Flinders MINES

# Annual Report 2015

# Flinders Mines Limited

*ABN 46 091 118 044*

## CONTENTS



## CORPORATE DIRECTORY

### Directors

Robert M Kennedy *(Chairman)*
Ian Gordon *(Managing Director)*
Kevin J Malaxos
*(Non-executive Director)*
Ewan J Vickery *(Non-executive Director)*
Nicholas J Smart
*(Alternate for Mr Kennedy)*

### Company Secretary

Justin Nelson

### Registered and Principal Office

Level 1, 135 Fullarton Road
Rose Park, South Australia 5067
Telephone +61 8 8132 7950
Facsimile +61 8 8132 7999

### Solicitor

**DMAW Lawyers**
Level 3, 80 King William Street
Adelaide, South Australia 5000
Telephone +61 8 8210 2222
Facsimile +61 8 8210 2233

### Share Registry

**Computershare Investor Services**
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
Telephone +61 8 8236 2300
Facsimile +61 8 8236 2305

### Auditor

**Grant Thornton Australia**
Level 1, 67 Greenhill Road
Wayville, South Australia 5034

### Banker

**National Australia Bank**
Level 1, 161-167 Glynburn Road
Firle, South Australia 5070

### Stock Exchange Listing

**Australia Securities Exchange**
Flinders Mines Limited shares are listed on the Australian Securities Exchange.
ASX code – **FMS**

### Website

**www.flindersmines.com**
The website includes information about the Company, its strategies, projects, reports and ASX announcements.

### 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. Dr 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". Dr McDonald consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### Disclaimer

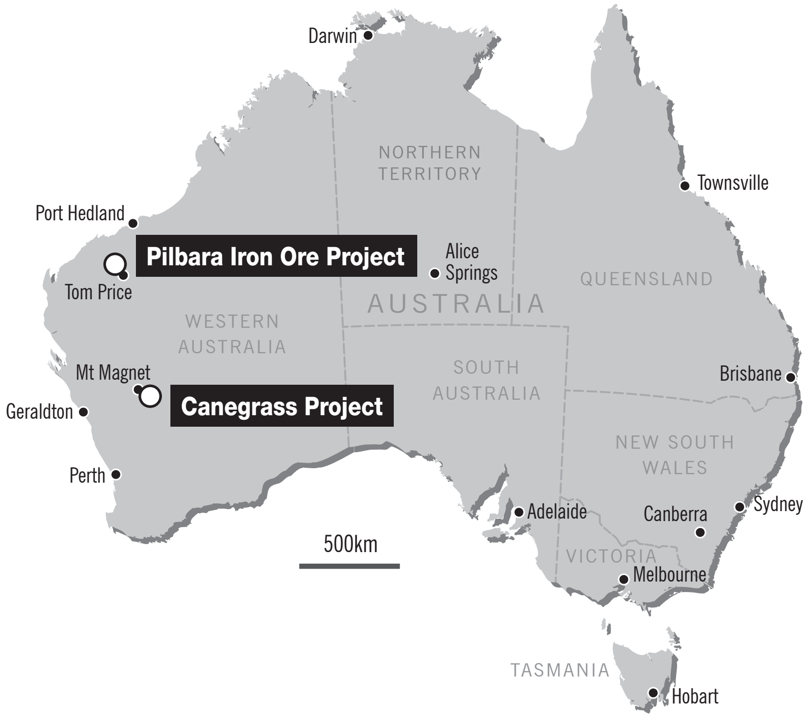
This report may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events as of the time of the release of this document. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, 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 report to reflect events or circumstances after the date of this report.

*Front and back cover photo:*
*Blackjack Hills looking west-southwest.*

# Highlights

**PILBARA IRON ORE PROJECT**

- Completion of infill RC and Diamond drilling at PIOP to move the majority of resources into the Indicated and Measured JORC category.
- Finalisation of Metallurgical testwork to determine the appropriate processing method for PIOP ore.
- New BID drilling identified additional areas of high grade BID mineralisation within the PIOP area.
- The application for and granting of ancillary titles required for PIOP infrastructure including roads, camp and airstrip.
- Significant progress in gaining additional environmental approvals for a 25Mtpa project, with EPA approval now received.




**CORPORATE**

- Completion of a capital raising in November 2014 to raise approximately $5.3 million
- Finalisation of an agreement with Todd Corporation to sell the PIOP via an Option to Purchase which was rejected by shareholders on 24 September 2015.


*Delta prospect looking north-west.*

# Chairman's Report

***Dear fellow shareholders****,*

*The 2015 financial year has been a testing time for the resources industry, but particularly for the iron ore business.*

*The price of iron ore almost halved from US$100 per tonne to US$55 per tonne for 62% grade ores and continues to fluctuate daily.*

*This sustained change in pricing has had a significant effect on the profitability of many smaller Australian iron ore producers, most of which have reported significant losses. These effects have also flowed through to prospective iron ore developers like Flinders Mines Limited.*

*Capital markets are not prepared to support new iron ore developments in the current pricing environment, no matter the merits of the project.*

*Against this market sentiment, Flinders has been well supported in its activities over the past year by its major shareholder, Todd Corporation, which has provided the majority of funding towards completing the drilling and other testwork required at our wholly owned Pilbara Iron Ore Project (PIOP) in Western Australia. Without that support, the majority of the now one billion tonne plus PIOP resource would still be in a formative state.*

*Your Company now has an iron ore resource that is understood and well drilled to Indicated and Measured status. However, the market is not prepared to support iron ore projects until commodity prices start to rise again.*

*In light of this, your Directors entered into an agreement with Todd Corporation in May 2015, to sell the PIOP via an option, where Flinders Mines receives a number of significant cash payments until Todd elects to exercise the option.*

*This agreement was rejected by our shareholders on 24 September, 2015.*

*In respect to the future of the PIOP, your Directors now intend to examine any further opportunities within the existing Alliance Agreement with Todd and failing that, other alternatives for development of the project.*

*The Alliance Agreement,signed in February 2014 and remaining in effect until 31 December this year regardless of the 24 September shareholder vote outcome, provides for ongoing feasibility studies aimed at providing Flinders with access for its PIOP ore to Todd-backed transport and port export infrastructure on the WA coast.*

*Your Company will need to continue work at the PIOP in order to retain the project and is planning to ensure that the PIOP tenements are kept in good standing until an improvement in iron ore prices can deliver a development solution.*

*I sincerely thank those shareholders who supported the share purchase plan in November 2014 and the staff and Directors of Flinders for their efforts during a most challenging year.*

***Robert Kennedy***
*Chairman*

# Projects

## PILBARA IRON ORE PROJECT

The 2015 financial year has been dominated by the signing of an Option and Sale Agreement on 11 May 2015 with a subsidiary of Todd Corporation for the sale of the PIOP.

Prior to this event, efforts were focussed on progressing and completing activities associated with the Bankable Feasibility Study (BFS) as part of the Alliance Agreement with the Balla Balla Joint Venture partners.

### Metallurgy

The Phase V metallurgy test work program was completed. This program was 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 process flowsheet selected for the PIOP comprises primary crushing by a gyratory crusher, scrubbing, crushing, wet screening and desliming by hydrocyclone. This is typical for a wet processing plant for Pilbara iron ores. The processing option is considered simple and suitable for the ore types being mined and processed. Pilot scale test work has been completed with piloting results being consistent with laboratory scale test work. This has further reinforced the selected process option.

Samples for materials handling characterisation tests were generated and dispatched. Two 500kg samples representing Year 1-5 and Life of Mine at the PIOP were generated from laboratory scale and pilot-plant scale iron ore composites. This suite of tests measures the flow properties of the iron ore to provide parameters for the efficient and reliable design of bulk storage and handling facilities such as bins, chutes, conveyors and train/ship loaders.

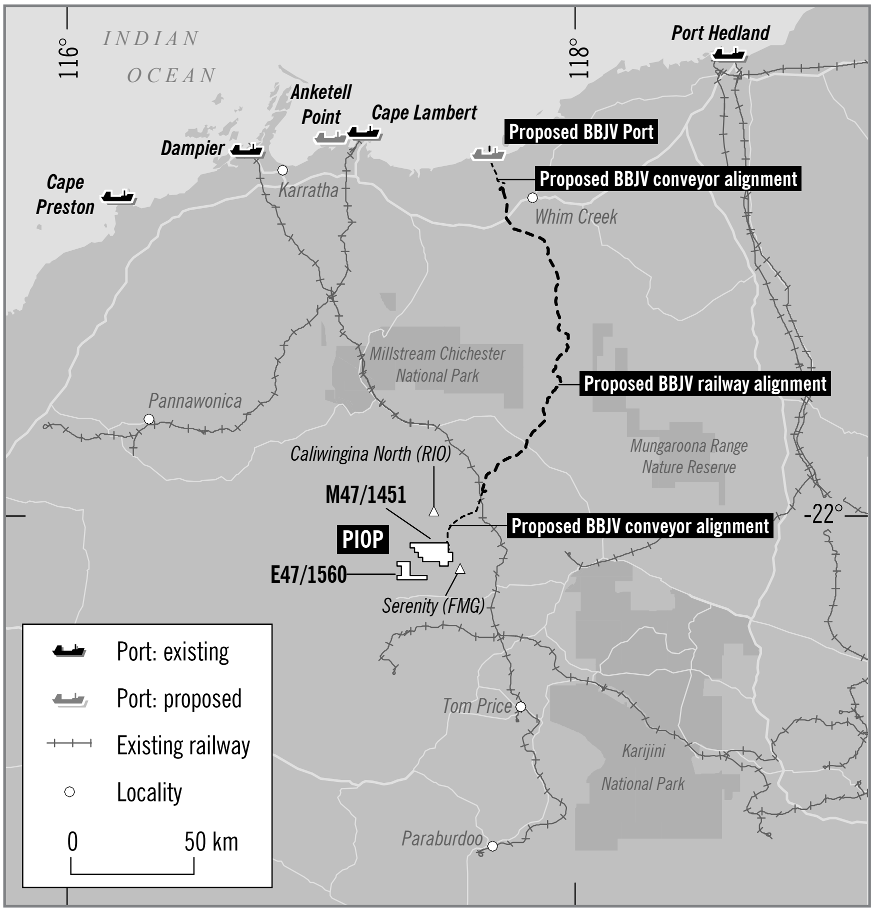



**Figure 1:** Location of the PIOP relative to infrastructure in the Pilbara Region, Western Australia.

### Approvals

The configuration of the PIOP under the Alliance Agreement required a number of amendments and additional approvals to those already granted. In particular these relate to site dewatering and water use under the 25Mtpa production rate, on site processing and tailings disposal and additional approvals required for airstrip, camps and access roads that were not previously approved.

The approvals amendments were prepared and submitted to the Western Australian EPA. The EPA advised that the referral will be assessed on proponent information (API) Category A, indicating the proposal is straight forward and the proponent has provided sufficient information on environmental impacts at the referral stage.

# Exploration

## PILBARA IRON ORE PROJECT

Flinders Mines' Pilbara Iron Ore Project (PIOP) is located in the Hamersley Ranges approximately 70km northwest of Tom Price in the Pilbara region of Western Australia *(Figure 1)*. The project comprises two 100% owned tenements, M47/1451 (Blacksmith) and E47/1560 (Anvil). The key tenements are located approximately 20km west of Rio Tinto's Paraburdoo to Dampier rail track. Iron mineralisation on the main project tenement (M47/1451) is laterally associated with both Rio Tinto's (RIO) Caliwingina North deposit and Fortescue Metals Group's (FMG) Serenity deposit, part of the Solomon Hub.

### Exploration & Evaluation

During the second half of 2014, the Company completed its infill Reverse Circulation (RC) drilling campaign that began at the PIOP in April 2014. The purpose of this campaign was 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. While this drilling program was not targeting an increase to the total global mineral resource, it is an extremely important step in ensuring bankability of the mineable PIOP resource base.

A total of 887 RC drill holes for 36,592m were completed across all deposits within the Blacksmith tenement (M47/1451) as part of this drilling campaign *(Figure 2)*.

In addition to the resource definition drilling, 67 RC holes were drilled as part of a BID targeted drilling campaign in the hills surrounding known resource areas. A list of the more significant intersections is shown in Table 1. Significant high grade iron mineralisation continues to be intersected adjacent to areas of known mineralisation and outside of the current resource boundary. All of these intersections are from surface and have low levels of $SiO_2$ and $Al_2O_3$.

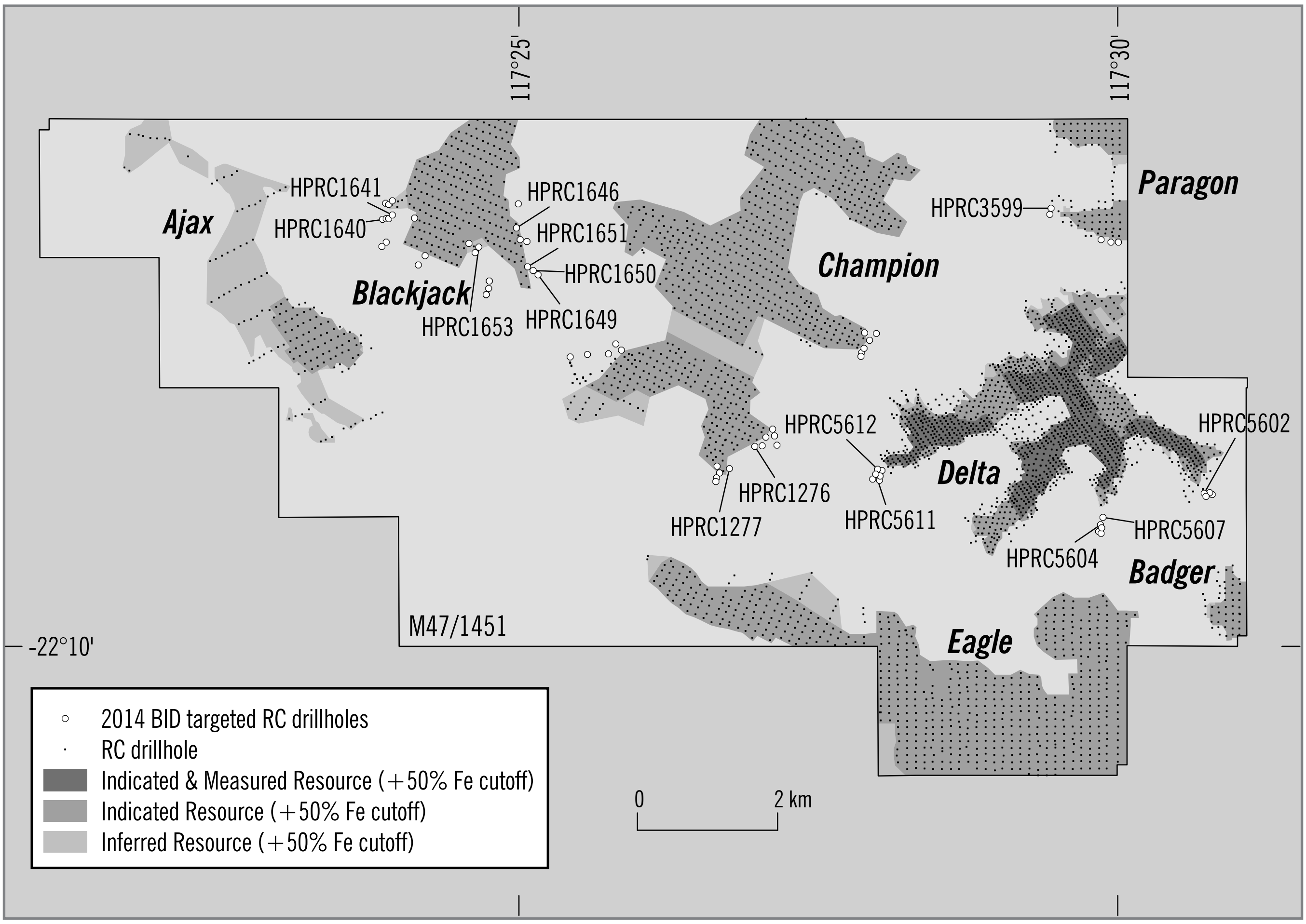



**Figure 2:** Location of the 2014 BID targeted RC drillholes and highlighting significant Fe intersections as listed in Table 1.

## Resource Estimate

The extensive infill drilling and subsequent geological modelling undertaken throughout the year has culminated in the release of an updated Mineral Resource estimate for the PIOP. The exploration activities resulted in an increase over the past year of 13.6% or 125Mt to the total Mineral Resource at the PIOP.

The total Mineral Resource estimate for the PIOP is 1,042Mt @ 55.6% Fe *(Table 2)*. Significantly, 86% of the total Mineral Resource is reported in the Indicated or Measured categories,with 792.2Mt @ 55.7% Fe in the Indicated category and 105.3Mt @ 56.4% Fe in the Measured category.

**Table 1:** Significant Fe intersections from surface, from 2014 BID targeted RC drilling *(refer to Figure 2).*

| Hole | From (m) | To (m) | Interval (m) | Fe% | $SiO_2$% | $Al_2O_3$% | P% | LOI% |
|---|---|---|---|---|---|---|---|---|
| HPRC1276 | 0 | 10 | 10 | 60.10 | 3.70 | 2.90 | 0.08 | 6.50 |
| HPRC1277 | 0 | 16 | 16 | 56.90 | 2.40 | 2.80 | 0.12 | 12.60 |
| HPRC1640 | 0 | 24 | 24 | 60.54 | 3.18 | 1.74 | 0.11 | 7.84 |
| HPRC1641 | 0 | 18 | 18 | 63.63 | 1.04 | 1.06 | 0.12 | 5.99 |
| HPRC1646 | 0 | 36 | 36 | 60.76 | 2.07 | 1.65 | 0.12 | 8.90 |
| HPRC1649 | 0 | 18 | 18 | 60.13 | 2.54 | 1.53 | 0.09 | 9.47 |
| HPRC1650 | 0 | 26 | 26 | 59.19 | 2.04 | 2.19 | 0.09 | 10.51 |
| HPRC1651 | 0 | 22 | 22 | 58.31 | 2.67 | 2.89 | 0.11 | 10.34 |
| HPRC1653 | 0 | 40 | 40 | 59.22 | 1.53 | 1.79 | 0.11 | 11.06 |
| HPRC3599 | 0 | 10 | 10 | 59.10 | 2.90 | 2.20 | 0.08 | 8.80 |
| HPRC5602 | 0 | 30 | 30 | 63.40 | 2.20 | 1.80 | 0.12 | 4.20 |
| HPRC5604 | 0 | 16 | 16 | 58.70 | 3.70 | 2.10 | 0.11 | 8.70 |
| HPRC5607 | 0 | 22 | 22 | 58.80 | 2.90 | 2.00 | 0.09 | 10.20 |
| HPRC5611 | 0 | 26 | 26 | 60.20 | 2.80 | 2.50 | 0.13 | 7.80 |
| HPRC5612 | 0 | 18 | 18 | 59.30 | 1.70 | 2.90 | 0.13 | 9.70 |

**Table 2:** PIOP Mineral Resource Summary *(as at 30/6/2015).*

**M47/1451 - Blacksmith** [1]

| JORC Classification | Tonnage Mt | Fe% | $SiO_2$% | $Al_2O_3$% | P% | LOI% |
|---|---|---|---|---|---|---|
| Inferred | 62.00 | 55.40 | 10.00 | 4.80 | 0.06 | 5.10 |
| Indicated | 792.20 | 55.70 | 8.90 | 4.50 | 0.07 | 6.00 |
| Measured | 105.30 | 56.40 | 10.50 | 5.10 | 0.05 | 2.80 |
| **TOTAL** | **959.50** | **55.80** | **9.20** | **4.60** | **0.07** | **5.60** |

**E47/1560 - Anvil** [2]

| JORC Classification | Tonnage Mt | Fe% | $SiO_2$% | $Al_2O_3$% | P% | LOI% |
|---|---|---|---|---|---|---|
| Inferred | 82.40 | 53.60 | 11.40 | 5.80 | 0.05 | 4.90 |
| Indicated | - | - | - | - | - | - |
| Measured | - | - | - | - | - | - |
| **TOTAL** | **82.40** | **53.60** | **11.40** | **5.80** | **0.05** | **4.90** |

**PIOP - Total**

| JORC Classification | Tonnage Mt | Fe% | $SiO_2$% | $Al_2O_3$% | P% | LOI% |
|---|---|---|---|---|---|---|
| Inferred | 144.40 | 54.40 | 10.80 | 5.30 | 0.06 | 5.00 |
| Indicated | 792.20 | 55.70 | 8.90 | 4.50 | 0.07 | 6.00 |
| Measured | 105.30 | 56.40 | 10.50 | 5.10 | 0.05 | 2.80 |
| **TOTAL** | **1,042.00** | **55.60** | **9.30** | **4.70** | **0.07** | **5.50** |

*Note: Tonnage figures have been rounded and as a result may not add up to the totals quoted.*

1 *The Blacksmith Mineral Resource includes the Ajax, Badger, Blackjack, Champion, Delta, Eagle, and Paragon deposits. All of the estimates making up the Blacksmith Mineral Resource are reported to JORC 2012 standards.*

2 *The Anvil Mineral Resource includes the Area F, Area G, Area H and Area J deposits. This Mineral Resource is currently reported to JORC 2004 standards and will be updated to meet JORC 2012 standards according to development priorities.*

# Exploration *(cont.)*

## CANEGRASS PROJECT

The Canegrass project area is located in Western Australia's Mid-West region, approximately 60km southeast of Mt Magnet and around 15km WSW of Atlantic Limited's Windimurra vanadium project *(Figure 3)*. The project hosts Fe-V-Ti mineralisation and has the potential for base metal and precious metal mineralisation.

### Exploration & Evaluation

During the year a small Air-Core (AC) drilling program was undertaken at the Honeypot and Boulder gold prospects *(Figure 3)*. This program was designed to follow up the significant Au in soil anomalies identified during previous phases of exploration. The aim of the drilling was to gain a better understanding of the bedrock geology and structures as well as to try and identify the primary source of the gold anomalism. A total of 106 holes for 1,904m were drilled at the Honeypot Prospect and 30 holes for 753m at the Boulder Prospect.

Significant intersections are shown in Table 3, with the highlight being an intersection of 8m @ 2.03 g/t Au from 12m in hole HAC022 at the Honeypot Prospect. Hole HAC022 is located at the northern end of a trend of anomalous holes that intersected a deformed and foliated mafic schist as well as late stage undeformed granitic dykes and quartz veining. Mineralisation remains open to the north *(Figure 4)*. At the Boulder Prospect, only low grade mineralisation was intersected *(Table 3)* with the best result being 4m @ 0.20 g/t Au from 24m in hole BAC030.

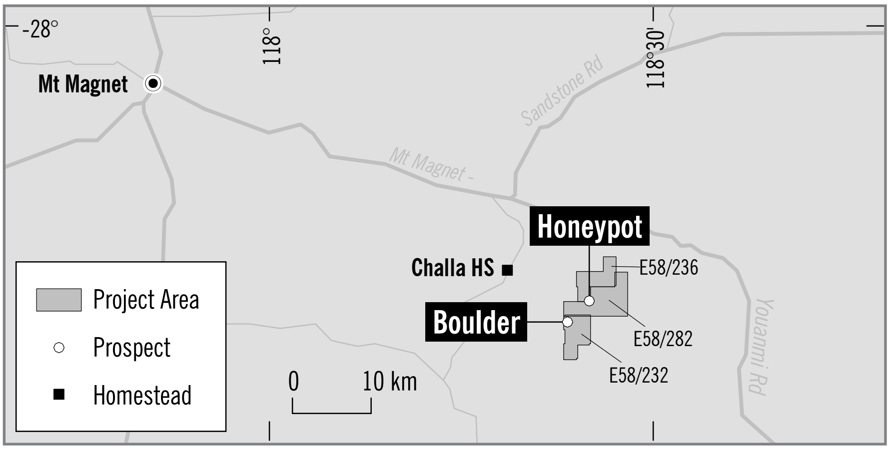



**Figure 3:** Canegrass Project located near Mt Magnet, Western Australia.

**Table 3:** Significant intersections summary for 2015 AC drillholes.

| Hole ID | Prospect | From (m) | To (m) | Interval (m) | Au g/t |
|---|---|---|---|---|---|
| HAC022 | Honeypot | 12 | 20 | 8 | 2.03 |
| BAC007 | Boulder | 16 | 20 | 4 | 0.13 |
| BAC025 | Boulder | 12 | 16 | 4 | 0.13 |
| BAC030 | Boulder | 24 | 28 | 4 | 0.20 |

*All other holes returned intersections less than 0.10 g/t Au.*

### Resource Estimate

A resource estimate is current for the magnetite (Fe-Ti-V) mineralisation at Canegrass *(Tables 4 & 5)*. This Mineral Resource was compiled in accordance with the 2004 JORC Code. 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 *(refer to ASX announcement dated 10/08/2011)*.

**Table 4:** Canegrass vanadium ($V_2O_5$) Inferred Mineral Resource tonnage and grade report by area *(as at 30/6/2015).*

**Inferred Mineral Resource for $V_2O_5$ > 0.5%**

| Area | Mt | Fe% | $TiO_2$% | $V_2O_5$% | $SiO_2$% | $Al_2O_3$% | P% |
|---|---|---|---|---|---|---|---|
| Fold Nose | 87 | 0.63 | 5.90 | 29.30 | 24.10 | 12.60 | 0.005 |
| Kinks | 20 | 0.57 | 5.50 | 27.40 | 25.90 | 13.00 | 0.009 |
| **Total** | **107** | **0.62** | **5.80** | **29.00** | **24.50** | **12.60** | **0.006** |

**Table 5:** Canegrass iron (Fe) Inferred Mineral Resource tonnage and grade report by area *(as at 30/6/2015).*

**Inferred Mineral Resource for Fe > 20%**

| Area | Mt | Fe% | $TiO_2$% | $V_2O_5$% | $SiO_2$% | $Al_2O_3$% | P% |
|---|---|---|---|---|---|---|---|
| Fold Nose | 157 | 26.00 | 5.10 | 0.53 | 27.60 | 13.80 | 0.005 |
| Kinks | 59 | 23.80 | 4.80 | 0.48 | 29.30 | 14.70 | 0.013 |
| **Total** | **216** | **25.40** | **5.00** | **0.52** | **28.10** | **14.00** | **0.007** |

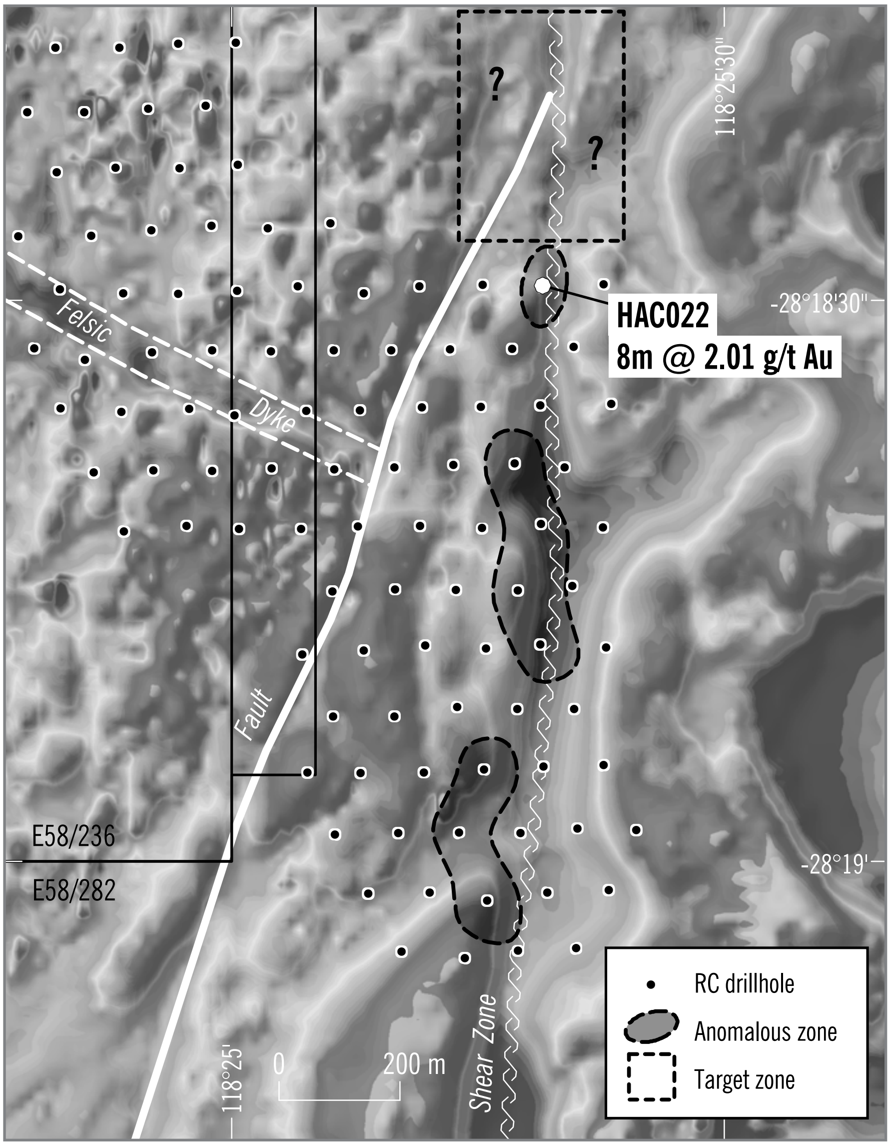



**Figure 4:** Honeypot prospect AC drillholes over ground TMI (magnetic) image.

## SOUTH AUSTRALIA

Flinders continued its on-going strategy to divest all diamond projects and continued to seek interest in its remaining South Australian projects. There were no exploration and evaluation activities carried out on South Australian tenements during the year.

## GOVERNANCE - RESOURCES

The resource estimates quoted in this report were prepared by independent geological consultants, Optiro Pty Ltd (Optiro), based on data collated and interpreted by Flinders Mines staff.

The majority of the total PIOP Mineral Resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012). However, the Anvil tenement deposits have not been updated to comply with the 2012 JORC Code on the basis that the information has not materially changed since they were last reported *(refer to ASX announcement dated 14/11/2011)*.

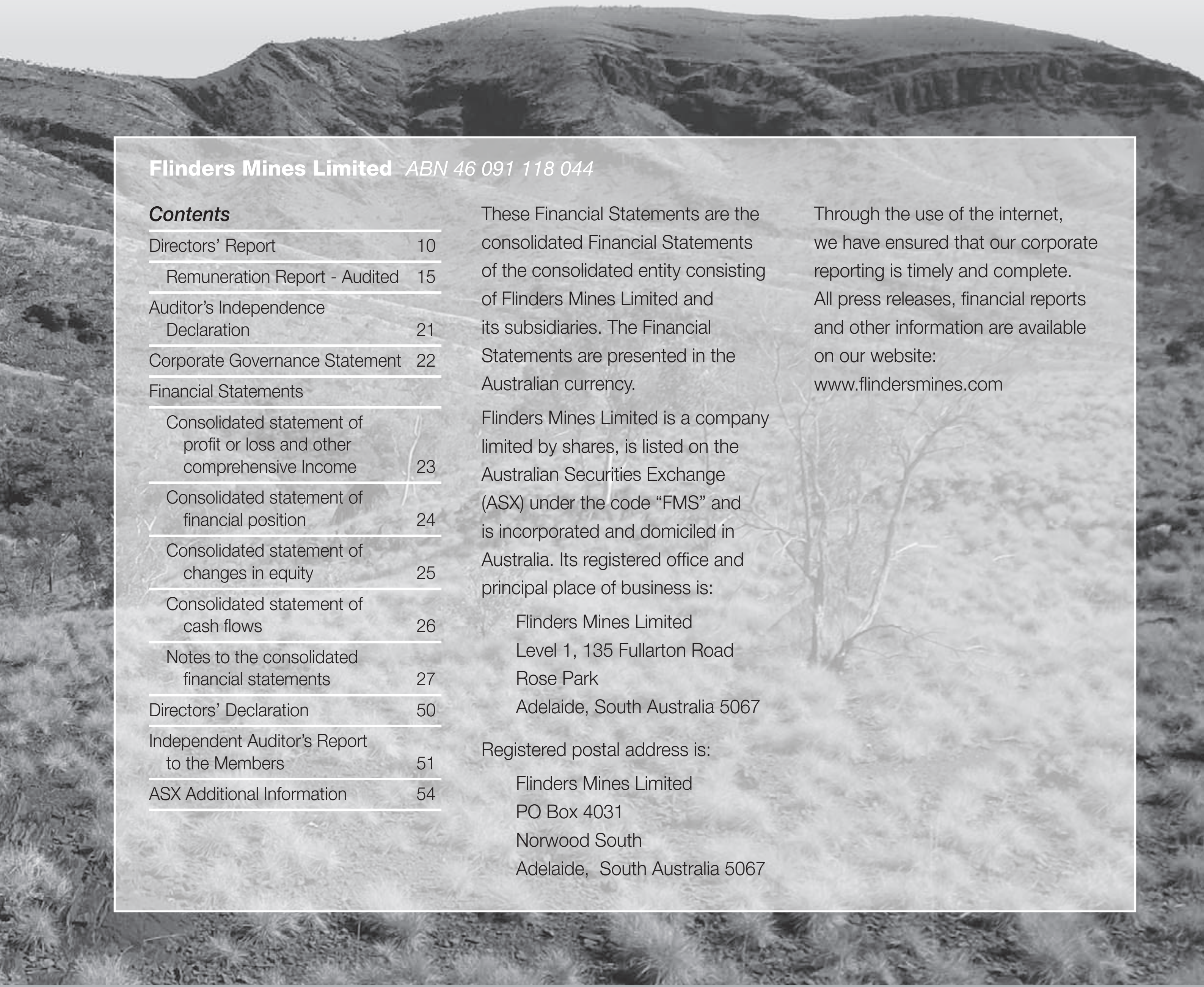
The Resource Models have been estimated using Ordinary Kriging within geological constraint domains. Average in situ densities were derived via direct measurement from the diamond holes. Sample chain of custody is managed by Flinders and all data is stored in a secure Geobank database that is also managed by Flinders staff. QAQC is routinely monitored via field duplicates, standards and check assays with independent laboratories, with no significant issues apparent. All PIOP Mineral Resources quoted are based on a +50% iron cut-off.

# Exploration *(cont.)*

## TENEMENT SCHEDULE

| Tenement Application/ No. | Status | Tenement Name | Grant/ Application Date | Expiry Date | Area (Sq Km) | Registered Holder/ Applicant | Interest | Related Agreement |
|---|---|---|---|---|---|---|---|---|
| **WESTERN AUSTRALIA** | | | | | | | | |
| **Pilbara Iron Ore Project** | | | | | | | | |
| E47/1560 | Live | Anvil | 6/09/2007 | 5/09/2016 | 44.5 | Flinders Mines Ltd | 100% | Prenti Agreement |
| L47/728 | Live | PIOP Airstrip | 29/05/2015 | 28/05/2036 | 3.0 | Flinders Mines Ltd | 100% | |
| L47/730 | Live | PIOP Village | 29/05/2015 | 28/05/2036 | 0.1 | Flinders Mines Ltd | 100% | |
| L47/731 | Pending | Northern Road | 1/09/2014 | | 4.9 | Flinders Mines Ltd | 100% | |
| L47/734 | Live | Southern Road | 29/05/2015 | 28/05/2036 | 4.2 | Flinders Mines Ltd | 100% | |
| M47/1451 | Live | Blacksmith ML | 26/03/2012 | 25/03/2033 | 111.6 | Flinders Mines Ltd | 100% | Prenti Agreement |
| P47/1291 | Live | Gap Area | 27/09/2007 | 26/09/2015 | 0.2 | Flinders Mines Ltd | 100% | Prenti Agreement |
| **Canegrass Project** | | | | | | | | |
| E58/232 | Live | Boulder Well | 29/07/2002 | 28/07/2016 | 16.1 | Flinders Canegrass Pty Ltd | 100% | |
| E58/236 | Live | Challa | 22/03/2002 | 21/03/2016 | 16.1 | Flinders Canegrass Pty Ltd | 100% | |
| E58/282 | Live | Honey Pot | 3/05/2007 | 2/05/2016 | 27.2 | Flinders Canegrass Pty Ltd | 100% | |
| **SOUTH AUSTRALIA** | | | | | | | | |
| **Jamestown Project** | | | | | | | | |
| ELA182/14 | Pending | Caltowie | 11/08/2014 | | 201.4 | Flinders Mines Ltd | Diamonds and non-metals | Copper Range and Tarcowie Phosphate Agreements |
| EL 5557 | Live | Washpool | 10/11/2009 | 9/11/2016 | 135.0 | Phoenix Copper | Diamonds, barium, talc and phosphate | Phoenix Copper Agreement |

Flinders MINES



**Flinders Mines Limited** *ABN 46 091 118 044*

***Contents***



These Financial Statements are the consolidated Financial Statements of the consolidated entity consisting of Flinders Mines Limited and its subsidiaries. The Financial Statements are presented in the Australian currency.

Flinders Mines Limited is a company limited by shares, is listed on the Australian Securities Exchange (ASX) under the code "FMS" and is incorporated and domiciled in Australia. Its registered office and principal place of business is:

Flinders Mines Limited
Level 1, 135 Fullarton Road
Rose Park
Adelaide, South Australia 5067

Registered postal address is:

Flinders Mines Limited
PO Box 4031
Norwood South
Adelaide, South Australia 5067

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available on our website: www.flindersmines.com

# Financial Report

## for the year ended 30 June 2015

# Director's Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group, or Flinders) consisting of Flinders Mines Limited (Parent or Company) and the entities it controlled at the end of or during, the year ended 30 June 2015.

## DIRECTORS

The following persons held office as Directors of Flinders Mines Limited from the start of the financial year to the date of this report, unless otherwise stated.

**Robert Michael Kennedy**
*(Non-executive Chairman)*

**Ian James Gordon**
*(Managing Director)*

**Kevin John Malaxos**
*(Non-executive Director)*

**Ewan John Vickery**
*(Non-executive Director)*

**Nicholas John Smart**
*(Alternate Director for RM Kennedy)*

## PRINCIPAL ACTIVITIES

The Group's principal continuing activities during the year consisted of mineral exploration and development.

There were no significant changes in the nature of the activities of the Group during the year.

## DIVIDENDS

No dividends have been declared or paid during the financial year (2014: $nil).

## OPERATING RESULTS AND FINANCIAL POSITION

The net result of operations for the financial year was a loss of $29,190,281 (2014: $4,648,747).

Having considered the independent experts report, current market conditions and the uncertainty surrounding the sale of the Pilbara Iron Ore Project (PIOP), the Company has reduced the carrying value of the PIOP exploration asset to $45m resulting in an impairment of $26,763,089.

The net assets of the Group have decreased by $23,632,114 during the financial year from $73,753,558 at 30 June 2014 to $50,121,444 at 30 June 2015.

## REVIEW OF OPERATIONS

### Corporate

In November 2014 the Company announced that it intended to raise further funds from a placement and share purchase plan for further work on the PIOP in Western Australia. This capital raising was successfully concluded in the December quarter 2014, raising $5.3 million after share issue costs.

In May 2015, the Company announced it had entered into a conditional option agreement to sell the PIOP to a subsidiary of Todd Corporation.

### Pilbara Iron Ore Project

During the Financial year, the Company continued work on the PIOP to allow its economic potential to be assessed. This work included infill drilling, metallurgical test work, environmental approvals and economic assessment of the projects potential. Further exploration was undertaken outside the current deposits which highlighted several areas of additional BID mineralisation.

The PIOP has now been drilled to an appropriate industry standard and new resource models were developed for the Anvil, Blackjack, Champion, Delta and Eagle deposits.

Drill samples were subjected to relevant metallurgical test work from which a proposed processing option was selected. A series of economic assessments were undertaken on the project during the financial year.

Unfortunately, during this period there was a significant drop in the iron ore price that has had profound effects on the iron ore industry as a whole and has made development of the PIOP uneconomic under the Todd / Rutila Alliance. This deterioration in the iron ore price lead to the proposal from Todd to combine the PIOP and the now Todd owned infrastructure projects via an option agreement.

### Canegrass and South Australia

A small exploration program for gold was undertaken at Canegrass (WA) during the financial year, with an anomalous intersection of 8m at 2g/t Au intersected in one drill hole. This result will be followed-up in the September quarter 2015. No work was undertaken on the South Australian projects during the financial year.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were as follows:

The Company entered into a transaction implementation agreement (the Deed) on 8 May 2015, which was subsequently announced to the market on 11 May 2015, with a subsidiary of TIO (NZ) Limited (Todd), an existing substantial shareholder of the Company and subsidiary of New Zealand based The Todd Corporation Limited (Todd Corporation). If the conditions precedent set out in the Deed are satisfied, an option and sale agreement (the Option Agreement) will be executed between the Company and Todd in respect of the potential acquisition of the Company's PIOP by Todd.

The terms of the Option Grant Transaction include the following:

- an upfront payment of $10 million payable to the Company upon executing the Option Agreement
- an option exercise period up to and including 31 December 2016, during which time Todd will have exclusive access to the PIOP, the right to undertake exploration and feasibility works on the PIOP, and may elect to acquire the project. Todd may extend the term of the option for a further two periods, of two years each (to 31 December 2018 and 31 December 2020 respectively), with payment of an additional $10 million to the Company for each two year period
- if Todd elects to exercise the option and acquire the PIOP, an exercise price of $55 million will be payable to the Company. Todd will also pay a production royalty to the Company if it develops the PIOP. The payment of the royalty is subject to a royalty deed, which is to be executed if Todd exercises the option and acquires the PIOP. The production royalty ranges from $0.60 to $1.40 per tonne on a straight line basis between iron ore prices of United States dollar (US$) 60 and US$80 per tonne (62% cost and freight (CFR) price), with a minimum royalty of $0.60 per tonne below this range and a maximum royalty of $1.40 per tonne above this range
- if Todd has not commenced construction of the PIOP within two years of acquiring the PIOP (following exercise of the option), it must pay the Company a further $20 million. The future royalties are not affected by this further payment
- in the event that the Option Agreement lapses or Todd abandons the option, the Company retains ownership of the PIOP, as well as any payments received to date.

The Directors of the Company advised that in order to conserve funds, the Company's activities to complete the Bankable Feasibility Study for the PIOP under the Alliance Agreement, would be suspended pending the outcome of the shareholders meeting in respect to the Option Agreement with Todd.

The Company appointed Deloitte Corporate Finance to complete the Independent Expert's Report in respect of the Todd transaction. This Report was provided to shareholders together with the Notice of Meeting on 21 August 2015.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the General Meeting held in Adelaide on 24 September 2015, shareholders rejected the proposed finalisation of an agreement with Todd Corporation to sell the PIOP via an option to purchase.

## ENVIRONMENTAL REGULATION

The Group's operations are subject to significant environmental regulation under both Commonwealth and relevant State legislation in relation to the discharge of hazardous waste and materials arising from any exploration or mining activities and development conducted by the Group on any of its tenements. The Group believes it has complied with all environmental obligations.

## INFORMATION ON DIRECTORS

### Robert Michael Kennedy

ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD

Independent Non-executive Chairman

*Experience and expertise*

Mr Kennedy, a Chartered Accountant, has been non-executive chairman of Flinders Mines Limited since December 2001.

Mr Kennedy brings to the Board his expertise and extensive experience as chairman and non-executive director of a range of listed public companies in the resources sector.

Apart from his attendance at Board and Committee meetings, Mr Kennedy leads the development of strategies for the development and future growth of the Company. Mr Kennedy leads the Board’s external engagement of the Company meeting with Government, investors and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms. He conducts the review of the Board including the Managing Director in his executive role.

*Independence*

In assessing Mr Kennedy’s independence, the Board (excluding Mr Kennedy), took into account his stamina, his ability to think independently across a wide range of issues and his relentless availability. Whilst Mr Kennedy has been appointed to a number of Resource Industry Boards, due to his extensive knowledge of the industry, the time required across these companies in no way impedes on his dedication to his role as Chairman of the Board. In taking all of these issues into account, the Board (excluding Mr Kennedy), were unanimous in declaring Mr Kennedy as independent.

*Other current directorships*

Mr Kennedy is a director of ASX listed companies, Tychean Resources Limited (since 2006), Maximus Resources Limited (since 2004), Monax Mining Limited (since 2004), and Ramelius Resources Limited (since 2003).

*Former directorships in last 3 years*

Formerly he was a director of Beach Energy Limited (from December 1991 to December 2012), Crestal Petroleum Limited formerly Tellus Resources Limited (from December 2013 to February 2015) and Marmota Energy Limited (from April 2006 to April 2015).

*Special responsibilities*

Chairman of the Board.

Member of the Audit Committee.

*Interests in shares and options*

44,000,000 ordinary shares in the Company.

### Ian James Gordon

Bcom, MAICD

Managing Director

*Experience and expertise*

A director since June 2014, Mr Gordon is a mining executive with experience in a variety of management positions and commodities. He has held management roles at Delta Gold Limited, Rio Tinto Exploration and Gold Fields. From 2007 until 2014 he was the COO and Managing Director of Ramelius Resources Limited, where he was responsible for the development of a number of mining operations. He has significant experience in project approvals, feasibility studies, capital raising and project finance.

*Other current directorships*

None.

*Former directorships in last 3 years*

Ramelius Resources Limited (until 31 August 2014).

*Special responsibilities*

Managing Director.

*Interests in shares, options and rights*

3,033,334 ordinary shares in the Company.

10,000,000 rights to acquire ordinary shares in the Company.

### Kevin John Malaxos

BSc, MAICD

Non-executive Director

*Experience and expertise*

A director since December 2010, Mr Malaxos, a mining engineer, has over 27 years’ experience in the resources sector in senior management and executive roles across a suite of commodities including gold, nickel, iron ore, silver, lead, zinc and chromium. He has managed large and small scale surface and underground mining operations and brings a wealth of experience in project evaluation and development, project approval and Government liaison.

Mr Malaxos’ previous roles include CEO for Mt Gibson Mining (MGX) and COO of listed iron ore developer Centrex Metals Limited (CXM), where he was responsible for project development, project approvals and community and government consultation.

*Other current directorships*

Mr Malaxos is also the Managing Director of ASX listed company Maximus Resources Limited (since December 2010).

*Former directorships in last 3 years*

None.

*Special responsibilities*

Member of the Audit Committee.

Member of the Corporate Governance Committee.

*Interests in shares and options*

3,200,000 ordinary shares in the Company.

**Ewan John Vickery**

LLB

Non-executive Director

*Experience and expertise*

A director since June 2001, Mr Vickery is a corporate and business lawyer with over 40 years' experience in private practice in Adelaide. He has acted as an advisor to companies on a variety of corporate and business issues including capital and corporate restructuring, native title and land access issues, and as lead native title advisor and negotiator for numerous mining and petroleum companies.

He is a member of the Exploration Committee of the South Australian Chamber of Mines and Energy Inc, the International Bar Association Energy and Resources Law Section, the Australian Institute of Company Directors and is a past national president and Life Member of Australian Mining and Petroleum Law Association (AMPLA Limited).

*Other current directorships*

Mr Vickery is also a Non-Executive Director of ASX listed company Maximus Resources Limited (since 2004) and he re-joined the Board of Tychean Resources Limited (formerly ERO Mining Limited) in May 2013.

*Former directorships in last 3 years*

None.

*Special responsibilities*

Chairman of the Audit Committee.

Chairman of the Risk Committee.

Member of Nominations and Remuneration Committee.

Member of the Corporate Governance Committee.

*Interests in shares and options*

7,000,000 ordinary shares in the Company.

**Nicholas John Smart**

Alternate Director for R M Kennedy (Non-executive)

*Experience and expertise*

An alternate director since December 2009, Mr Smart has held positions as a general manager in Australia and internationally. Previously a full Associate Member of the Sydney Futures Exchange and adviser with a national share broking firm, with over 25 years' experience in the corporate arena including capital raising for private and listed companies. Other experience includes startup companies in technology development including commercialisation of the Synroc process for safe storage of high level nuclear waste, controlled temperature and atmosphere transport systems and the beneficiation of low rank coals.

Mr Smart currently consults to various public and private companies.

*Other current directorships*

Alternate director for Maximus Resources Limited (since 2005).

*Former directorships in last 3 years*

None.

*Special responsibilities*

None.

*Interests in shares and options*

838,095 ordinary shares in the Company.

**Company secretary**

Justin Nelson, LLB, B.A.(Jur)

*Experience and expertise*

Mr Nelson is a Principal at DMAW Lawyers with expertise in the ASX Listing Rules and all other aspects of ASX-related matters. He was previously with the ASX in Adelaide, initially as Listings Advisor and then as South Australian State Manager for eight years, until the ASX offices were consolidated nationally. Mr Nelson has experience in relation to compliance issues in the resources and energy industries and is company secretary of three ASX-listed entities. He has been the Company Secretary since July 2014.

## MEETINGS OF DIRECTORS

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

| | Full meetings of directors | | Meetings of committees | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Audit | | Nominations & Remun-eration | | Corporate Governance | | Risk | |
| | A | B | A | B | A | B | A | B | A | B |
| Robert Michael Kennedy | 16 | 16 | 2 | 2 | - | - | - | - | - | - |
| Ian James Gordon | 16 | 16 | - | - | - | - | - | - | - | - |
| Kevin John Malaxos | 16 | 16 | 2 | 2 | - | - | - | - | - | - |
| Ewan John Vickery | 16 | 16 | 2 | 2 | | | | | | |
| Nicholas John Smart* | - | - | - | - | - | - | - | - | - | - |

*A = Number of meetings attended*

*B = Number of meetings held during the time the Director held office or was a member of the committee during the period*

** = Alternate Director*

## UNISSUED SHARES UNDER RIGHT

Unissued ordinary shares of Flinders Mines Limited under right at the date of this report are as:

| Date rights granted | Expiry date | Exercise price of shares | Number under right |
|---|---|---|---|
| 1 July 2014 | 30 June 2016 | Nil | 12,796,000 |
| 12 November 2014 | 30 June 2016 | Nil | 10,000,000 |
| **Total under option** | | | **22,796,000** |

The share rights do not entitle the holder to participate in any share issue of the Company.

## INDEMNIFICATION AND INSURANCE OF OFFICERS

The Group is required to indemnify the directors and other officers of the Company and its Australian-based controlled entities against any liabilities incurred by the directors and officers that may arise from their position as directors and officers of the Group. No costs were incurred during the financial year pursuant to this indemnity.

The Parent Entity has entered into deeds of indemnity with each director whereby, to the extent permitted by the Corporations Act 2001, the Group agreed to indemnify each director against all loss and liability incurred as an officer of the company, including all liability in defending any relevant proceedings.

## INSURANCE PREMIUMS

Since the end of the previous year the Group has paid insurance premiums of $51,750 to insure the directors and officers in respect of directors' and officers' liability and legal expenses insurance contracts.

## PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

## NON-AUDIT SERVICES

The Board of Directors, in accordance with advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely impact the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees paid or payable for non-audit services provided by the auditor of the Parent, its related practices and non-related audit firms during the year ended 30 June 2015.

## REMUNERATION REPORT - AUDITED

The Directors are pleased to present your Company's 2015 remuneration report which sets out remuneration information for Flinders Mines Limited's non-executive Directors, executive Directors and other key management personnel.

The remuneration report is set out under the following headings:

**A Directors and key management personnel disclosed in this report**

**B Remuneration governance**

**C Use of remuneration consultants**

**D Executive remuneration policy and framework**

**E Non-executive director remuneration policy**

**F Voting and comments made at the company's 2014 Annual General Meeting**

**G Details of remuneration**

**H Service agreements**

**I Share-based compensation**

**J Equity instrument disclosures relating to key management personnel**

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

### A Directors and key management personnel disclosed in this report

***Non-executive and executive Directors***

- see pages 12 to 13 above

Robert Michael Kennedy
Ian James Gordon
Kevin John Malaxos
Ewan John Vickery
Nicholas John Smart

***Other key management personnel***

Miro Rapaic
General Manager - Project Development

Jim Panagopoulos
Chief Financial Officer

David Wayne Godfrey
Company Secretary (until 15 July 2014)

### B Remuneration governance

The Nominations & Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations and to assist the Board to:

- ensure that it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties; and
- independently ensure that the Company adopts and complies with remuneration policies that attract, retain and motivate high caliber executives and directors so as to encourage enhanced performance by the Company; and
- motivate directors and management to pursue the long-term growth and success of the Company within an appropriate framework.

## REMUNERATION REPORT - AUDITED (cont.)

The committee did not meet during the financial year as the full Board was able to deal efficiently and effectively with remuneration issues. Executive performance and remuneration packages are reviewed on a regular basis. The review process includes consideration of individual performance, as well as overall performance of the Group.

### C Use of remuneration consultants

The Nominations and Remuneration Committee seeks external remuneration advice as required. No such advice was obtained during the financial year ending 30 June 2015.

### D Executive remuneration policy and framework

The Group's policy for determining the nature and amounts of emoluments of senior executives is as follows:

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value.

The remuneration of the Managing Director is determined by the non-executive directors on the Board as part of the terms and conditions of his employment which are subject to review from time to time. The employment conditions of the Managing Director were formalised in a contract of employment. The base salary as set out in the employment contract is reviewed regularly. The Managing Director's contract may be terminated by mutual agreement or by the Managing Director on three months written notice and by the Company on six months written notice. The Company may terminate the contract without notice in serious instances of misconduct. The remuneration of the other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a listed mineral exploration entity and the current status of its activities. However, the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

#### *Long-term incentives*

The Company has an Employee Incentive Rights Plan (Plan) approved by shareholders at the 2010 Annual General Meeting that enables the Board to offer eligible employees rights to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, rights to acquire ordinary fully paid shares at no cost may be offered to the Company's eligible employees as determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as a long term incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The Employee Incentive Rights Plan is designed to focus executives and staff on delivering long-term shareholder returns. Under the Plan, participants are granted rights which vest only if positive performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan.

The issues have various vesting periods and are based on personal criteria.

22,796,000 performance and incentive rights were granted during the 2015 financial year, of which 15,576,000 were issued to key management personnel.

## E Non-executive director remuneration policy

Non-executive directors receive a Board fee and are eligible for fees for extra exertion or chairing or participating on Board Committees, at the discretion of the full Board. Fees provided to non-executive directors are inclusive of superannuation.

Fees are reviewed periodically by the Board's Nominations & Remunerations Committee taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed with effect from 1 January 2010 and have not been increased since that time.

Non-executive director fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $750,000 per annum and was approved by shareholders at the Annual General Meeting on 6 November 2009. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

Non-executive director remuneration is by way of fee, statutory superannuation contributions and salary sacrifice. Non-executive directors do not participate in schemes designed for remuneration of executives, nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

## F Voting and comments made at the company's 2014 Annual General Meeting

At the Company's last Annual General Meeting, there were no comments or queries on the remuneration report and a proxy vote of 81% for the resolution to adopt the remuneration report indicated a good level of support for, and understanding of the Company's remuneration structure and practices.

## G Details of remuneration

The following tables show details of the remuneration received by the Directors and the key management personnel of the Group for the current and previous financial year.

| | Short-term employee benefits | | Post-employment benefits | Share based payments | |
|---|---|---|---|---|---|
| **2015** | **Director's fees** | **Salary** | **Superannuation** | **Rights** | **Total** |
| **Name** | **$** | **$** | **$** | **$** | **$** |
| **Non-executive Directors** | | | | | |
| Robert Michael Kennedy | 164,384 | - | 15,616 | - | 180,000 |
| Kevin John Malaxos [1] | 90,000 | - | - | - | 90,000 |
| Ewan John Vickery | 82,192 | - | 7,808 | - | 90,000 |
| **Sub-total non-executive directors** | **336,576** | **-** | **23,424** | **-** | **360,000** |
| **Executive Directors** | | | | | |
| Ian James Gordon [2] | - | 421,031 | 30,000 | 59,955 | 510,986 |
| **Other key management personnel (Group)** | | | | | |
| Miro Rapaic [2] | - | 335,505 | 26,147 | 71,800 | 433,452 |
| David Wayne Godfrey [4] | - | 35,262 | 503 | 9,579 | 45,344 |
| Jim Panagopoulos [2] | - | 225,000 | 21,375 | 19,566 | 265,941 |
| **Total key management personnel compensation (group)** | **336,576** | **1,016,798** | **101,449** | **160,900** | **1,615,723** |

## REMUNERATION REPORT - AUDITED *(cont.)*

### G Details of remuneration *(cont.)*

| | Short-term employee benefits | | Post-employment benefits | Share based payments | |
|---|---|---|---|---|---|
| **2014** | **Director's fees** | **Salary** | **Superannuation** | **Rights** | **Total** |
| **Name** | **$** | **$** | **$** | **$** | **$** |
| **Non-executive Directors** | | | | | |
| Robert Michael Kennedy | 164,760 | 250,000 | 15,240 | - | 430,000 |
| Kevin John Malaxos [1] | 100,000 | - | - | - | 100,000 |
| Ewan John Vickery | 85,410 | - | 14,590 | - | 100,000 |
| **Sub-total non-executive directors** | **350,170** | **250,000** | **29,830** | **-** | **630,000** |
| **Executive Directors** | | | | | |
| Ian James Gordon [2] | - | 20,191 | - | - | 20,191 |
| **Other key management personnel (Group)** | | | | | |
| Nicholas John Corlis [3] | - | 292,700 | 17,748 | - | 310,448 |
| Miro Rapaic [2] | - | 337,368 | 25,459 | - | 362,827 |
| Michael Anstey [3] | - | 53,509 | 2,980 | - | 56,489 |
| David Wayne Godfrey [4] | - | 144,174 | 13,151 | - | 157,325 |
| Jim Panagopoulos [2] | - | 207,116 | 19,158 | - | 226,274 |
| **Total key management personnel compensation (group)** | **350,170** | **1,305,058** | **108,326** | **-** | **1,763,554** |

1 *Director's fees for Mr Malaxos were paid to a related party of the director.*

2 *During the 2015 financial year selected executives were granted performance and incentive rights which have a three year vesting period and performance conditions. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The fair value of the rights as at the date of their grant has been determined in accordance with the Employee Incentive Rights Plan as set out in note 29.*

3 *Mr Anstey and Mr Corlis resigned during the 2014 financial year.*

4 *Mr Godfrey retired 15 July 2014.*

The directors conclude that there are no executives requiring disclosure other than those listed.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| | Fixed remuneration | | At risk - LTI [1] | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| **Name** | **%** | **%** | **%** | **%** |
| Other key management personnel of the group | | | | |
| Ian Gordon | **88** | 100 | **12** | - |
| Miro Rapaic | **83** | 100 | **17** | - |
| Jim Panagopoulos | **92** | 100 | **8** | - |
| David Wayne Godfrey | **78** | 100 | **22** | - |

1 *Long-term incentives (LTI) include equity grants issued via the Company's Employee Share Option and Incentive Rights Plans. These plans are designed to provide long-term incentives for executives to deliver long-term shareholder returns.*

## H Service agreements

Mr Ian James Gordon was appointed as Managing Director of the Company. Mr Gordon commenced on 17 June 2014 on a contract with no fixed term at a gross remuneration of $450,000 per annum inclusive of base salary and superannuation contributions, reviewable annually.

Messrs Kennedy, Vickery and Malaxos are elected as non-executive directors, without formal employment agreements.

Remuneration and other terms of employment of group executives (Managing Director's direct reports) are formalised in service contracts. Each of the agreements is similar in nature and provides for the level of remuneration and other benefits relevant to each executive's role and responsibilities. Either party may terminate the agreement on the provision of an agreed notice period, or if terminated by the employer, a payment in lieu of notice. On termination, executives are entitled to receive statutory entitlements of accrued annual and long service leave plus superannuation benefits.

## I Share-based compensation

*Options*

In past years, options over fully-paid ordinary shares in the capital of the Company were granted to employees under the Flinders Mines Limited Employee Share Option Plan (ESOP). The ESOP enabled the Board, at its discretion, to issue options to employees of the Company or its associated companies. Each option has a life of five years and was exercisable at a price determined by the Board. This price was not below the market price of a share at the time of issue.

The options granted under the ESOP carry no voting or dividend rights. There were no options granted under the ESOP during the year ended 30 June 2015.

No option holder has any rights under the options to participate in any other share issue of the Company or any other entity.

***Shares provided on exercise of remuneration options***

No shares were issued to directors as a result of the exercise of remuneration options during the financial year (2014: Nil).

***Options granted as remuneration***

No options were granted to directors, key management personnel or employees of the Company during the financial year (2014: Nil).

*Employee Incentive Rights*

The Company has an Employee Incentive Rights Plan that enables the Board to offer eligible employees rights to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, rights to acquire ordinary fully paid shares at no cost may be offered to the Company's eligible employees as determined by the Board in accordance with the terms and conditions of the Plan. During past years a total of 23,325,700 rights were issued to employees with 17,673,728 subsequently lapsing prior to vesting pursuant to the rules of the Plan.

During the current financial year 22,796,000 rights were issued to employees. The accounting value of the rights does not represent actual cash payments to the employees and is not related to or indicative of the benefit, if any, that individuals may ultimately realise should the rights vest, but is a recognition of the value of the rights at grant date progressively allocated over the vesting period.

| Start Date | Expiry Date | Share price at grant date | Exercise price | Fair value at grant date |
|---|---|---|---|---|
| 01/07/2014 | 30/06/2016 | $0.02 | - | $0.02 |
| 12/11/2014 | 30/06/2016 | $0.014 | - | $0.02 |

## J Equity instrument disclosures relating to key management personnel

*(i) Option holdings*

There are no options over ordinary shares held by key management personnel.

*(ii) Rights holdings*

The numbers of rights to acquire ordinary shares in the Company held during the financial year by each Director of Flinders Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below. 15,576,000 performance and incentive rights were granted during the reporting period as compensation.

## J Equity instrument disclosures relating to key management personnel *(cont.)*

### *(ii) Rights holdings (cont.)*

**Consolidated entity 2015**

| Name | Balance at start of the year | Granted as compensation | Exercised (option)/ Vested (rights) | Balance at the end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|
| I Gordon | - | 10,000,000 | - | 10,000,000 | - | 10,000,000 |
| M Rapaic | - | 3,609,000 | - | 3,609,000 | - | 3,609,000 |
| J Panagopoulos | - | 1,967,000 | - | 1,967,000 | - | 1,967,000 |

### *(iii) Share holdings*

The numbers of shares in the Company held during the financial year by each Director of Flinders Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

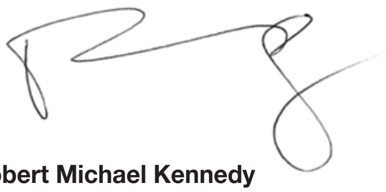
**Consolidated entity 2015**

| Name | Balance at start of the year | Granted as compensation | Exercised (option)/ Vested (rights) | Acquired/ (disposed) | Balance at the end of the year |
|---|---|---|---|---|---|
| R M Kennedy | 40,000,000 | - | - | 4,000,000 | 44,000,000 |
| I J Gordon | 500,000 | - | - | 2,533,334 | 3,033,334 |
| K J Malaxos | 2,200,000 | - | - | 1,000,000 | 3,200,000 |
| E J Vickery | 6,000,000 | - | - | 1,000,000 | 7,000,000 |
| N J Smart | 838,095 | - | - | - | 838,095 |

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

This report is made in accordance with a resolution of Directors.



**Robert Michael Kennedy**
*Director*

Adelaide
15 September 2015

# Auditor’s Independence Declaration

Grant Thornton

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**AUDITOR’S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF FLINDERS MINES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Flinders Mines Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner – Audit & Assurance

Adelaide, 15 September 2015

# Corporate Governance Statement

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Flinders Mines Limited has adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Company's Corporate Governance Statement for the financial year ending 30 June 2015 is dated as at 13 October 2015 and was approved by the Board on 13 October 2015. The Corporate Governance Statement is available on the Company's website at http://www.flindersmines.com/Corporate/Governance.aspx

# Consolidated statement of profit or loss and other comprehensive income

*For the year ended 30 June 2015*

| | | Consolidated Year ended | |
|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 |
| | *Notes* | $ | $ |
| **Revenue from continuing operations** | | | |
| Other revenue from ordinary activities | *4* | **319,279** | 200,601 |
| Other expenses from ordinary activities | | | |
| Loss on disposal of assets | | **(82,450)** | (25,628) |
| Marketing expenses | *5* | **(563,280)** | (1,610,205) |
| Exploration expenditure written off | *5* | **(128,579)** | (388,073) |
| Impairment of exploration assets | *5* | **(26,763,089)** | - |
| Administrative expenses | *5* | **(2,492,540)** | (3,501,323) |
| Finance costs | *5* | **(3,977)** | (11,409) |
| **(Loss) before income tax** | | **(29,714,636)** | (5,336,037) |
| Income tax benefit/(expense) | *6* | **524,355** | 687,290 |
| **(Loss) for the year** | | **(29,190,281)** | (4,648,747) |
| Item that may be reclassified to profit or loss | | | |
| Changes in the fair value of available-for-sale financial assets | *18(a)* | **700** | (4,900) |
| **Other comprehensive income for the year, net of tax** | | **700** | (4,900) |
| **Total comprehensive income for the year** | | **(29,189,581)** | (4,653,647) |
| (Loss) is attributable to: | | | |
| Owners of Flinders Mines Limited | | **(29,190,281)** | (4,648,747) |
| Total comprehensive income for the year is attributable to: | | | |
| Owners of Flinders Mines Limited | | **(29,189,581)** | (4,653,647) |

| | | Cents | Cents |
|---|---|---|---|
| **Earnings per share for loss attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings per share | *28* | **(1.117)** | (0.235) |
| Diluted earnings per share | *28* | **(1.117)** | (0.235) |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated statement of financial position

*As at 30 June 2015*

| | | Consolidated | |
|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 |
| | *Notes* | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | *7* | **3,770,160** | 9,868,548 |
| Trade and other receivables | *8* | **815,393** | 337,146 |
| Other current assets | *9* | **266,049** | 262,276 |
| **Total current assets** | | **4,851,602** | 10,467,970 |
| **Non-current assets** | | | |
| Available-for-sale financial assets | *10* | **37,611** | 36,611 |
| Plant and equipment | *11* | **418,297** | 727,328 |
| Exploration and evaluation | *12* | **45,273,862** | 64,038,405 |
| Other non-current assets | *13* | **27,000** | 27,000 |
| **Total non-current assets** | | **45,756,770** | 64,829,344 |
| **Total assets** | | **50,608,372** | 75,297,314 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *14* | **231,958** | 1,282,922 |
| Provisions | *15* | **204,685** | 207,149 |
| **Total current liabilities** | | **436,643** | 1,490,071 |
| **Non-current liabilities** | | | |
| Provisions | *16* | **50,285** | 53,685 |
| **Total non-current liabilities** | | **50,285** | 53,685 |
| **Total liabilities** | | **486,928** | 1,543,756 |
| **Net assets** | | **50,121,444** | 73,753,558 |
| **EQUITY** | | | |
| Contributed equity | *17* | **124,414,150** | 119,106,233 |
| Reserves | *18(a)* | **268,830** | 18,580 |
| Retained losses | | **(74,561,536)** | (45,371,255) |
| Capital and reserves attributable to owners of Flinders Mines Limited | | **50,121,444** | 73,753,558 |
| **Total equity** | | **50,121,444** | 73,753,558 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated statement of changes in equity

*For the year ended 30 June 2015*

| | | Attributable to owners of Flinders Mines Limited | | | |
|---|---|---|---|---|---|
| | | Contributed equity | Reserves | Retained losses | Total equity |
| **Consolidated entity** | ***Notes*** | **$** | **$** | **$** | **$** |
| **Balance at 1 July 2013** | | **105,277,581** | **1,257,521** | **(41,956,549)** | **64,578,553** |
| Loss for the year | | - | - | (4,648,747) | (4,648,747) |
| Revaluation of financial assets (net of tax) | | - | (4,900) | - | (4,900) |
| Total comprehensive income for the period | | - | (4,900) | (4,648,747) | (4,653,647) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs and tax | *17* | 13,828,652 | - | - | 13,828,652 |
| Rights expired during the year | *18* | - | (1,234,041) | 1,234,041 | - |
| | | 13,828,652 | (1,234,041) | 1,234,041 | 13,828,652 |
| **Balance at 30 June 2014** | | **119,106,233** | **18,580** | **(45,371,255)** | **73,753,558** |
| **Balance at 1 July 2014** | | **119,106,233** | **18,580** | **(45,371,255)** | **73,753,558** |
| Loss for the year | | - | - | (29,190,281) | (29,190,281) |
| Revaluation of financial assets (net of tax) | | - | 700 | - | 700 |
| **Total comprehensive income for the period** | | **-** | **700** | **(29,190,281)** | **(29,189,581)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs | *17* | 5,307,917 | - | - | 5,307,917 |
| Rights expensed during the year | *18* | - | 249,550 | - | 249,550 |
| | | 5,307,917 | 249,550 | - | 5,557,467 |
| **Balance at 30 June 2015** | | **124,414,150** | **268,830** | **(74,561,536)** | **50,121,444** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated statement of cash flows

*For the year ended 30 June 2015*

| | | Consolidated Year ended | |
|---|---|---|---|
| | | 30 June 2015 | 30 June 2014 |
| | *Notes* | $ | $ |
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **112,052** | - |
| Payments to suppliers and employees (inclusive of GST) | | **(3,070,943)** | (4,970,019) |
| | | **(2,958,891)** | (4,970,019) |
| Research and Development tax incentive received | | **-** | 917,100 |
| Interest received | | **289,466** | 219,124 |
| **Net cash (outflow) from operating activities** | *27* | **(2,669,425)** | (3,833,795) |
| **Cash flows from investing activities** | | | |
| Payments for plant and equipment | *11* | **(18,836)** | (34,509) |
| Proceeds from sale of plant and equipment | | **-** | 71,604 |
| Payments for exploration activities | | **(8,665,723)** | (5,931,942) |
| **Net cash (outflow) from investing activities** | | **(8,684,559)** | (5,894,847) |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares and other equity securities | | **5,430,000** | 13,828,653 |
| Transaction costs | | **(174,404)** | (227,710) |
| **Net cash inflow from financing activities** | | **5,255,596** | 13,600,943 |
| **Net (decrease) increase in cash and cash equivalents** | | **(6,098,388)** | 3,872,301 |
| Cash and cash equivalents at the beginning of the financial year | | **9,868,548** | 5,996,247 |
| **Cash and cash equivalents at the end of the financial year** | *7* | **3,770,160** | 9,868,548 |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the consolidated financial statements

*30 June 2015*

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Financial Statements are for the consolidated entity consisting of Flinders Mines Limited and its subsidiaries.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 September 2015.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and The Corporations Act 2001. Flinders Mines Limited is a for-profit entity for the purpose of preparing the financial statements.

#### *(i) Compliance with IFRS*

The consolidated financial statements of the Flinders Mines Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *(ii) New and amended standards adopted by the group*

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014.

- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards

Management has reviewed the requirements of the above standards and has concluded that there was no effect on the classification or presentation of balances.

### (b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2015. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### (c) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquired entity, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

### (d) Investments in associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

### (e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### (f) Revenue recognition

*Interest income*

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

*Other income*

Other income includes fees for services provided to external parties and fuel tax rebate.

### (g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 12 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Any bank overdrafts the Group has are shown within borrowings in current liabilities in the consolidated statement of financial position.

### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

### (k) Research and development tax incentive fund

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accruals basis at the point the asset can be reliably measured. The research and development tax incentive fund is recognised as a tax expense credit.

### (l) Investments and other financial assets

*Recognition and derecognition*

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

*Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

### (l) Investments and other financial assets *(cont.)*

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. Details on how the fair value of financial instruments is determined are disclosed in note 2.

#### *Fair value*

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

#### *Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

### (m) Plant and equipment

Each class of plant and equipment is carried at historical cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

#### *Plant and equipment*

Plant and equipment is measured on a cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

#### *Depreciation*

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for plant and equipment range from 12.5 to 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

## (n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## (o) Employee benefits

### *(i) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for annual leave. All other short term employee benefit obligations are presented as payables.

### *(ii) Other long-term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in non-current liabilities provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

### *(iii) Share-based payments*

Share based compensation benefits are provided to employees via the Flinders Mines Limited Employee Incentive Rights Plan. Information relating to the scheme is set out in note 29.

The cost of equity settled transactions is measured by the fair value at the date at which the equity instruments are granted. The fair value is determined using the Black Scholes or Binomial pricing model. The cost is recognised as an expense in the statement of comprehensive income with a corresponding increase in the share based payments reserve or issued capital when the options, rights or shares are issued.

## (p) Earnings per share

### *(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

### (q) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the consolidated statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the end of each reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the asset relates.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Exploration and evaluation expenditure incurred subsequent to the acquisition in respect of an exploration asset acquired is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

### (r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### (s) Comparative figures

Comparative figures are adjusted to conform to Accounting Standards when required.

### (t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Flinders Mines Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Flinders Mines Limited.

### (u) Key estimates

The preparation of the consolidated financial statements requires management to make estimates and judgments. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### *(i) Estimated impairment*

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### *(ii) Exploration and evaluation*

The Group's policy for exploration and evaluation is discussed in note 1 (p). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of profit or loss. The related carrying amounts are disclosed in note 3 and note 12.

### *(iii) Share-based payments*

The Group measures share based payments at fair value at the grant date using the Black Scholes or Binomial formula taking into account the terms and conditions upon which the instrument was granted, as discussed in note 29.

## (v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for June 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by group |
|---|---|---|---|
| AASB 9 Financial Instruments | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting.<br><br>In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. | Following the changes approved by the AASB in December 2014 the group no longer expects any impact from the new classification, measurement and derecognition rules on the group's financial assets and financial liabilities.<br><br>While the group has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.<br><br>There will also be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities.<br><br>The new hedging rules align hedge accounting more closely with the group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.<br><br>The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.<br><br>The group has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. | Must be applied for financial years commencing on or after 1 January 2018.<br><br>Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. |

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

### (v) New accounting standards and interpretations *(cont.)*

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by group |
|---|---|---|---|
| AASB 15 Revenue from Contracts with Customers | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risk and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of initial application. | Management is currently assessing the impact of the new rules and has identified the following areas that are likely to be affected. (i) extended warranties, which will need to be accounted for as separate performance obligations, which will delay the recognition of a portion of the revenue (ii) consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards (iii) IT consulting services where the new guidance may result in the identification of separate performance obligations which could again affect the timing of the recognition of revenue, and (iv) the balance sheet presentation of rights of return, which will have to be grossed up in future (separate recognition of the right to recover the goods from the customer and the refund obligation) At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months. | Mandatory for financial years commencing on or after 1 January 2017. Expected date of adoption by the group: 1 July 2017. |

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (w) Parent entity financial information

The financial information for the parent entity, Flinders Mines Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *Investments in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associates and joint venture entities are accounted for at cost less impairment, in the financial statements of Flinders Mines Limited.

## 2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of financial instruments and investment of excess liquidity where appropriate.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, available-for-sale investments and loans to associated companies.

## 2 FINANCIAL RISK MANAGEMENT *(cont.)*

The Group holds the following financial instruments:

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Financial assets** | | |
| Cash and cash equivalents | **3,770,160** | 9,868,548 |
| Trade and other receivables | **815,393** | 337,146 |
| Available-for-sale financial assets | **37,611** | 36,611 |
| | **4,623,164** | 10,242,305 |
| **Financial liabilities** | | |
| Trade and other payables | **231,958** | 1,282,922 |

### (a) Market risk

#### *(i) Foreign exchange risk*

Foreign exchange risk is the risk that financial loss will be suffered due to adverse movements in exchange rates. The Group is not exposed to foreign exchange risk.

#### *(ii) Price risk*

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange or interest rate risk). The Group is not exposed to any material price risk.

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group marks-to-market its listed investments twice yearly and writes down any losses through profit and loss.

All of the Group's equity investments are publicly traded on the ASX and are therefore readily converted into cash.

#### *(iii) Cash flow and fair value interest rate risk*

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities. Interest rate risk is managed by the Group with the use of rolling short term deposits.

The Group has no long term financial liabilities upon which it pays interest.

As at the end of the reporting period, the Group had the following variable rate cash and cash equivalent holdings:

| | 30 June 2015 | | 30 June 2014 | |
|---|---|---|---|---|
| | Weighted average interest rate | Balance | Weighted average interest rate | Balance |
| | % | $ | % | $ |
| **Consolidated entity** | | | | |
| Cash and cash equivalents | 3.12% | 3,770,160 | 3.73% | 9,868,548 |
| Net exposure to cash flow interest rate risk | | 3,770,160 | | 9,868,548 |

#### *Sensitivity*

At 30 June 2015, if interest rates had increased by 200 or decreased by 200 basis points from the period end rates with all other variables held constant, post-tax profit for the period would have been $75,403 higher/$75,403 lower (2014 changes of 200 bps/200 bps: $197,370 lower/$197,370 higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Other components of equity would have been $75,403 lower/$75,403 higher (2014: $197,370 lower/$197,370 higher) mainly as a result of an increase/decrease in the fair value of the cash and cash equivalents.

# Notes to the consolidated financial statements

*30 June 2015 (cont.)*

## 2 FINANCIAL RISK MANAGEMENT *(cont.)*

### (b) Credit risk

Credit risk is the risk of default by borrowers and transactional counterparties as well as the loss of value of assets due to deterioration in credit quality. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

### (c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations. The Group manages liquidity risk by monitoring cash flows and ensuring that adequate funds are available to meet cash demands. At the reporting date the Group held deposits at call of $2,750,000 (2014: $9,350,000) as disclosed in note 7.

### (d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2015 and 30 June 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Consolidated entity - at 30 June 2015** | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| Maximus Resources Limited | 32,611 | - | - | 32,611 |
| Carvel Energy Ltd (formerly Copper Range Limited) | - | - | - | - |
| Phoenix Copper Limited | 5,000 | - | - | 5,000 |
| **Total assets** | **37,611** | **-** | **-** | **37,611** |
| **Consolidated entity - at 30 June 2014** | | | | |
| Assets | | | | |
| Available-for-sale financial assets | | | | |
| Maximus Resources Limited | 32,611 | - | - | 32,611 |
| Phoenix Copper Limited | 4,000 | - | - | 4,000 |
| **Total assets** | **36,611** | **-** | **-** | **36,611** |

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

## 3 SEGMENT INFORMATION

### (a) Description of segments

*Identification of reportable segments*

Management has determined the operating segments based on the reports reviewed and used by the Board of Directors (the chief operating decision maker) that are used to make strategic decisions. The Group is managed primarily on the basis of geographical area of interest, since the diversification of Group operations inherently has notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- external regulatory requirements
- geographical and geological styles

*Operations*

The Group has exploration operations in two styles of iron mineralisation, gold and base metals. The costs associated with these operations are reported on in this segment.

*Accounting policies developed*

Unless stated otherwise, all amounts reported to the Board of Directors as chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

### (b) Business segments

| | Pilbara Iron Ore | Canegrass Magnetite | Other Minerals | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Consolidated entity 2015** | | | | |
| Total segment revenue | 61,132 | - | - | 61,132 |
| **Segment Result / Adjusted EBITDA** | **(26,701,957)** | **(6,914)** | **(121,665)** | **(26,830,536)** |
| Impairment of assets (note 5) | (26,763,089) | (6,914) | (121,665) | (26,891,668) |
| Capital expenditure | 7,724,684 | 280,776 | 121,665 | 8,127,125 |
| Capital expenditure written off / impaired for the year | (26,763,089) | (6,914) | (121,665) | (26,891,668) |
| **Total segment assets** | **45,386,296** | **273,862** | **-** | **45,660,158** |
| **Total segment liabilities** | **22,094** | **343** | **100** | **22,537** |
| | | | | |
| **Consolidated entity 2014** | | | | |
| **Segment result / Adjusted EBITDA** | **-** | **(201,946)** | **(186,128)** | **(388,074)** |
| Impairment of assets | - | (201,946) | (186,128) | (388,074) |
| Capital expenditure | 5,662,757 | 201,946 | 186,128 | 6,050,831 |
| Capital expenditure written off / impaired for the year | - | (201,946) | (186,128) | (388,074) |
| **Total segment assets** | **64,038,405** | **-** | **-** | **64,038,405** |
| **Total segment liabilities** | **986,765** | **19,176** | **-** | **1,005,941** |

## 3 SEGMENT INFORMATION *(cont.)*

### (c) Other segment information

#### *(i) Segment revenue*

Segment revenue reconciles to total revenue from continuing operations as follows:

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Total segment revenue** | **61,132** | - |
| Interest revenue | **207,228** | 200,601 |
| Other revenue | **50,919** | - |
| **Total revenue (note 4)** | **319,279** | 200,601 |

#### *(ii) Adjusted EBITDA*

A reconciliation of adjusted EBITDA to operating profit/loss before income tax is provided as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Adjusted EBITDA** | **(26,830,536)** | (388,073) |
| Other revenue from ordinary activities | **258,147** | 200,601 |
| Loss on disposal of assets | **(82,450)** | (25,628) |
| Marketing expenses | **(563,280)** | (1,610,205) |
| Administrative expenses | **(2,492,540)** | (3,501,323) |
| Finance costs | **(3,977)** | (11,409) |
| **Profit/loss before income tax** | **(29,714,636)** | (5,336,037) |

#### *(iii) Segment assets*

Reportable segments' assets are reconciled to total assets as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Segment assets** | **45,660,158** | 64,038,405 |
| Unallocated: | | |
| Cash and cash equivalents | **3,770,160** | 9,868,548 |
| Trade and other receivables | **754,261** | 337,146 |
| Other current assets | **266,049** | 262,276 |
| Available-for-sale financial assets | **37,611** | 36,611 |
| Plant and equipment | **93,133** | 727,328 |
| Other non-current assets | **27,000** | 27,000 |
| **Total assets as per the consolidated statement of financial position** | **50,608,372** | 75,297,314 |

#### *(iv) Segment liabilities*

Reportable segments' liabilities are reconciled to total liabilities as follows:

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Segment liabilities** | **22,537** | 1,005,941 |
| Unallocated: | | |
| Trade and other payables | **209,421** | 276,980 |
| Provisions | **254,970** | 207,149 |
| **Total liabilities as per the consolidated statement of financial position** | **486,928** | 1,490,070 |

## 4 REVENUE

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **From continuing operations** | | |
| Other revenue | | |
| Interest received | **207,228** | 200,601 |
| Other revenue | **112,051** | - |
| | **319,279** | 200,601 |

## 5 EXPENSES

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Profit before income tax includes the following specific expenses:** | | |
| **Finance costs** | | |
| Bank fees | **3,977** | 11,409 |
| | **3,977** | 11,409 |
| **Exploration expenses** | | |
| General exploration written off | **120,565** | 134,564 |
| Impairment of exploration assets | **26,763,089** | - |
| Capitalised exploration expenditure impaired * | **8,014** | 253,510 |
| | **26,891,668** | 388,074 |
| **Marketing expenses** | | |
| Marketing and promotion | **563,280** | 1,610,205 |
| | **563,280** | 1,610,205 |
| **Administrative expenses** | | |
| Compliance | **181,014** | 443,538 |
| Depreciation | **127,042** | 174,904 |
| Administration costs | **778,149** | 1,256,262 |
| Legal fees | **157,714** | 73,269 |
| Employment costs | **608,720** | 934,256 |
| Scheme of arrangement costs | **-** | 33 |
| Share based payments | **249,550** | - |
| Superannuation | **201,200** | 218,652 |
| Rental | **189,151** | 400,409 |
| | **2,492,540** | 3,501,323 |

* *Capitalised exploration expenditure impaired consists of the following projects: Canegrass ($6,914); Springfield ($400); Jamestown ($700).*

## 6 INCOME TAX EXPENSE

### (a) Income tax expense

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Deferred tax | **52,021** | 229,810 |
| Adjustments for Research & Development Tax Concession | **(576,376)** | (917,100) |
| Income tax benefit for the year | **(524,355)** | (687,290) |

### (b) Numerical reconciliation of income tax expense to prima facie tax payable

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Loss from continuing operations before income tax expense | **(29,714,636)** | (5,336,037) |
| Tax at the Australian tax rate of 30% (2014 - 30%) | **(8,914,391)** | (1,600,811) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Other non-allowable items | **78,885** | 8,421 |
| Tax losses not brought to account | **8,887,527** | 1,822,200 |
| Adjustment for Research and Development tax offset | **(576,376)** | (917,100) |
| Income tax expense | **(524,355)** | (687,290) |

A deferred tax asset (DTA) on the timing differences has not been recognised as they do not meet the recognition criteria as outlined in Note 1(e) of the financial statements. A DTA has not been recognised in respect of tax losses either as realisation of the benefit is not regarded as probable.

The Group has net DTAs arising in Australia of $21,803,960 (2014: $13,300,684) that are available for offset indefinitely against future taxable profits of the companies in which the losses arose.

The tax rates applicable to each potential tax benefit are as follows:

- timing differences 30%
- tax losses 30%

## 7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Cash at bank and in hand | **1,020,160** | 518,548 |
| Term deposits | **2,750,000** | 9,350,000 |
| | **3,770,160** | 9,868,548 |

### (a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

### (b) Cash weighted average interest rate

The cash at bank and term deposits are bearing a weighted average interest rate of 3.12% (2014: 3.73%). The term deposits have an average period to repricing of 65 days (2014: 65 days).

## 8 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Trade receivables | 239,864 | 391,251 |
| Provision for impairment of receivables | (56,314) | (56,314) |
| | 183,550 | 334,937 |
| GST clearing account | 50,921 | (313) |
| Income tax receivables | 580,922 | 2,522 |
| | 631,843 | 2,209 |
| | 815,393 | 337,146 |

### (a) Past due but not impaired

As at 30 June 2015 there were no material trade and other receivables that were considered to be past due and not impaired (2014: Nil).

## 9 CURRENT ASSETS - OTHER CURRENT ASSETS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Pre-paid insurance | **266,049** | 262,276 |

## 10 NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following classes of financial assets:

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Listed securities | | |
| Shares in listed companies | **37,611** | 36,611 |

### (a) Listed securities

Available for sale financial assets comprise investments in the ordinary capital of Maximus Resources Limited, and Phoenix Copper Limited. There are no fixed returns or fixed maturity dates attached to these investments. On occasion, the Company acquires shares in listed entities through consideration for commercial transactions. The shares are held as available for sale and their value is marked to market at financial year end.

### (b) Investments in related parties

Available for sale financial assets include shares in Maximus Resources Limited with a fair value of $32,611 (2014: $32,611). Messrs Kennedy, Malaxos and Vickery are directors of Maximus.

## 11 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

| | Plant and equipment | Furniture, fittings and equipment | Machinery and vehicles | Computer software | Computer hardware | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Consolidated entity** | | | | | | |
| **At 1 July 2013** | | | | | | |
| Cost or fair value | 1,032,298 | 319,767 | 616,768 | 493,333 | 492,352 | 2,954,518 |
| Accumulated depreciation | (500,576) | (143,578) | (358,236) | (457,658) | (410,629) | (1,870,677) |
| Net book amount | 531,722 | 176,189 | 258,532 | 35,675 | 81,723 | 1,083,841 |
| **Year ended 30 June 2014** | | | | | | |
| Opening net book amount | 531,722 | 176,189 | 258,532 | 35,675 | 81,723 | 1,083,841 |
| Additions | - | 5,950 | - | 26,836 | 1,723 | 34,509 |
| Disposals | (9,484) | - | (82,079) | - | (5,668) | (97,231) |
| Depreciation charge | (121,688) | (37,760) | (57,188) | (31,576) | (45,579) | (293,791) |
| Closing net book amount | 400,550 | 144,379 | 119,265 | 30,935 | 32,199 | 727,328 |
| **At 30 June 2014** | | | | | | |
| Cost or fair value | 971,833 | 325,717 | 382,695 | 520,168 | 481,884 | 2,682,297 |
| Accumulated depreciation | (571,283) | (181,338) | (263,430) | (489,233) | (449,685) | (1,954,969) |
| Net book amount | 400,550 | 144,379 | 119,265 | 30,935 | 32,199 | 727,328 |
| **Consolidated entity** | | | | | | |
| **Year ended 30 June 2015** | | | | | | |
| Opening net book amount | 400,550 | 144,379 | 119,265 | 30,935 | 32,199 | 727,328 |
| Additions | - | - | - | 18,836 | - | 18,836 |
| Disposals | - | (82,450) | - | - | - | (82,450) |
| Depreciation charge | (120,811) | (24,231) | (47,837) | (29,244) | (23,294) | (245,417) |
| Closing net book amount | 279,739 | 37,698 | 71,428 | 20,527 | 8,905 | 418,297 |
| **At 30 June 2015** | | | | | | |
| Cost | 971,833 | 179,706 | 382,695 | 539,004 | 481,884 | 2,555,122 |
| Accumulated depreciation | (692,094) | (142,008) | (311,267) | (518,477) | (472,979) | (2,136,825) |
| Net book amount | 279,739 | 37,698 | 71,428 | 20,527 | 8,905 | 418,297 |

During the year $118,375 (2014 $118,887) of depreciation was included in the amount capitalised as exploration and evaluation.

## 12 NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| **Exploration and evaluation assets** | | |
| **Movement:** | | |
| Opening balance | **64,038,405** | 58,375,649 |
| Expenditure incurred | **8,127,125** | 6,050,829 |
| Less: expenditure written off / impaired | **(26,891,668)** | (388,073) |
| **Closing balance** | **45,273,862** | **64,038,405** |
| Closing balance comprises | | |
| Exploration and evaluation - 100% owned | **43,155,863** | 57,797,307 |
| Exploration and evaluation phases - Joint Venture Operations | **2,117,999** | 6,241,098 |
| | **45,273,862** | 64,038,405 |

The Company reviewed the carrying value of the PIOP project having regard to it's potential sale and assessed it be impaired by $26,763,089.

## 13 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Security bonds | **27,000** | 27,000 |

## 14 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Trade payables | **203,886** | 1,221,699 |
| Accrued expenses | **24,152** | 21,000 |
| Credit cards | **3,920** | 40,223 |
| | **231,958** | 1,282,922 |

## 15 CURRENT LIABILITIES - PROVISIONS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Employee entitlements | **204,685** | 207,149 |

## 16 NON-CURRENT LIABILITIES - PROVISIONS

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Employee entitlements | **50,285** | 53,685 |

## 17 CONTRIBUTED EQUITY

### (a) Share capital

| | 30 June 2015 Shares | 30 June 2014 Shares | 30 June 2015 $ | 30 June 2014 $ |
|---|---|---|---|---|
| Ordinary shares | | | | |
| Ordinary shares - fully paid | **2,762,995,689** | 2,400,995,602 | **124,414,150** | 119,106,233 |

### (b) Movements in ordinary share capital

| Date | Details | Number of shares | Issue price $ | $ |
|---|---|---|---|---|
| 1 July 2013 | Opening balance | 1,821,300,404 | | 105,277,581 |
| 18 July 2013 | Conversion of employee rights | 3,543,272 | | - |
| 19 December 2013 | Conversion of employee rights | 1,873,072 | | - |
| 4 February 2014 | Exercise of options - Proceeds received | 150,000 | .045 | 6,750 |
| 10 March 2014 | Share issue - Proceeds received | 274,000,000 | .025 | 6,850,000 |
| 11 April 2014 | Share issue - Proceeds received | 220,328,329 | .025 | 5,508,213 |
| 11 April 2014 | Share issue - Proceeds received | 79,800,525 | .025 | 1,995,013 |
| 30 June 2014 | Balance | 2,400,995,602 | | 119,637,557 |
| | Transaction costs arising on share issue | - | | (759,034) |
| | Deferred tax credit recognised directly in equity | - | | 227,710 |
| 30 June 2014 | Balance | 2,400,995,602 | | 119,106,233 |
| 25 November 2014 | Share issue - Proceeds received | 313,333,334 | .015 | 4,700,000 |
| 19 December 2014 | Share issue - Proceeds received | 48,666,753 | .015 | 730,000 |
| 30 June 2015 | Balance | 2,762,995,689 | | 124,536,233 |
| | Transaction costs arising on share issue | - | | (174,404) |
| | Deferred tax credit recognised directly in equity | - | | 52,321 |
| 30 June 2015 | Balance | 2,762,995,689 | | 124,414,150 |

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### (d) Options and rights

Information relating to the Flinders Mines Limited Employee Option and Incentive Rights Plans, including details of options and rights issued, exercised and lapsed during the financial year and options and rights outstanding at the end of the financial year, is set out in note 29.

## 17 CONTRIBUTED EQUITY *(cont.)*

### (e) Capital risk management

The Group's debt and capital includes ordinary share capital supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the Group has no debt.

## 18 RESERVES

### (a) Other reserves

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Available-for-sale investments revaluation reserve | **(292,347)** | (293,047) |
| Share-based payments | **561,177** | 311,627 |
| | **268,830** | 18,580 |
| **Movements:** | | |
| Available-for-sale financial assets | | |
| Opening balance | **(293,049)** | (288,149) |
| Revaluation | **700** | (4,900) |
| Balance 30 June | **(292,349)** | (293,049) |
| Share-based payments | | |
| Opening balance | **311,629** | 1,545,670 |
| Rights issued/(expired) during the year | **249,550** | (1,234,041) |
| Balance 30 June | **561,179** | 311,629 |

### (b) Nature and purpose of other reserves

#### *(i) Available-for-sale financial assets*

Changes in the fair value of instruments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1(l) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

#### *(ii) Share-based payments*

The share based payments reserve records items recognised as expenses on valuation of employee options, employee rights and options issued to external parties in consideration for goods and services rendered.

## 19 KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Key management personnel compensation

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Short-term employee benefits | **1,353,374** | 1,655,228 |
| Post-employment benefits | **101,449** | 108,326 |
| Share-based payments | **160,900** | - |
| | **1,615,723** | 1,763,554 |

Detailed remuneration disclosures are provided in the remuneration report on pages 15 to 20.

## 20 REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

**Grant Thornton**

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Audit and other assurance services | | |
| Audit and review of financial statements | **32,000** | 31,500 |
| Total remuneration for audit and other assurance services | **32,000** | 31,500 |
| Total remuneration for other services | **-** | - |

There were no other services provided.

## 21 CONTINGENCIES

### Contingent liabilities

The Group had no contingent liabilities at 30 June 2015 (2014: nil).

## 22 COMMITMENTS

### (a) Lease commitments: group as lessee

*Non-cancellable operating leases*

At 30 June 2015 the Group leased one office under a non-cancellable operating lease. This lease is due to expire within two years of the end of the 2015 financial year. On renewal, the terms of the lease will be renegotiated.

| | Consolidated | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | **139,920** | 116,600 |
| Later than one year but not later than five years | **116,600** | 256,520 |
| | **256,520** | 373,120 |

### (b) Commitments for exploration and joint venture expenditure

In order to maintain current rights of tenure to exploration tenements the Group will be required to outlay amounts totalling approximately $1,433,690 during the year ending 30 June 2016 (2015: $3,185,600) to meet minimum expenditure requirements.

### (c) Bank guarantees

The State Government departments responsible for mineral resources require performance bonds for the purposes of rehabilitation of areas disturbed by exploration activities. Financial institutions similarly require guarantees for credit card automatic payment facilities. At 30 June 2015, the Group had $178,978 of bank guarantees in place for these purposes (2014: $345,656).

## 23 RELATED PARTY TRANSACTIONS

### (a) Parent entity

The Parent Entity within the Group is Flinders Mines Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 24.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

### (d) Transactions with other related parties

Transactions with other related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions between the Parent Entity and its wholly owned subsidiaries, which are related parties of the Parent, are eliminated on consolidation and are not disclosed in this note.

There were no transactions with related parties other than those listed above during the year ended 30 June 2015.

# Notes to the consolidated financial statements

*30 June 2015 (cont.)*

## 24 SUBSIDIARIES

### Significant investments in subsidiaries

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

| | | | Equity holding [1] | |
|---|---|---|---|---|
| **Name of entity** | **Country of incorporation** | **Class of shares** | **2015 %** | **2014 %** |
| FME Exploration Services Pty Ltd | Australia | Ordinary | **100** | 100 |
| Flinders Canegrass Pty Ltd | Australia | Ordinary | **100** | 100 |
| Flinders Diamonds Pty Ltd | Australia | Ordinary | **100** | 100 |
| Flinders Iron Pty Ltd | Australia | Ordinary | **100** | 100 |

1 *The proportion of ownership interest is equal to the proportion of voting power held.*

## 25 INTERESTS IN JOINT VENTURE OPERATIONS

The Group has the following interests in unincorporated joint venture operations:

| State | Agreement name | Parties | Summary | Consideration |
|---|---|---|---|---|
| SA | Copper Range Agreement | FMS and Copper Range Ltd | Copper Range holds a 100% interest in the metal rights for EL4368. | |
| SA | Phoenix Agreement | FMS and Phoenix Copper Ltd | FMS sold most of its mineral rights in EL4370 to Phoenix but has retained the right to explore for and, if warranted, develop mining operations on the tenement for diamonds, barium, talc and phosphate. | FMS received a cash payment and shares in Phoenix for sale of its other mineral rights in EL4370. FMS to receive a production royalty from Phoenix. |
| SA | Tarcowie Agreement | FMS and Tarcowie Phosphate Pty Ltd | Tarcowie phosphate has the right to peg mining leases for phosphate on nominated small parcels of land within EL4368. | If Tarcowie Phosphate proceeds to mine phosphate from the nominated areas Tarcowie Phosphate will pay FMS a 1% gross sales royalty. |
| WA | Prenti Settlement Deed | FMS and Prenti Exploration Pty Ltd | FMS has earned a 100% interest in the tenements. Prenti retain the rights over non-iron ore minerals. | |

## 26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

At the General Meeting held in Adelaide on 24 September 2015, shareholders rejected the proposed finalisation of an agreement with Todd Corporation to sell the PIOP via an option to purchase.

## 27 RECONCILIATION OF LOSS FOR THE YEAR TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Loss for the year | **(29,190,281)** | (4,648,747) |
| Depreciation | **127,042** | 174,904 |
| Exploration expenditure written off | **128,579** | 134,564 |
| Deferred tax asset written off | **-** | 229,810 |
| Non-cash employee benefits expense - share-based payments | **249,250** | - |
| Impairment of exploration expenditure | **26,771,104** | 253,509 |
| Net loss on disposal of non-current assets | **82,450** | 25,628 |
| Change in operating assets and liabilities: | | |
| (Increase) / decrease in trade and other receivables | **(478,247)** | (117,317) |
| (Increase) / decrease in other current assets | **(3,773)** | (194,540) |
| Increase / (decrease) in trade payables and accruals | **(349,685)** | 472,397 |
| Increase / (decrease) in provisions | **(5,864)** | (164,003) |
| Net cash inflow (outflow) from operating activities | **(2,669,425)** | (3,833,795) |

## 28 EARNINGS PER SHARE

### (a) Basic earnings per share

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | Cents | Cents |
| From continuing operations attributable to the ordinary equity holders of the company | **(1.117)** | (0.235) |
| Total basic earnings per share attributable to the ordinary equity holders of the Company | **(1.117)** | (0.235) |

### (b) Reconciliation of earnings used in calculating earnings per share

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | $ | $ |
| Basic earnings per share | | |
| Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share: | | |
| From continuing operations | **(29,190,281)** | (4,648,747) |

### (c) Weighted average number of shares used as denominator

| | Consolidated Year ended | |
|---|---|---|
| | 30 June 2015 | 30 June 2014 |
| | Shares | Shares |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **2,613,012,086** | 1,977,164,601 |

### (d) Information on the classification of securities

Options and Rights granted to employees under Flinders Mines Limited Employee Share Option and Rights Plan are considered to be potential ordinary shares. These have a dilutive effect on the weighted average number of ordinary shares. As Flinders Mines Limited has reported a loss of $29,190,281 this financial year (2014: $4,648,747), the options have not been included in the determination of earnings per share. Details relating to the options and rights are set out in note 29.

## 29 SHARE-BASED PAYMENTS

### (a) Employee Option Plan

The Flinders Mines Limited Employee Share Option Plan enables the Board, at its discretion, to issue options to employees of the Company or its associated companies. Each option will have a life of five years and be exercisable at a price determined by the Board. This price will not be below the market price of a share at the time of issue. The options granted under the plan are un-listed and carry no voting or dividend rights.

Set out below is a summary of options granted under the plan:

| | Number of options | Weighted average exercise price |
|---|---|---|
| **2014** | | |
| Outstanding at beginning of the year | 1,741,666 | $0.054 |
| Granted | - | - |
| Exercised | (150,000) | $0.045 |
| Expired | (1,471,666) | $0.054 |
| Outstanding at the end of the year | 120,000 | $0.085 |
| **2015** | | |
| Outstanding at beginning of the year | **120,000** | **$0.085** |
| Granted | **-** | **-** |
| Exercised | **-** | **-** |
| Expired | **(120,000)** | **$0.085** |
| Outstanding at the end of the year | **-** | **-** |

There are no options outstanding at 30 June 2015.

#### *Fair value of options granted*

There were no options granted during the year ended 30 June 2015. The fair value of options at grant date is determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

### (b) Employee Incentive Rights Plan

The Flinders Mines Limited Employee Incentive Rights Plan enables the Board, at its discretion, to issue rights to employees of the Company or its associated companies. The vesting periods of the rights are set at the Board's discretion and all rights have conditions that must be met before they vest. All rights are un-listed and non-transferable. The rights granted under the plan carry no voting or dividend rights.

On 1 July 2014 12,796,000 rights were issued to nine Company employees under the Company's Employee Incentive Rights Plan. The rights expire on 30 June 2016.

Set out below is a summary of incentive rights granted under the plan:

| | Number of rights |
|---|---|
| **2014** | |
| Outstanding at beginning of the year | 14,434,800 |
| Converted to ordinary shares | (5,651,872) |
| Lapsed | (8,782,928) |
| Outstanding at the end of the year | - |
| **2015** | |
| Outstanding at beginning of the year | **-** |
| Granted | **22,796,000** |
| Outstanding at the end of the year | **22,796,000** |

| Start Date | Expiry Date | Share price at grant date | Exercise price | Fair value at grant date |
|---|---|---|---|---|
| 01/07/2014 | 30/06/2016 | $0.02 | - | $0.02 |
| 12/11/2014 | 30/06/2016 | $0.014 | - | $0.015 |

The value of the rights are based on the VWAP for the ten days up to and including the reporting period. The accounting value of the rights does not represent actual cash payments to the employees and is not related to or indicative of the benefit, if any, that individuals may ultimately realise should the rights vest.

## 30 PARENT ENTITY FINANCIAL INFORMATION

### (a) Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

| | 30 June 2015 | 30 June 2014 |
|---|---|---|
| | $ | $ |
| **Balance sheet** | | |
| Current assets | **5,355,601** | 11,641,584 |
| Non-current assets | **45,427,378** | 64,836,447 |
| Total assets | **50,782,979** | 76,478,031 |
| Current liabilities | **661,535** | 2,663,784 |
| Non-current liabilities | **-** | 53,685 |
| Total liabilities | **661,535** | 2,717,469 |
| Net assets | **50,121,444** | 73,760,562 |
| **Shareholders' equity** | | |
| Issued capital | **124,414,150** | 118,878,526 |
| Reserves | | |
| Available-for-sale financial assets | **(292,347)** | 945,894 |
| Share-based payments | **561,177** | 311,627 |
| Retained earnings | **(74,561,536)** | (46,375,486) |
| | **50,121,444** | 73,760,561 |
| **Profit or loss for the period** | **(28,186,050)** | (4,419,937) |
| **Total comprehensive income** | **(28,185,350)** | (4,653,647) |

### (b) Guarantees entered into by the parent entity

The Parent Entity did not provide any guarantees during the year ended 30 June 2015 (2014: Nil).

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 (2014: Nil).

### (d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2015, the Parent Entity had no contractual commitments for the acquisition of property, plant or equipment (2014: Nil).

# Directors' Declaration

## *30 June 2015*

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 23 to 49 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) the financial statements comply with International Financial Reporting Standards as confirmed in note 1(a).

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

**Robert Michael Kennedy**
*Director*

Adelaide
15 September 2015

# Independent auditor's report to the members

*30 June 2015*

GrantThornton

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## INDEPENDENT AUDITOR'S REPORT
## TO THE MEMBERS OF FLINDERS MINES LIMITED

### Report on the financial report

We have audited the accompanying financial report of Flinders Mines Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

GrantThornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's opinion**
In our opinion:

a the financial report of Flinders Mines Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**
We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Flinders Mines Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S K Edwards
Partner – Audit & Assurance

Adelaide, 15 September 2015

# ASX Additional Information

The shareholder information set out below was applicable as at 18 September 2015.

## A DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

| | Class of equity security | |
|---|---|---|
| Holding | Shares | Options |
| 1 - 1000 | 411 | - |
| 1,001 - 5,000 | 933 | - |
| 5,001 - 10,000 | 1,330 | - |
| 10,001 - 100,000 | 4,829 | - |
| 100,001 and over | 2,471 | - |
| | 9,974 | - |

There were 5,665 holders of less than a marketable parcel of ordinary shares. At a share price of 1.2 cents, an unmarketable parcel is 41,667 shares.

## B EQUITY SECURITY HOLDERS

### *Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| Name | Number held | Percentage of issued shares |
| TIO (NZ) Limited | 540,356,842 | 19.51 |
| OCJ Investment (Australia) Pty Ltd | 382,000,000 | 13.80 |
| Citicorp Nominees Pty Ltd | 93,642,723 | 3.38 |
| J P Morgan Nominees (Australia) Limited <Cash Income A/c> | 49,800,363 | 1.80 |
| Mr Kenneth Martin Keane | 44,608,921 | 1.61 |
| RMK Super Pty Ltd <RMK Personal S/F A/C> | 30,205,715 | 1.09 |
| Miss Shuohang Wang | 21,610,162 | 0.78 |
| Mr Ian Drummond & Mrs Janice Drummond <Instil Enterprises S/F A/C> | 16,400,000 | 0.59 |
| HSBC Custody Nominees (Australia) Limited | 15,827,636 | 0.57 |
| Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C> | 15,175,148 | 0.55 |
| Triple Eight Gold Pty Ltd <The Blue Sky A/C> | 13,638,414 | 0.49 |
| HSBC Custody Nominees (Australia) Limited - <A/C 2> | 13,150,000 | 0.47 |
| Mr Grant Russell McGarry | 12,000,001 | 0.43 |
| Mr Chunlei Ouyang | 11,000,000 | 0.40 |
| Mr Nicholas Baradakis | 10,000,000 | 0.36 |
| McNeil Nominees Pty Ltd | 10,000,000 | 0.36 |
| Dr Wanfu Huang | 9,949,286 | 0.36 |
| Mr Peter John Klasen | 9,900,000 | 0.36 |
| HSBC Custody Nominees (Australia) Limited - <A/C 3> | 9,292,952 | 0.35 |
| Mr John B Roberts | 8,359,244 | 0.30 |
| | **1,316,917,407** | **47.56** |

### *Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Incentive rights, expiring 30 June 2016 | 16,732,570 | 7 |

These securities were issued under employee incentive schemes.

## C. SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

| | Number held | Percentage |
|---|---|---|
| TIO (NZ) Limited | 540,356,842 | 19.51% |
| OCJ Investment (Australia) Pty Ltd | 382,000,000 | 13.80% |

## D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

### (a) Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### (b) Options and rights

No voting rights.


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