

27 July 2017

Quarterly Report

For the period ending 30 June 2017

Strategic Review and Entitlement Offer

As announced on 31 March 2017, the Company completed its independent strategic review (**Strategic Review**) of the Company's Pilbara Iron Ore Project (**PIOP**) during the March 2017 quarter. To support the path of action identified to unlock project value pursuant to the recommendations arising from the Strategic Review, on 9 May 2017 the Company commenced a non-renounceable entitlement offer (**Entitlement Offer**) to raise up to \$16 million (before costs) through the offer of approximately 290 million new fully paid shares (**New Shares**) at an issue price of \$0.055 per New Share and on the basis of 1 New Share for every 11 Shares held by eligible shareholders at the Record Date.

The Company received valid applications for and issued a total of 172,771,273 New Shares, raising a total of \$9.5 million (before costs), leaving a shortfall of \$6.5 million. A further 399,764 New Shares were issued to Euroz Securities as the Company's nominee for non-resident shareholders.

The proceeds of the Entitlement Offer have and are being used to implement the recommendations arising from the independent Strategic Review of the Company's PIOP, in particular, to implement a series of asset maturation programs. As the funds raised fell short of the total capital required to conduct the planned work, the Board of the Company is currently assessing the options for raising further capital to complete the planned work.

PIOP Maturation Work

During the June 2017 quarter, the Company commenced the implementation of a comprehensive drilling program at the PIOP to collect a range of drill core from different iron ore horizons for future testing to confirm and enhance a series of bases used in the Strategic Review. The Strategic Review utilised available metallurgical, geotechnical and hydrological data to determine the most viable options for the development of the PIOP. The Company is now focused on reducing the risks associated with this preliminary data by conducting a more thorough analysis of decision critical information that will guide the ultimate production rate, ore quality and mine planning. These factors are key determinants in quantifying the value of the PIOP and the optimum project delivery method. In this maturation work, significant focus is being applied to the drilling and sample collection of the detrital ore bodies. The quantity and characteristics of this ore type underpin the potential for reducing the Fe cut-off grade from 50% (currently used in Ore Reserve calculations) to 40% and the subsequent opportunity to increase the PIOP Ore Reserves through using an on-site beneficiation process to produce a combined circa 59% Fe marketable product.

The outcome of the maturation work is unknown and may result in an insufficient increase in PIOP Ore Reserves to justify further development. Should the maturation work result in a sufficient increase in PIOP Ore Reserves, the requirement for further equity capital will be significant and will likely result in a significant dilution for current shareholders who either don't or are unable to contribute further equity capital.

The initial maturation activities that occurred during the quarter included the re-establishment of the PIOP camp, tendering and award of key contracts covering camp management, diamond drilling (2 rigs), heritage surveys, environmental assessments, access tracks and drill pad establishment. Laboratory and pilot plant test work is to be conducted in the coming quarters. Results of this work will be collated and assessed during the December 2017 and March 2018 quarters.

During the quarter, the site drilling program commenced with mobilisation activities and the completion of 88 metres of the planned circa 6,500 metres total drilling, across the three programs. The Company anticipates completion of the drilling program before the end of the calendar year. Subsequent to the end of the quarter, the Company mobilised a sonic drill rig (third drill rig) to assist in detrital ore recovery to ensure quality samples are obtained.

Work has commenced on assessing the infrastructure solution opportunities complete with analysis of the relative strategies and the implications for the retention of future optionality. During the next two quarters, the Company expects to decide on the preferred option and to commence the development of necessary agreements to secure this vital part of the potential project.

Other Tenements

During the period, the Company assessed its portfolio of tenements and the Board opted to relinquish the Gawler Ranges tenements in South Australia due to their perceived limited potential. Work was reactivated on the Company's Canegrass tenements in Western Australia and subsequent to the end of the quarter, field exploration was initiated.

Corporate

During the quarter, the Company extended Mr David McAdam's term as Interim Executive Director until 31 December 2017. Mr McAdam receives a consultancy fee of \$2,500 plus GST per day for a maximum of four days per week. Mr McAdam led the Board's Strategic Review Committee and successfully completed the detailed Strategic Review of PIOP during the March quarter.

As announced 6 June 2017, Mr Nicholas Smart resigned as Alternate Director to Mr Robert Kennedy, effective 5 June 2017.

Following the relocation of the Company's corporate headquarters from Adelaide to Perth, the Company restructured its management team and announced the appointment of Ms Shannon Coates as Company Secretary on 9 May 2017. Ms Coates replaced Mr Justin Nelson who had assisted the Company as Company Secretary for a number of years. The Company also appointed Ms Rebecca Broughton as Chief Financial Officer on 30 April 2017, replacing Mr Jim Panagopolous.

As announced on 3 May 2017, the Company's registered office and principal place of business is now:

45 Ventnor Avenue
West Perth, WA 6005
Telephone – (08) 9389 4483
Facsimile – (08) 9389 4400

Effective 30 June 2017 and as announced 23 June 2017, the Company advised that the location of its register of securities, which is maintained with Computershare Investor Services Pty Limited relocated to:

Level 11, 172 St Georges Terrace
Perth, WA 6000

Financial

At the quarter end, the Company had \$10.07 million in cash and no debt.

For further information please contact:

Shareholders

David McAdam
Interim Executive Director
(08) 9389 4483

Media

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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).

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 1,042 million tonnes at 55.6% Fe using a 50% Fe cut-off grade. The project has received environmental approvals and the Company is currently determining the optimal development path.

Tenement Schedule
For the Quarter ending
30 June 2017

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

WESTERN AUSTRALIA

Canegrass Project¹

| | | | | | | | | |
|---------|---------|--------------|------------|------------|------|----------------------------|------|--|
| E58/232 | Granted | Boulder Well | 29/07/2002 | 28/07/2017 | 16.1 | Flinders Canegrass Pty Ltd | 100% | |
| E58/236 | Granted | Challa | 22/03/2002 | 21/03/2017 | 16.1 | Flinders Canegrass Pty Ltd | 100% | |
| E58/282 | Granted | HoneyPot | 3/05/2007 | 2/05/2017 | 27.2 | Flinders Canegrass Pty Ltd | 100% | |

Pilbara Iron Ore Project

| | | | | | | | | |
|----------|-------------|---------------|------------|------------|-------|--------------------|------|------------------|
| E47/1560 | Granted | Anvil | 6/09/2007 | 5/09/2017 | 44.5 | 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 | 10/11/2009 | 9/11/2019 | 135.0 | Phoenix Copper Ltd | Diamonds, barium, talc and phosphate | Phoenix Copper Agreement |
|--------|---------|----------|------------|-----------|-------|--------------------|--------------------------------------|--------------------------|

1. Canegrass Project tenements expiration is pending EOT application.

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 2017

| 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 | (868) | (1,635) |
| (b) development | | |
| (c) production | | |
| (d) staff costs | | |
| (e) administration and corporate costs | (595) | (2,471) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 12 | 43 |
| 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 | (1,451) | (4,063) |

| | | |
|--|-----|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (1) | - |
| (b) tenements (see item 10) | | |
| (c) investments | | |
| (d) other non-current assets | | |

Mining exploration entity and oil and gas exploration entity quarterly report

| 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 | 1 | 1 |
| | (b) tenements (see item 10) | | |
| | (c) investments | | |
| | (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 | - | 1 |

| | | | |
|-------------|---|--------------|---------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 9,522 | 13,670 |
| 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 | (92) | (92) |
| 3.5 | Proceeds from borrowings | | |
| 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 | 9,430 | 13,578 |

| | | | |
|------------|--|---------------|---------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 2,088 | 551 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,451) | (4,063) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | 1 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 9,430 | 13,578 |
| 4.5 | Effect of movement in exchange rates on cash held | - | |
| 4.6 | Cash and cash equivalents at end of period | 10,067 | 10,067 |

| 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 | 3,917 | 1,938 |
| 5.2 Call deposits | 6,150 | 150 |
| 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) | 10,067 | 2,088 |

| 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 | 211 |
| 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 17 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 | 59 |
| 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 17 quarter, a major shareholder of Flinders Mines Limited (\$35k).
Tenement management services paid to BBI Group Pty Ltd for the June 17 quarter, a subsidiary of a major shareholder of Flinders Mines Limited (\$24k).

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 | - | - |
| 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. | | |
| | | |

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | (6,101) |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | (443) |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | (6,544) |

| 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 | EL5761 | Relinquished | 100% | Nil |
| | EL5762 | Relinquished | 100% | Nil |
| 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.



27 July 2017

Sign here:
(Director)

Date:

Print name: David McAdam

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.