 1.8 Other (provide details if material)                   | -                          | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(4,802)</b>             | <b>(8,504)</b>                        |

|  |   |   |
|--|---|---|
| <b>2. Cash flows from investing activities</b> |   |   |
| 2.1 Payments to acquire:                       |   |   |
| (a) property, plant and equipment              | - | - |
| (b) tenements (see item 10)                    | - | - |
| (c) investments                                | - | - |
| (d) other non-current assets                   | - | - |

## Mining exploration entity and oil and gas exploration entity quarterly report

| <b>Consolidated statement of cash flows</b> |   | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|---|------------------------------------|--|
| 2.2   | Proceeds from the disposal of:                        |                                    |  |
|   | (a) property, plant and equipment                     | -                                  | -  |
|   | (b) tenements (see item 10)                           | -                                  | -  |
|   | (c) investments                                       | 73                                 | 73   |
|   | (d) other non-current assets                          | -                                  | -  |
| 2.3   | Cash flows from loans to other entities               | -                                  | -  |
| 2.4   | Dividends received (see note 3)                       | -                                  | -  |
| 2.5   | Other (provide details if material)                   | -                                  | -  |
| <b>2.6</b>                                  | <b>Net cash from / (used in) investing activities</b> | <b>73</b>                          | <b>73</b>                                      |

|             |   |              |              |
|-------------|---|--------------|--------------|
| <b>3.</b>   | <b>Cash flows from financing activities</b>                                 |              |              |
| 3.1         | Proceeds from issues of shares  | -            | -            |
| 3.2         | Proceeds from issue of convertible notes                                    | -            | -            |
| 3.3         | Proceeds from exercise of share options                                     | -            | -            |
| 3.4         | Transaction costs related to issues of shares, convertible notes or options | (6)          | (16)         |
| 3.5         | Proceeds from borrowings  | 3,000        | 3,000        |
| 3.6         | Repayment of borrowings   | -            | -            |
| 3.7         | Transaction costs related to loans and borrowings                           | -            | -            |
| 3.8         | Dividends paid  | -            | -            |
| 3.9         | Other (provide details if material)   | -            | -            |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                       | <b>2,994</b> | <b>2,984</b> |

|            |  |              |              |
|------------|--|--------------|--------------|
| <b>4.</b>  | <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |              |              |
| 4.1        | Cash and cash equivalents at beginning of period                             | 6,355        | 10,067       |
| 4.2        | Net cash from / (used in) operating activities (item 1.9 above)              | (4,802)      | (8,504)      |
| 4.3        | Net cash from / (used in) investing activities (item 2.6 above)              | 73           | 73           |
| 4.4        | Net cash from / (used in) financing activities (item 3.10 above)             | 2,994        | 2,984        |
| 4.5        | Effect of movement in exchange rates on cash held                            | -            | -            |
| <b>4.6</b> | <b>Cash and cash equivalents at end of period</b>                            | <b>4,620</b> | <b>4,620</b> |

| 5. <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances  | 4,620                      | 6,355                       |
| 5.2 Call deposits  | -                          | -                           |
| 5.3 Bank overdrafts  | -                          | -                           |
| 5.4 Other (provide details)  | -                          | -                           |
| <b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>4,620</b>               | <b>6,355</b>                |

| 6. <b>Payments to directors of the entity and their associates</b>                                       | Current quarter<br>\$A'000 |
|--|----------------------------|
| 6.1 Aggregate amount of payments to these parties included in item 1.2                                   | 315                        |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                          |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 |                            |

Non-Executive and Executive Directors Fees for the December 17 quarter.

| 7. <b>Payments to related entities of the entity and their associates</b>                                | Current quarter<br>\$A'000 |
|--|----------------------------|
| 7.1 Aggregate amount of payments to these parties included in item 1.2                                   | 140                        |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3                       | -                          |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 |                            |

Non-Executive Directors fees paid to TIO (NZ) Limited) for the December 17 quarter, a major shareholder of Flinders Mines Limited (\$84k).  
Tenement management and field services paid to BBI Group Pty Ltd for the December 17 quarter, a subsidiary of the major shareholder of Flinders Mines Limited (\$56k).

## Mining exploration entity and oil and gas exploration entity quarterly report

| <b>8. Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | <b>Total facility amount<br/>at quarter end<br/>\$A'000</b> | <b>Amount drawn at<br/>quarter end<br/>\$A'000</b> |
|--|---|--|
| 8.1 Loan facilities  | 5,000   | 3,000  |
| 8.2 Credit standby arrangements  | -   | -  |
| 8.3 Other (please specify)   | -   | -  |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |

Unsecured A\$5m loan facility provided by PIO Mines Pty Limited, a subsidiary of the major shareholder, at an interest rate of 3.885%pa. A\$3m was drawn on 9 November 2017. A\$2m was drawn in the March 2018 quarter.

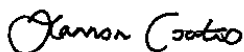
| <b>9. Estimated cash outflows for next quarter</b> | <b>\$A'000</b> |
|--|----------------|
| 9.1 Exploration and evaluation                     | (2,878)        |
| 9.2 Development                                    | -              |
| 9.3 Production                                     | -              |
| 9.4 Staff costs                                    | -              |
| 9.5 Administration and corporate costs             | (452)          |
| 9.6 Other (provide details if material)            | -              |
| <b>9.7 Total estimated cash outflows</b>           | <b>(3,330)</b> |

| <b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>                            | <b>Tenement reference and location</b> | <b>Nature of interest</b> | <b>Interest at beginning of quarter</b> | <b>Interest at end of quarter</b> |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced |  |                           |   |                                   |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased           |  |                           |   |                                   |



**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: .....  
(Company secretary)

Date: 31 January 2018.

Print name: Shannon Coates

**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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.