

17 June 2014

Company Update

highlights

- *Appointment of Managing Director*
- *PIOP drilling program progressing ahead of schedule*

Flinders Mines Limited ("Flinders"; ASX : "FMS") is pleased to provide an update on developments within the Company and its 100%-owned Pilbara Iron Ore Project (PIOP).

Corporate

Appointment of Managing Director

Flinders Mines Limited (ASX: FMS) is pleased to advise the market that as previously indicated in our announcement of 8 April 2014, Mr Ian Gordon has today been appointed as Managing Director of Flinders Mines Limited.



Mr Gordon will commence his role immediately and brings over 25 years of experience in the Australian mining industry in a variety of roles with small, medium and large organisations. Mr Gordon was previously the Managing

Director/CEO of Australian gold producer, Ramelius Resources Limited.

Mr Gordon will commence on a contract with no fixed term at a gross remuneration package of \$450,000 per annum, inclusive of a base salary and superannuation contributions, reviewable annually. He will be issued 10 million Performance Rights under the terms of the Flinders Mines Incentive Rights Plan as approved by shareholders at the 2010 Annual General Meeting. The Company will seek all necessary approvals for the rights issue at the next general meeting of the Company. Termination of the contract by Mr Gordon is on three months written notice and by the Company on six months written notice, or at any time by mutual agreement.



Ian's appointment brings to an end the role taken on by Mr Robert Kennedy as Executive Chairman and he will revert to his position as Non-Executive Chairman of the Company.

The Board expresses its thanks for the achievements that occurred during the time of Mr Kennedy's appointment as Executive Chairman, in particular the execution of the landmark infrastructure Alliance Agreement with the Balla Balla Joint Venture, after a period of negotiation spanning six months.

Office Restructure

With on-site operations recommenced at the PIOP in Western Australia, Flinders has continued with its policy of where possible reducing overheads at the administrative and corporate level.

To the extent that personnel have been required for the current drilling program and the PIOP Definitive Feasibility Study process, they have been engaged on short-term contracts or as consultants.

Continuing our push to reduce overhead costs, the Company has relocated into more appropriately sized premises at 135 Fullarton Road, Rose Park SA, with anticipated savings of \$440,000 over the next two years.

2014 Drilling Update

Pilbara Iron Ore Project (PIOP)

Tenement M47/1451 (Blacksmith)

Flinders Mines Limited (FMS) 100%

On 16 April 2014, Flinders Mines announced it had commenced its 2014 diamond core and reverse circulation (RC) drilling campaign at PIOP. The purpose of this campaign is to provide the key resource and metallurgical inputs to support the bankable feasibility study for development of the PIOP.

The diamond drilling program represents the last phase of metallurgical test work for the PIOP with the broad aim being to provide all of the necessary data for detailed design of the ore processing plant.

Project Financing

The Company is committed to achieving a Final Investment Decision (FID) on the PIOP by 31 December 2015 (with the option of an extension, if required, of six months to 30 June 2016).

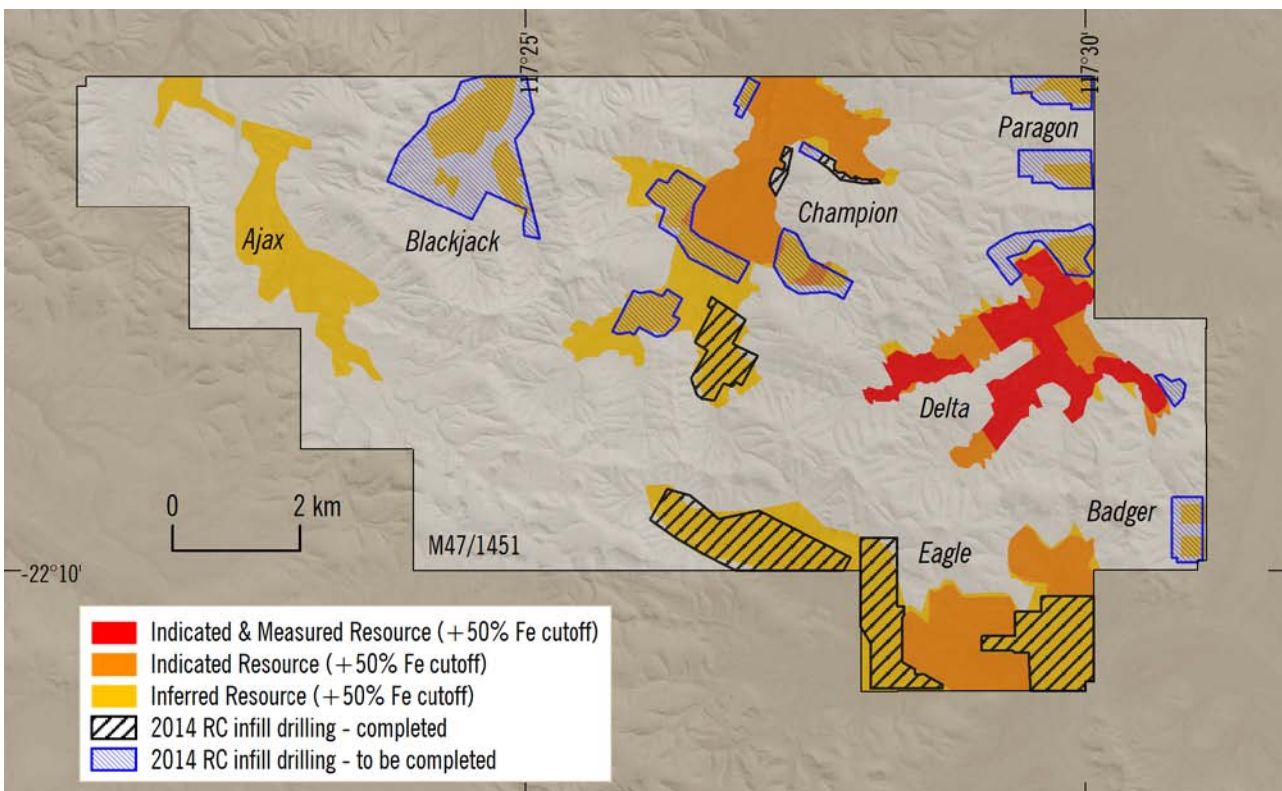
Flinders is advancing a number of financing options including debt financing, project-level equity, marketing and ore off-take agreements. The Company is continuing to build ore demand via recent marketing directly in China and Flinders expects to be in a position to update the market shortly regarding further off-take and marketing discussions.

Table 1 : PIOP Global Mineral Resource.

Global Mineral Resource for Fe > 50% (11/11/2011)						
JORC Classification	Mt	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
Total Inferred	472.6	54.7	10.2	5.0	0.067	5.7
Total Indicated	343.7	55.5	8.9	4.5	0.083	6.2
Total Measured	101.0	56.4	10.5	5.1	0.054	2.8
Total	917.3	55.2	9.7	4.8	0.072	5.6

The Resource, defined in accordance with the 2004 JORC Code, has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported (refer to ASX announcement dated 14/11/2011).

Figure 1 M47/1451 Inferred, Indicated and Measured Resource areas with location of current RC drilling activities.





RC infill drilling at Champion Deposit, June 2014

As previously reported (refer to ASX announcement dated 14/11/2011), the PIOP has a current global Mineral Resource of 917Mt @ 55.2 % Fe reported in accordance with the 2004 JORC code (Table 1). The Resource has not been updated since to comply with the 2012 JORC Code on the basis that the information has not materially changed since it was last reported. This resource base has a significant proportion of Inferred Mineral Resource and the current 2014 RC drilling program is designed to increase the confidence in the potentially mineable Inferred Mineral Resource, by upgrading to the Indicated Resource category. While this drilling program is not directly targeting an upgrade to the global mineral resource, it is an extremely important step in ensuring bankability of the mineable PIOP resource base.

RC Drilling

Two Reverse Circulation (RC) drill rigs have recently completed the infill Indicated drilling of the PIOP's Eagle deposit and have now commenced drilling in Champion (Figure 1). A total of 320 drill holes for 17,148m have been completed to date. This represents approximately 50% of the total planned drilling program. The drilling is on schedule and on budget. As a consequence of the infill nature of the drilling, the preliminary results, as expected, are consistent with the current geological model and as such are not considered to be material. When all assays are received for the Eagle deposit in the coming weeks, Flinders will provide an RC drilling update.

A revision of the geological model for the Eagle deposit is currently underway based on the assays that are being received and an update to the Mineral Resource Estimate is expected to follow in the September Quarter.

Diamond Drilling

The diamond drilling campaign for metallurgical testing commenced in late April 2014 and encompassed 35 PQ diamond holes spread across the deposits of Delta, Eagle, Champion, Blackjack, Paragon and Badger.

The diamond drilling required for process metallurgical test work is progressing ahead of schedule with all 10 holes in Delta having been completed with a total of 362 metres of ore intersected. This core is en-route to Perth for the commencement of the metallurgical testing.

Drilling has continued in Eagle with 9 holes completed for a total of 738.1m. The drilling has now commenced in Champion.

Metallurgical testing will commence during June 2014 and will be conducted in stages throughout June-August 2014 as core is delivered.

ROBERT KENNEDY
CHAIRMAN

17 June 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, except as required by law.

Competent Persons

The information in this report that relates to Mineral Resources is based on information compiled by Dr Graeme McDonald who is a member of the Australasian 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.