

30 July 2018

Quarterly Report

For the period ending 30 June 2018

PIOP Maturation Work

During the quarter ending 30 June 2018, Flinders Mines Limited (**Flinders Mines** or the **Company**) completed its planned maturation work at the Pilbara Iron Ore Project (**PIOP**), located 70km from Tom Price in Western Australia. The work resulted in the announcement of a revised JORC Resource Statement for the PIOP on 1 March 2018 and the detailed maturation results were announced to the market on 21 May 2018.

The main highlights from the PIOP Maturation Programme include that:

- **geotechnical, hydrological and metallurgical test work has now been completed;**
- **the potential for lower-grade detrital material to contribute to the PIOP Mineral Resource has been confirmed;**
- **base case metallurgical processing test work indicates that the PIOP detrital resource material, whilst being upgradeable to a circa 59%Fe product, experiences significantly lower yields than non-detrital ores.**

The primary purpose of the maturation programme was to determine if lower iron grade detrital ores (DIDs), ranging in grade from ~40% to 50% Fe, could be upgraded to a product that would contribute to a total project marketable quality blend. If successful, this would increase the total recoverable tonnes from the PIOP.

The key technical PIOP risks identified during the strategic review were:

- metallurgical testing previously completed was insufficient across all ore domains to provide a reliable mine plan and mining process flow sheet;
- geotechnical analysis was needed to confirm mine pit-slope design angles; and
- geohydrological water levels to confirm a water licence application and a robust mine pit de-watering assessment.

These risks are now better understood and have been mitigated, including:

- **Metallurgical upgrade risk** – the base case metallurgical processing parameters for Ore Processing Facility 1 (OPF1) and Ore Processing Facility 2 (OPF2) have now been confirmed. These parameters include the detrital ores which have proven to be upgradable to a quality that contributes to an overall blended product;
- **Geotechnical pit slope risk** – geotechnical pit slope design angles have been further defined to an improved level of confidence for all deposits across the PIOP. The angles show that previous analysis was conservative and the overall pit slope angles can be steepened; and
- **Geohydrological risk** – dewatering modelling on a conceptual mine schedule has modified the risk profile from a groundwater oversupply risk to a groundwater undersupply risk. Whilst this risk cannot be retired, it is now a lower overall project risk. Flinders applied for and was issued with a letter from the Department of Water and Environmental Regulation (DWER) which upgraded the water held in reserve by DWER from 5GLpa to 13GLpa.

PIOP Ongoing Development Work

Whilst the maturation programme achieved the majority of its goals and progressed the PIOP project towards development, it also highlighted areas of future work. Further program recommendations include:

- Progress discussions on provision of a logistics solution;
- Consider further exploration programs at PIOP to identify additional Mineral Resources and higher resource grade;
- Product quality optimisation and marketing update;

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- Process plant development to assess the impacts of the ore characteristics; and
- Undertake detailed mine planning once infrastructure parameters are secured.

Canegrass Project

The Company continues to work on further exploration of the Canegrass tenements with the focus being on extending its knowledge of the VTM Resource and its ongoing assessment of the potential for gold in the various tenement holdings.

Corporate

The Company appointed Ms Shannon Coates as Non-Executive Director on 20 June 2018.

Financial

As at 30 June 2018, the Company had \$3.3 million in cash and \$5 million in debt via a loan from its major shareholder, PIO Mines Pty Ltd.

The Company finalised documentation for a non-renounceable Entitlement Offer to raise \$9.4m at \$0.07 per share to repay the loan and provide for working capital. The Entitlement Offer is an offer of approximately 134,678,058 new fully paid ordinary shares in the Company (New Shares) on the basis of 1 New Share for every 25 existing shares held by eligible shareholders.

The Offer Booklet was lodged with the ASX on 25 June 2018 and was sent to eligible shareholders together with a personalised Entitlement and Acceptance Form on 3 July 2018. The Entitlement Offer is not underwritten and there is no shortfall facility as part of the Offer. The Entitlement Offer is expected to close on 30 July 2018.

For further information please contact:

Shareholders

David McAdam
Executive Director
(08) 9389 4483

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).

The PIOP is located approximately 70km from Tom Price in Western Australia's iron ore-rich Pilbara region. The project consists of two 100% owned tenements – M47/1451 (Blacksmith) and E47/1560 (Anvil) – and has a total (Inferred, Indicated and Measured) JORC-compliant resource of 1,484 million tonnes @ 52.2% Fe. The project has received environmental approvals and the Company is currently determining the optimal development path.

Tenement Schedule
For the Quarter ending
30 June 2018

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

Canegrass Project¹

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	3/05/2007	2/05/2018	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 Project²

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
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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 was released to ASX on 1 March 2018 and is based on information compiled by John Graindorge who is a Chartered Professional (Geology) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to 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". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. The Company confirms that the form and context in which the Competent Person's findings are presented have not been modified from the original announcement and, in the case of estimates of Mineral Resources, all material assumptions and technical parameters underpinning the estimates in the initial announcement 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")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,136)	(10,219)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(491)	(1,687)
1.3 Dividends received (see note 3)		
1.4 Interest received	18	105
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)		
1.9 Net cash from / (used in) operating activities	(1,609)	(11,801)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	14
	(b) tenements (see item 10)		
	(c) investments	-	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)		
2.6	Net cash from / (used in) investing activities	-	87

3.	Cash flows from financing activities		
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	(35)	(52)
3.5	Proceeds from borrowings	-	5,000
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)		
3.10	Net cash from / (used in) financing activities	(35)	4,948

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,945	10,067
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,609)	(11,801)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	87
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	4,948
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,301	3,301

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,301	4,945
5.2 Call deposits	-	-
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,301	4,945

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	264
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 June quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	104
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 June 18 quarter, a major shareholder of Flinders Mines Limited (\$59k).

Tenement management and field services paid to BBI Group Pty Ltd for the June 18 quarter, a subsidiary of the major shareholder of Flinders Mines Limited (\$45k).

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	5,000	5,000
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.		

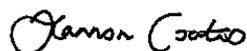
Unsecured A\$5m loan facility provided by PIO Mines Pty Limited, a subsidiary of the major shareholder, at an interest rate of 3.885%pa. A\$3m was drawn on 9 November 2017. A\$2m was drawn on 19 January 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(92)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(414)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(506)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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.



30 July 2018

Sign here:
(Company secretary)

Date:

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.