Flinders Mines Limited

ABN 46 091 118 044

Annual Report
for the year ended 30 June 2017

Flinders Mines Limited
Annual Report - 30 June 2017

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Corporate Directory

Board of Directors

Neil Warburton	Independent Non-Executive Chairman
David McAdam	Interim Executive Director
Robert Kennedy	Independent Non-Executive Director
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director

Company Secretary

Shannon Coates

Registered Office

45 Ventnor Avenue

West Perth WA 6005

Telephone: 08 9389 4483

Email: info@flindersmines.com

Website: www.flindersmines.com

Share Registry

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

Perth WA 6000

Telephone: 08 9323 2000

Website: www.computershare.com.au

Auditors

Grant Thornton Audit Pty Ltd

Level 3, 170 Frome Street

Adelaide SA 5000

Securities Exchange Listing

Shares in Flinders Mines Limited are quoted on the Australian Securities Exchange under trading code FMS.

Chairman's Report

Dear Shareholders,

The financial year ending 30 June 2017 was a year of significant change for the company and a year where we were able to define a strategic development pathway for the Pilbara Iron Ore Project ("PIOP") asset. After TIO (NZ) Limited, a wholly owned subsidiary of Todd Corporation, taking a controlling interest in Flinders Mines Limited in August 2016, the company restructured the board of directors in October 2016. The new board commissioned a detailed strategic review of the company with a focus on the development constraints and options for the PIOP asset. This review was conducted in the first quarter of CY17 and the strategic review concluded that:

- the potential of the PIOP to be an economic asset;
- the economic development of the asset being dependent on the development of a financeable infrastructure solution; and,
- the requirement for an asset maturation phase to further define the project's commercial viability ahead of any pre-feasibility study.

The commencement of this asset maturation work was funded through a non-renounceable Rights Issue capital raise that was available equally on a pro rata basis to all shareholders. With approximately 60% of the shareholders (based on shares held) taking up their rights, a total of approximately $9.5m (before costs) was raised. This has enabled the commencement of the field work and the results of this work are scheduled for release in the first quarter of CY18.

During the year the company relocated its corporate office from Adelaide to Perth to better align the operations with relevant iron ore market advisors, consultants and technical skills.

The company looks forward to completion of the asset maturation work and being able to better define the quantity and quality of the PIOP resource in order to inform an accurate basis for further feasibility work.

Neil Warburton
Chairman

Perth, Western Australia
14 September 2017

Directors' Report

Your Directors present their report on the Consolidated Entity comprising Flinders Mines Limited (the "Company" or "Flinders") and its controlled entities ("the Group") for the financial year ended 30 June 2017.

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.

Neil Warburton[1]	Independent Non-Executive Chairman	Appointed 19 October 2016
David McAdam	Interim Executive Director	Appointed 19 October 2016
Robert Kennedy[1]	Independent Non-Executive Director	
Michael Wolley	Non-Independent Non-Executive Director	Appointed 19 October 2016
Evan Davies	Non-Independent Non-Executive Director	Appointed 19 October 2016
Kevin Malaxos	Independent Non-Executive Director	Resigned 19 October 2016
Ewan Vickery	Independent Non-Executive Director	Resigned 19 October 2016
Nicholas Smart	Alternate Director to R Kennedy	Resigned 5 June 2017

[1] On 20 December 2016, Mr Warburton was appointed Independent Non-Executive Chairman. Mr Kennedy, former Independent Non-Executive Chairman remains as an Independent Non-Executive Director.

Company Secretary

The following persons held the position of Company Secretary during the whole of the financial year and up to the date of this report except as noted below:

Shannon Coates	Appointed 9 May 2017
Justin Nelson	Resigned 9 May 2017

Information on Directors and Officers

Neil Warburton	Independent Non-Executive Chairman
Qualifications	Assoc. MinEng WASM, MAusIMM, FAICD
Experience	Mr Warburton has over 37 years' experience in corporate and all areas of mining operations. Mr Warburton held senior positions with Barminco Limited culminating in being the Chief Executive Officer from August 2007 to March 2012. He successfully grew Barminco into Australia and West Africa's largest underground hard rock mining contractor before expanding to non-executive director roles on ASX listed mining companies.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chairman of Nominations and Remuneration Committee, member of Audit and Risk Committee, Corporate Governance Committee and Strategic Review Committee[1].
Directorships held in other listed entities in the last three years	Non-executive director of the following listed companies: Australia Mines Limited (April 2003 to date) and Independence Group Limited (October 2015 to date). Previously a non-executive director of Peninsula Energy Limited (February 2013 to April 2016), Sirius Resources NL (August 2013 to September 2015) Namibian Copper NL (September 2014 to December 2016) and Red Mountain Mining (May 2006 to July 2016).

David McAdam	**Interim Executive Director**
Qualifications	BE (Chemical, 1st Class Hons), MBA, FAICD, FIEAust
Experience	In the past 20 years, Mr McAdam has been focused on senior management leadership roles in design and construction organisations that focus on the resource and infrastructure industries. In these roles he has led the creation and re-establishment of a series of highly successful engineering companies across a range of industries in a variety of locations. These roles have included responsibilities as a director in listed and private organisations.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chairman of Strategic Review Committee[1] and member of Nominations and Remuneration Committee and Corporate Governance Committee.
Directorships held in other listed entities in the last three years	Previously Managing Director and CEO of Seymour Whyte Limited (February 2013 to May 2015).
Robert Kennedy	**Independent Non-Executive Director**
Qualifications	KSJ, ASAIT, Grad Dip (Systems Analysis), Dip Financial Planning, Dip Financial Services, FCA, CTA, AGIA, Life Member AIM, FAICD, MRSASA
Experience	Mr Kennedy is a Chartered Accountant and 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.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chairman of Audit and Risk Committee, member of Nominations and Remuneration Committee, Corporate Governance Committee and Strategic Review Committee[1].
Directorships held in other listed entities in the last three years	Chairman of Ramelius Resources Limited (November 1995 to date), Maximus Resources Limited (December 2004 to date), Monax Mining Limited (August 2004 to date) and Tychean Resources Limited (March 2006 to date). Previously a non-executive director of Crestal Petroleum Limited (formerly Tellus Resources Limited and currently Firstwave Cloud Technology Ltd) (December 2013 to February 2015) and Marmota Energy Limited (April 2006 to April 2015).
Michael Wolley	**Non-Executive Director**
Qualifications	BE (Chemical and Materials, 1st Class Hons), Masters of Management
Experience	Mr Wolley had a 15 year career with Mobil Oil Australia Pty Ltd in a range of roles including engineering, operations, strategic planning and business development. Mr Wolley was previously Chief Operating Officer for Lynas Corporation and is currently Vice President Minerals for the Todd Corporation.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chairman of the Corporate Governance Committee and member of Audit and Risk Committee, Nominations and Remuneration Committee and Strategic Review Committee[1].
Directorships held in other listed entities in the last three years	Non-executive director of Wolf Minerals Limited (June 2013 to date). Previously a non-executive director of Rutila Resources (now BBI Group) (June 2012 to August 2015) and Red Mountain Mining (April 2011 to July 2016).

Evan Davies	**Non-Executive Director**
Qualifications	Bachelor Town Planning, Master of Science and Master of Philosophy
Experience	Mr Davies has previously held leadership roles in Rainbow Corporation and Brierley Properties Group (New Zealand). Mr Davies was Managing Director of Sky City Entertainment Group (New Zealand) from 1996 to 2007, which he grew from a single site to have business operations through New Zealand and Australia. Mr Davies has been Managing Director of Todd Properties Group since 2008.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Member of Audit and Risk Committee, Nominations and Remuneration Committee, Corporate Governance Committee and Strategic Review Committee[1].
Directorships held in other listed entities in the last three years	Nil
Shannon Coates	**Company Secretary**
Qualifications	LLB, BA (Jur), GAICD, GIA
Experience	Ms Coates is a Chartered Secretary and has over 20 years' experience in corporate law and compliance. Ms. Coates is currently named Company Secretary to a number of public companies listed on ASX, and has provided company secretarial and corporate advisory services to Boards and various committees across a variety of industries including financial services, resources, manufacturing and technology.

[1]The Strategic Review Committee ceased operation on 9 May 2017, following material completion of the Pilbara Iron Ore Project strategic review.

Meeting 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 2017, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Meetings of committees							
			Audit & Risk		Nominations & Remuneration		Corporate Governance		Strategic Review[5]	
	A	B	A	B	A	B	A	B	A	B
N Warburton	6	6	2	2	1	1	1	1	1	1
D McAdam [1]	6	6	2	2	1	1	1	1	1	1
M Wolley [2]	7	6	2	2	1	1	1	1	1	1
E Davies	5	6	2	2	1	1	1	1	1	1
R Kennedy	11	11	3	3	1	1	1	1	1	1
K Malaxos [3]	5	5	1	1	-	-	-	-	-	-
E Vickery [3]	5	5	1	1	-	-	-	-	-	-
N Smart [4]	-	-	-	-	-	-	-	-	-	-

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 year.
[1] = Mr McAdam ceased to be a member of the Audit & Risk Committee on 30 June 2017.
[2] = Mr Wolley attended the 18 October 2016 Full Meeting of Directors as an invitee prior to becoming a Director.
[3] = Resigned 19 October 2016.
[4] = Alternate Director (resigned 5 June 2017).
[5] = The Strategic Review Committee ceased operation on 9 May 2017, following material completion of the Pilbara Iron Ore Project strategic review.

Principal Activities

The Group's principal continuing activities during the year consisted of mineral exploration. 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 (2016: $nil).

Operating Results and Financial Position

The net result of operations for the financial year was a loss of $2.264m (2016: $4.057m).

Review of Operations

Corporate

On 31 August 2016, the TIO (NZ) Limited ("TIO") takeover bid closed, at which point TIO's voting power in Flinders was approximately 52.6%.

On 7 October 2016, Flinders announced a non-renounceable entitlement offer at $0.017 per share to raise approximately $5m (before costs).

The entitlement offer was completed on 9 November 2016 with a total of 246,175,757 new shares issued raising $4.185m (before costs). The funds were used to repay a loan from PIO Mines Pty Ltd (subsidiary of TIO), meet the minimum tenement expenditure commitments on the Company's Pilbara Iron Ore Project ("PIOP") and provide working capital to the Company.

A further non-renounceable entitlement offer was announced on 9 May 2017, at an issue price of $0.055 per share to raise approximately $16m (before costs).

The entitlement offer was completed on 7 June 2017 with a total of 172,771,273 new shares issued raising $9.5m (before costs). The funds are being used to complete a series of maturation programs on the PIOP.

On 19 October 2016, Flinders restructured its Board with the appointments of Mr Warburton and Mr McAdam as Independent Non-Executive Directors and Mr Wolley and Mr Davies as nominee Non-Executive Directors representing TIO. The resignations of Mr Malaxos and Mr Vickery were also effective on this date.

On 20 December 2016, Mr Warburton was appointed Independent Non-Executive Chairman. Mr Kennedy, formerly Independent Non-Executive Chairman remained as an Independent Non-Executive Director.

On 23 March 2017, Mr McAdam was appointed to the position of Interim Executive Director.

On 5 June 2017, Mr Smart resigned as Alternate Director to Mr R Kennedy.

In June 2017, Flinders moved its corporate office and registered address from Adelaide, South Australia to Perth, Western Australia.

Pilbara Iron Ore Project

During the March 2017 quarter, Flinders undertook a strategic review of the PIOP to identify the best path forward to unlock the assets value.

The strategic review concluded that:

- The PIOP has the potential to be an economic asset;
- The economic development of the asset is dependent on the development of a financeable infrastructure solution;
- A further asset maturation phase is required to define the project's commercial viability ahead of any pre-feasibility study; and
- Further funding via an entitlement offer will need to be completed to fast track the asset maturation phase.

This entitlement offer was completed in early June 2017 and asset maturation programs commenced in late June 2017.

During the June 2017 quarter, the Company commenced the implementation of a comprehensive drilling program at the PIOP to collect a range of drill core from different iron ore horizons for future testing to confirm and enhance a series of bases used in the strategic review. The Company is focussed on reducing the risks associated with its preliminary data by conducting a more thorough analysis of decision critical information that will guide the ultimate production rate, ore quality and mine planning. These factors are key determinants in quantifying the value of the PIOP and optimum project delivery method.

The Company anticipates completion of the drilling program before the end of the calendar year 2017 and results of the drilling program and other works will be collated and assessed during the December 2017 and March 2018 quarters.

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

Canegrass and South Australia

Whilst there was limited exploration activities undertaken on the Group's Canegrass tenements in Western Australia during the financial year, the Canegrass Project remained under active consideration by Flinders with a range of exploration strategies under review.

During the June 2017 quarter, the Company's Board opted to relinquish the Gawler Ranges tenements in South Australian due to the perceived limited potential.

Likely Developments and Business Strategies

The likely developments of the Group and the expected results of those developments in the current financial year are as follows:

- Completion of asset maturation phase programs at PIOP;
- Consideration of the results of the asset maturation phase programs at PIOP to determine the strategy forward;
- Commence discussions with a third party to establish a financeable infrastructure solution at PIOP; and
- Commence active exploration activity at the Group's Canegrass tenements in Western Australia.

Events Subsequent to the End of the Reporting Period

There are no material events subsequent to balance date.

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.

Remuneration Report - Audited

This report sets out the remuneration arrangements in place for Directors and senior management of the Company and the Group in accordance with requirements of the *Corporations Act 2001* and its regulations. For the purposes of the report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company.

Key Management Personnel Covered in this Report

The names and positions of the KMP of the Company and the Group during the financial year were:

Neil Warburton[1]	Independent Non-Executive Chairman	Appointed 19 October 2016
David McAdam	Interim Executive Director (from 23 March 2017)	Appointed 19 October 2016
Robert Kennedy[1]	Independent Non-Executive Director	
Michael Wolley	Non-Executive Director	Appointed 19 October 2016
Evan Davies	Non-Executive Director	Appointed 19 October 2016
Kevin Malaxos	Independent Non-Executive Director	Resigned 19 October 2016
Ewan Vickery	Independent Non-Executive Director	Resigned 19 October 2016
Nicholas Smart	Alternate Director to R Kennedy	Resigned 5 June 2017
Jim Panagopoulos	Chief Financial Officer	Redundant 29 April 2017

[1] On 20 December 2016, Mr Warburton replaced Mr Kennedy as Independent Non-Executive Chairman.

Remuneration Governance

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

- ensure that it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- independently ensure that the Company adopts and complies with remuneration policies that attract, retain and motivate high calibre 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.

Use of Remuneration Consultants

During the year the Nominations and Remuneration Committee sought advice from BDO regarding market data and advice in relation to Director fees and the Company's overall remuneration framework. Such consultants were engaged by and reported directly to the Nominations and Remuneration Committee and were required to confirm in writing, their independence from the Company's senior management and other executives. As a consequence, the Board of Directors is satisfied that the recommendations were made free from undue influence from any member of the KMP.

The recommendations from BDO were provided directly to the Nominations and Remuneration Committee as an input to the decision making process. These recommendations were considered along with other factors by the Company in makings its remuneration decisions and recommendations to the Board of Directors. The fees paid to BDO for this market data and advice were $14,750.

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; and
- aligned to the Company's strategic and business objectives and the creation of shareholder value.

The remuneration of Mr McAdam (Interim Executive 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 Interim Executive Director were formalised in a Services Agreement.

The Services Agreement commenced on 27 February 2017 and details the consulting fee per day, a maximum number of days per week during which the services are to be performed, term of the agreement and termination clauses. Prior to year end, the Interim Executive Director's Service Agreement was extended to 31 December 2017.

The Company does not currently have in place any short or long term performance related milestones and obligations on its KMP.

Non-Executive Directors Remuneration Policy

Non-Executive Directors receive a Board fee and are eligible for fees for extra exertion and consulting services, at the discretion of the full Board. Fees provided to Non-Executive Directors are inclusive of superannuation.

Fees are reviewed annually by the Board's Nominations and Remunerations Committee taking into account comparable roles and market data provided by the Board's independent remuneration adviser.

Non-Executive Directors 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. The Board may apportion any amount up to this maximum amount amongst the Non-Executive Directors as it determines. Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in performing their duties as Directors.

Non-Executive Directors 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.

Details of Remuneration

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

30-Jun-17	Short-term benefits	Post-employment		Share-based payments	
	Salary and Fees	Super-annuation	Termination benefits	Rights over shares	Total
	$	$	$	$	$
Non-executive Directors					
N Warburton [1]	104,160	-	-	-	104,160
M Wolley [1,3]	49,160	-	-	-	49,160
E Davies [1,3]	49,160	-	-	-	49,160
R Kennedy	139,196	9,804	-	-	149,000
K Malaxos [2]	42,000	-	-	-	42,000
E Vickery [2]	38,356	3,644	-	-	42,000
Sub-total non-executive directors	422,032	13,448	-	-	435,480
Executive Directors					
D McAdam [1,4]	266,360	-	-		266,360
Sub-total executive directors	266,360	-	-	-	266,360
Other key management personnel (Group)					
J Panagopoulos [5]	218,744	18,004	79,463	-	316,211
Total key management personnel compensation (group)	907,136	31,452	79,463	-	1,018,051

[1] Appointed 19 October 2016.
[2] Resigned 19 October 2016.
[3] Mr Wolley and Mr Davies Director Fees are paid directly to the major shareholder, TIO.
[4] Mr McAdam's remuneration includes $70,800 for strategic review services, $146,400 for Interim Executive Director services and $49,160 for Non-Executive Director services.
[5] Redundant 29 April 2017.

30-Jun-16	Short-term benefits	Post-employment		Share-based payments	
	Salary and Fees	Super-annuation	Termination benefits	Rights over shares	Total
	$	$	$	$	$
Non-executive Directors					
R Kennedy	142,466	13,534	-	-	156,000
K Malaxos	78,000	-	-	-	78,000
E Vickery	71,233	6,767	-	-	78,000
Sub-total non-executive directors	291,699	20,301	-	-	312,000
Executive Directors					
I Gordon [1]	384,931	38,220	237,634	89,932	750,717
Other key management personnel (Group)					
M Rapaic [2]	27,523	11,062	189,085	-	227,670
J Panagopoulos	195,722	18,593	-	19,566	233,881
Sub-total other key management personnel	223,245	29,655	189,085	19,566	461,551
Total key management personnel compensation (group)	899,875	88,176	426,719	109,498	1,524,268

[1] Resigned 28 June 2016.
[2] Resigned 31 July 2015.

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

Other KMP of the group	Fixed remuneration		At risk - LTI [1]	
	2017	2016	2017	2016
	%	%	%	%
I Gordon	-	73	-	27
M Rapaic	-	100	-	-
J Panagopoulos	-	-	-	-

[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.

Terms of Employment

The terms of employment for the Interim Executive Director are formalised in Service Agreements. Material terms relating to the duration and termination as at 30 June 2017 are set out below;

Name	Compensation	Notice Period	Term
D McAdam	$2,500 per day for a maximum of 4 days per week	One week's notice in writing by either Mr D McAdam or the Company	Concludes 31 December 2017

Share-Based Payment Compensation

Options

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year (2016: Nil).

No options were granted to Directors, KMP or employees of the Company during the financial year (2016: 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.

There were no rights issued, granted or exercised to employees during the current financial year.

During the 2016 financial year, 19,866,000 performance and incentive rights vested into fully paid ordinary shares and 2,930,000 did not vest and were forfeited.

Equity Instrument Disclosures Relating to KMP

Rights holdings

There were no rights issued, granted to or exercised by employees in the 2017 financial year.

The numbers of rights to acquire ordinary shares in the Company held during the 2016 financial year by each Director and KMP of the Group, including their personally related parties, are set out below.

30-Jun-16	Balance at start of the year	Granted as compensation	Exercised (option)/ Vested (rights)	Forfeited	Balance at the end of the year
	No.	No.	No.	No.	No.
I Gordon	10,000,000	-	(10,000,000)	-	-
M Rapaic	3,609,000	-	(3,609,000)	-	-
J Panagopoulos	1,967,000	-	-	(1,967,000)	-

Share holdings

No Directors or KMP held a relevant interest in shares in the Company during the 2017 financial year. There were no shares granted during the reporting period as compensation.

The numbers of shares in the Company held during the 2016 financial year by each Director and KMP of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

30-Jun-16	Balance at start of the year	Granted as compensation	Exercised (option)/ Vested (rights)	Acquired/(disposed) [1]	Balance at the end of the year
	No.	No.	No.	No.	No.
R Kennedy	44,000,000	-	-	(44,000,000)	-
I Gordon	3,033,334	-	-	(3,033,334)	-
K Malaxos	3,200,000	-	-	(3,200,000)	-
E Vickery	7,000,000	-	-	(7,000,000)	-
N Smart	838,095	-	-	(838,095)	-

[1] The disposal of shares by Directors in 2016 was directly related to accepting the takeover offer from TIO.

Other Transactions with KMP and their Related Parties

During the year ended 30 June 2017, the Group utilised the tenement management services of BBI Group Pty Ltd, a subsidiary of its major shareholder, TIO. The total value of these services was $59,488 (2016: nil).

During the year ended 30 June 2017, the Group paid Director Fees to TIO, its major shareholder, for Director services provided by Mr Wolley and Mr Davies. The total value of these services was $98,920 (2016: nil).

This is the end of the audited remuneration report.

Options Granted over Unissued Shares

There are no unissued ordinary shares of Flinders Mines Limited under option at the date of this report.

Non Audit Services

No non-audit services were provided by the entity's auditor, Grant Thornton Audit Pty Ltd.

Indemnification and Insurance of Officers

The Company has taken out an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim bought by a third party against the Company or its current or former Directors or Officers and against liabilities for costs and expense incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company indemnifies each of the Directors and Officers of the Company. Under its Constitution, the Company will indemnify those Directors or Officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities as Directors or Officers of the Company or any related entities.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Grant Thornton, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton during or since the financial year.

Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which this class order applies.

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 15.

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

David McAdam
Interim Executive Director

Perth, Western Australia
14 September 2017

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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 2017, 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

J L Humphrey
Partner - Audit & Assurance

Adelaide, 14 September 2017

	Notes	30-Jun-17 $'000	30-Jun-16 $'000
Revenue from continuing operations			
Other revenue	6	43	85
Other income	6	-	2
Administrative expenses	6	(2,070)	(3,996)
Other expenses	6	(167)	(892)
Finance costs	6	(27)	(5)
(Loss) before income tax		(2,221)	(4,806)
Income tax (expense)/benefit	7	(43)	749
(Loss) for the year		(2,264)	(4,057)
Item that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets		-	292
Other comprehensive income for the year, net of tax		-	292
Total comprehensive income for the year		(2,264)	(3,765)
(Loss) is attributable to:			
Owners of Flinders Mines Limited		(2,264)	(4,057)
Total comprehensive income for the year is attributable to:			
Owners of Flinders Mines Limited		(2,264)	(3,765)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share	25	(0.073)	(0.144)

The above statement should be read in conjunction with the accompanying notes.

	Notes	30-Jun-17 $'000	30-Jun-16 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	10,067	551
Trade and other receivables	9	127	851
Other current assets		467	297
Total current assets		10,661	1,699
Non-current assets			
Available-for-sale financial assets	10	3	5
Exploration and evaluation	11	48,890	46,518
Plant and equipment	12	72	217
Other non-current assets	9	7	7
Total non-current assets		48,972	46,747
Total assets		59,633	48,446
LIABILITIES			
Current liabilities			
Trade and other payables	13	941	1,073
Provisions	14	-	37
Total current liabilities		941	1,110
Total liabilities		941	1,110
Net assets		58,692	47,336
EQUITY			
Contributed equity	15	138,859	125,239
Reserves	16	-	-
Retained losses		(80,167)	(77,903)
Total equity		58,692	47,336

The above statement should be read in conjunction with the accompanying notes.

	Contributed equity	Available for sale asset reserve	Share based payments reserve	Retained losses	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	124,414	(292)	561	(74,562)	50,121
Loss for the year	-	292	-	(4,057)	(3,765)
Total comprehensive income for the year	124,414	-	561	(78,619)	46,356
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	825	-	-	-	825
Rights expired during the year	-	-	(716)	-	(716)
Transfer of expired rights	-	-	-	716	716
Rights issued during the year	-	-	155	-	155
Balance at 30 June 2016	125,239	-	-	(77,903)	47,336
Loss for the year	-	-	-	(2,264)	(2,264)
Total comprehensive income for the year	125,239	-	-	(80,167)	45,072
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	13,620	-	-	-	13,620
Balance at 30 June 2017	138,859	-	-	(80,167)	58,692

The above statement should be read in conjunction with the accompanying notes.

	Notes	30-Jun-17 $'000	30-Jun-16 $'000
Cash flows from operating activities			
Receipts from customers		-	33
Payments to suppliers and employees		(2,387)	(3,107)
Research and Development tax incentive received		-	578
Interest expense		(24)	-
Interest received		43	45
Net cash (outflow) from operating activities	24	(2,368)	(2,451)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		1	3
Proceeds from sale of available-for-sale financial assets		-	41
Payments for exploration activities		(1,695)	(1,637)
Net cash (outflow) from investing activities		(1,694)	(1,593)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		13,670	825
Transaction costs		(92)	-
Proceeds from borrowings		2,000	-
Repayment of borrowings		(2,000)	-
Net cash inflow from financing activities		13,578	825
Net increase/(decrease) in cash and cash equivalents		9,516	(3,219)
Cash and cash equivalents at the beginning of the financial year		551	3,770
Cash and cash equivalents at the end of the financial year	8	10,067	551

The above statement should be read in conjunction with the accompanying notes.

1 Corporate information

The consolidated financial report of Flinders Mines Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 14 September 2017. The Board of Directors has the power to amend the consolidated financial statements after issue.

Flinders Mines Limited (the "Company" or "Flinders") is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company and its subsidiaries were incorporated and domiciled in Australia. The registered office and principal place of business of the Company is 45 Ventnor Avenue, West Perth, WA 6005.

The nature of the operations and principal activities of the Company are disclosed in the Directors' Report.

The amounts contained in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) pursuant to the option available to the Company under ASIC Class Order 2016/191. The Company is an entity to which this Class Order applies.

2 Reporting entity

The Consolidated Financial Statements comprise of the Company and its subsidiaries, (together referred to as the "Consolidated Entity" or the "Group").

3 Summary of significant accounting policies

a) Basis of preparation

The Consolidated Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The accounting policies are consistent with those of the previous financial year except as detailed in Note 3v.

These financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are required to be measured at fair value.

b) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet respectively.

c) 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.

d) 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.

e) Income tax

The income tax expense or benefit 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.

3 Summary of significant accounting policies (continued)

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, the deferred income tax is 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date 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 or losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent entity 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 balances attributable to amounts recognised directly in equity are also recognised directly in equity.

f) Impairment of non-financial assets

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of 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). The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash generating unit.

g) Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks, as defined above (and money market investments readily convertible to cash on hand), net of outstanding bank overdrafts.

h) 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.

i) 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.

j) Other financial assets

Recognition and de-recognition

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.

3 Summary of significant accounting policies (continued)

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 4.

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.

k) Property, 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.

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.

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.

3 Summary of significant accounting policies (continued)

l) Trade creditors

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.

m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be wholly settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on high quality corporation bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

n) Share-based payments transactions

The Company provides benefits to employees (including Directors) in the form of share-based payments whereby employees render services in exchange for shares or rights over shares ("share-based payments" or "equity-settled transactions").

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date they are granted. The value is determined using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of FMS ("market conditions") if applicable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Consolidated Statement of Comprehensive Income charge or credit for the period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification as measured at the date of modification.

Where an equity-settled award is cancelled (other than cancellation when a vesting condition is not satisfied), it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of the outstanding options is reflected as additional share dilution in the computation of earnings per share.

3 Summary of significant accounting policies (continued)

o) Earnings per share

Basic earnings/loss per share is determined by dividing net profit or loss after income tax attributable to members 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.

Diluted earnings per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares by the weighted average number of shares assumed to have been issued for no consideration in relation to potential ordinary shares.

p) 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.

q) 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.

r) Comparative figures

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

s) Contributed equity

Issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised, net of tax, directly in equity as a reduction of the share proceeds received.

t) Significant accounting estimates and assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions 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:

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.

3 Summary of significant accounting policies (continued)

Exploration and evaluation
The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related area of interest itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of reserves and resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if rights to tenure of the area of interest are current and activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Share-based payments
The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using the Black-Scholes valuation method, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period, but may affect expenses and equity

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Consolidated Entity's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing whether the entity meets the requirements of taxation laws and regulations to qualify in the future for utilisation of the assets. In this respect, the ultimate tax determination is uncertain. Current tax liabilities and assets are recognised at the amount expected to be paid to or recovered from the taxation authorities. Refer to Note 7.

u) Accounting standards and interpretations issued but not yet effective

The following accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the period ended 30 June 2017and are outlined below:

AASB 9 Financial Instruments (effective and applicable to the Group from 1 January 2018) - AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. When this standard is first adopted in the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 15 Revenue from contracts with customers (effective and applicable to the Group from 1 January 2018) - AASB 15 introduces a new framework for accounting for revenue and will replace AASB 118 revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. When this standard is first adopted in the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or contribution of Assets between an Investor and its Associate or Joint Venture (effective and applicable to the Group from 1 January 2018) – AASB 2014-10 amends AASB 10 and AASB 128 to address an inconsistency in dealing with sale or contribution of assets between an investor and its associate or joint venture. The amendments include (a) a full gain or loss to be recognised when a transaction involves a business and (b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business. When this standard is first adopted in the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

3 Summary of significant accounting policies (continued)

AASB 16 Leases (effective and applicable to the Group from 1 January 2019) - One of the key changes to AASB 16 Leases is that lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. AASB 16 will result in lessees recognising most leases on the balance sheet. When this standard is first adopted in the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112] (effective and applicable to the Group from 1 January 2017) – This amendment clarifies the requirement on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. When this standard is first adopted in the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (effective and applicable to the Group from 1 January 2017) – This amendment requires disclosures that will enable a user to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. When this standard is first adopted in the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective and applicable to the Group from 1 January 2018) – addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. When this standard is first adopted in the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

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

v) New accounting standards and interpretations

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Company accounting policies.

4 Financial risk management

The Group's activities expose it to a variety of financial risks: interest rate 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, and 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.

Interest rate risk
The Group’s exposure to market risk for changes in interest rates arise from variable interest rate exposure on cash, fixed deposits and interest bearing liabilities.

The Group’s policy is to manage its exposure to interest rate risk by holding cash in short-term, fixed rate and variable rate deposits with reputable high credit quality financial institutions. With interest bearing liabilities, consideration is also given to the potential renewal of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following table summarises the financial assets and liabilities of the Group, together with the effective interest rates as at the balance date.

4 Financial risk management (continued)

30-Jun-17	Floating interest rate	Fixed interest rate maturing in: < 1 Year	1 to 5 years	> 5 years	Non-interest bearing	Average interest rates Floating	Fixed
	$'000	$'000	$'000	$'000	$'000	%	%
Financial Assets							
Cash and cash equivalents	3,917	6,150	-	-	-	1.50%	2.20%
Trade and other receivables	-	-	-	-	134	-	-
Available-for-sale financial assets	-	-	-	-	3	-	-
Financial Liabilities							
Trade and other payables	-	-	-	-	941	-	-

30-Jun-16	Floating interest rate	Fixed interest rate maturing in: < 1 Year	1 to 5 years	> 5 years	Non-interest bearing	Average interest rates Floating	Fixed
	$'000	$'000	$'000	$'000	$'000	%	%
Financial Assets							
Cash and cash equivalents	401	150	-	-	-	2.45%	2.50%
Trade and other receivables	-	-	-	-	858	-	-
Available-for-sale financial assets	-	-	-	-	5	-	-
Financial Liabilities							
Trade and other payables	-	-	-	-	1,073	-	-

As at 30 June 2017, if interest rates had moved by the points shown below, with all other variables being held constant, post-tax loss and equity would have been affected as follows:

	Post tax losses 30-Jun-17	30-Jun-16	Equity 30-Jun-17	30-Jun-16
	$'000	$'000	$'000	$'000
+1% (100 basis points)	101	6	(101)	(6)
-1% (100 basis points)	(101)	(6)	101	6

The movements in loss after income tax are due to higher/lower interest costs from fixed and variable rate debt and cash balances during the relevant year. Reasonably possible movements in interest rates were determined based on observations of historical movements in the past two years.

The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the instruments. Exposure at balance date is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties and as such, collateral is not requested nor is it the Group's policy to securitise its receivables. Receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

The credit quality of the Group's financial assets as at 30 June 2017 is as follows:

30-Jun-17	AAA	AA-	Internally rated	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	-	10,067	-	10,067
Trade and other receivables	91	-	43	134
Available-for-sale financial assets	-	-	3	3

4 Financial risk management (continued)

30-Jun-16	AAA	AA-	Internally rated	Total
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and cash equivalents	-	551	-	551
Trade and other receivables	851	-	7	858
Available-for-sale financial assets	-	-	5	5

The equivalent S&P and Moody's rating of the financial assets represents the rating of the counterparty with whom the financial asset is held rather than the rating of the financial asset itself.

Internally rated, no default customers are customers with who the Group has traded before and have no history of default.

Liquidity risk

The Group's objective is to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost effective manner.

The Group's treasury function continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Sensitivity analysis is conducted to ensure that the Group has the ability to meet commitments.

30-Jun-17	< 1 year	< 1 to 5 years	Total
	$'000	$'000	$'000
Financial Assets			
Cash and cash equivalents	10,067	-	10,067
Trade and other receivables	127	7	134
Available-for-sale financial assets	-	3	3
Financial Liabilities			
Trade and other payables	(941)	-	(941)
Net inflow/(outflow)	9,253	10	9,263

30-Jun-16	< 1 year	< 1 to 5 years	Total
	$'000	$'000	$'000
Financial Assets			
Cash and cash equivalents	551	-	551
Trade and other receivables	851	7	858
Available-for-sale financial assets	-	5	5
Financial Liabilities			
Trade and other payables	(1,073)	-	(1,073)
Net inflow/(outflow)	329	12	341

Fair value measurements

The fair value of financial assets and financial liabilities is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs. The fair value of financial assets and liabilities approximate their carrying values, unless otherwise specified.

The Group does hold available-for-sale financial assets of which it is required to disclose its measurement by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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.

5 Segment information

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 Consolidated Financial Statements of the Group.

30-Jun-17	Pilbara Iron Ore	Canegrass Magnetite	Other Minerals	Total
	$'000	$'000	$'000	$'000
Segment result / Adjusted EBITDA	-	-	(165)	(165)
Impairment of assets	-	-	(165)	(165)
Capital expenditure	2,302	70	165	2,537
Total segment assets	48,820	70	-	48,890
Total segment liabilities	498	5	-	503

30-Jun-16	Pilbara Iron Ore	Canegrass Magnetite	Other Minerals	Total
	$'000	$'000	$'000	$'000
Segment result / Adjusted EBITDA	-	(360)	(150)	(510)
Impairment of assets	-	(360)	(150)	(510)
Capital expenditure	1,518	86	150	1,754
Total segment assets	46,518	-	-	46,518
Total segment liabilities	6	11	-	17

Other segment information

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

	30-Jun-17	30-Jun-16
	$'000	$'000
Total segment revenue		-
Interest revenue	43	52
Other revenue	-	33
Total revenue (note 6)	43	85

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

	30-Jun-17	30-Jun-16
	$'000	$'000
Adjusted EBITDA	(165)	(510)
Other revenue from ordinary activities	43	85
Loss on disposal of assets	-	2
Administrative expenses	(2,070)	(3,996)
Impairment of financial assets	(2)	(382)
Finance costs	(27)	(5)
Profit/loss before income tax	(2,221)	(4,806)

5 Segment information (continued)

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

	30-Jun-17 $'000	30-Jun-16 $'000
Segment assets	48,890	46,518
Unallocated:		
Cash and cash equivalents	10,067	551
Trade and other receivables	127	851
Other current assets	467	297
Available-for-sale financial assets	3	5
Plant and equipment	72	217
Other non-current assets	7	7
Total assets as per the consolidated statement of financial position	59,633	48,446

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

	30-Jun-17 $'000	30-Jun-16 $'000
Segment liabilities	503	17
Unallocated:		
Trade and other payables	438	1,056
Provisions	-	37
Total liabilities as per the consolidated statement of financial position	941	1,110

6 Income and expenses

	30-Jun-17 $'000	30-Jun-16 $'000
Other revenue		
Interest received	43	52
Other revenue	-	33
	43	85

	30-Jun-17 $'000	30-Jun-16 $'000
Other income		
Profit on sale of asset	-	2

	30-Jun-17 $'000	30-Jun-16 $'000
Administrative expenses		
Compliance	252	37
Depreciation	33	82
Administration costs	650	935
Salary and wages	839	974
Share based payments	-	155
Legal fees	113	206
Occupancy costs	183	155
Marketing and promotion	-	1,452
	2,070	3,996

6 Income and expenses (continued)

	30-Jun-17 $'000	30-Jun-16 $'000
Other expense		
Exploration expenditure written off	165	117
Impairment of exploration assets	-	393
Impairment of financial assets	2	382
	167	892

	30-Jun-17 $'000	30-Jun-16 $'000
Finance costs		
Interest expense	24	-
Bank fees	3	5
	27	5

7 Income tax expense

The prima facie income tax expense on pre-tax accounting losses from continuing operations reconciles to the income tax expense in the financial statements as follows:

	30-Jun-17 $'000	30-Jun-16 $'000
Loss from continuing operations before income tax expense	(2,221)	(4,806)
Tax at the Australian tax rate of 30% (2016: 30%)	(666)	(1,442)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-allowable items	1	47
Tax losses not brought to account	707	1,307
Transfer of available for sale reserve to impairment expense	1	88
Adjustment for Research and Development tax offset	-	(749)
Income tax expense/(benefit)	43	(749)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian Tax Law. There has been no change in this tax rate since the previous reporting period.

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 3(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 taxation benefits will only be obtained if:

a) the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
b) the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and
c) no changes in tax legislation adversely affect the consolidated entity in realising the benefits from the deductions for the loss.

The Consolidated Entity's ability to realise and recognise the deferred tax asset in the future is dependent on the Consolidated Entity satisfying the "Continuity of Ownership" or "Same Business" tests. FMS has assessed that Continuity of Ownership testing has been failed as at 30 June 2016 and the Same Business test will be required to be passed in order for the Group's tax losses to remain available. At present, the Company is of the opinion that the Same Business Test will be met.

The Group has net DTAs arising in Australia of $23.337m (2016: $22.611m) that are available for offset indefinitely against future taxable profits of the companies in which the losses arose.

8 Cash and cash equivalents

	30-Jun-17 $'000	30-Jun-16 $'000
Cash at bank and in hand	3,917	401
Term deposits	6,150	150
	10,067	551

9 Trade and other receivables

	30-Jun-17 $'000	30-Jun-16 $'000
Current		
Trade receivables	-	7
Other receivables	127	95
Income tax receivables		749
	127	851
Non Current		
Security bond	7	7

All current receivables are due within 30 days (2016: 30 days). There are no past due or impaired receivables.

10 Available-for-sale financial assets

	30-Jun-17 $'000	30-Jun-16 $'000
Shares in listed companies	3	5

Available-for-sale financial assets comprise investments in the ordinary capital of PNX Metals Limited formerly (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.

11 Exploration and evaluation expenditure

	30-Jun-17 $'000	30-Jun-16 $'000
Opening balance	46,518	45,274
Expenditure incurred	2,537	1,754
Impairment loss	(165)	(510)
Closing balance	48,890	46,518

The ultimate recoupment of costs carried forward for areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation, or sale, of the respective areas of interest. For areas which do not meet the criteria of the accounting policy per Note 3(t), those amounts are charged to the Consolidated Statement of Comprehensive Income.

12 Property, plant and equipment

	Plant and equipment $'000	Furniture, fittings and $'000	Machinery and vehicles $'000	Computer software $'000	Computer hardware $'000	Total $'000
Year ended 30 Jun 2017						
Opening net book amount	161	23	26	5	2	217
Depreciation charge	(112)	(8)	(18)	(5)	(2)	(145)
Closing net book amount	49	15	8	-	-	72
At 30 Jun 2017						
Cost	972	172	383	539	460	2,526
Accumulated depreciation	(923)	(157)	(375)	(539)	(460)	(2,454)
Net book amount	49	15	8	-	-	72

	Plant and equipment $'000	Furniture, fittings and equipment $'000	Machinery and vehicles $'000	Computer software $'000	Computer hardware $'000	Total $'000
Year ended 30 Jun 2016						
Opening net book amount	280	38	71	21	9	419
Disposals	-	(2)	-		(1)	(3)
Depreciation charge	(119)	(13)	(45)	(16)	(6)	(199)
Closing net book amount	161	23	26	5	2	217
At 30 Jun 2016						
Cost or fair value	972	172	383	539	460	2,526
Accumulated depreciation	(811)	(149)	(357)	(534)	(458)	(2,309)
Net book amount	161	23	26	5	2	217

During the year $112k (2016: $117k) of depreciation was included in the amount capitalised as exploration and evaluation.

13 Trade and other payables

	30-Jun-17 $'000	30-Jun-16 $'000
Trade payables	491	389
Other payables	450	684
	941	1,073

Trade and other payables are non-interest bearing and usually settled within 30 days.

14 Provisions

	30-Jun-17 $'000	30-Jun-16 $'000
Current		
Employee entitlements	-	37
Non Current		
Employee entitlements	-	-

15 Contributed equity

	30-Jun-17 $'000	30-Jun-16 $'000
3,366,951,446 (2016: 2,947,152,568) ordinary fully paid shares		

	No. of Shares	$'000
Issued shares:		
At 1 July 2015	2,762,995,689	124,414
Conversion of employee rights	19,156,879	-
Share placement	165,000,000	825
Share issue costs	-	-
As at 30 June 2016	2,947,152,568	125,239
At 1 July 2016	2,947,152,568	125,239
Shares issued pursuant to non-renounceable rights issues	419,798,878	13,717
Share issue costs	-	(97)
As at 30 June 2017	3,366,951,446	138,859

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.

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 26.

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.

16 Reserves

Nature and purpose of reserves

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(j) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Share-based payments reserve

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.

17 Key management personnel disclosures

Details of key management personnel

The names and positions of the KMP of the Company and the Group during the financial year were:

Neil Warburton	Independent Non-Executive Chairman	Appointed 19 October 2016
David McAdam	Interim Executive Director	Appointed 19 October 2016
Robert Kennedy	Independent Non-Executive Director	
Michael Wolley	Non-Independent Non-Executive Director	Appointed 19 October 2016
Evan Davies	Non-Independent Non-Executive Director	Appointed 19 October 2016
Kevin Malaxos	Independent Non-Executive Director	Resigned 19 October 2016
Ewan Vickery	Independent Non-Executive Director	Resigned 19 October 2016
Nicholas Smart	Alternate Director to R Kennedy	Resigned 5 June 2017
Jim Panagopoulos	Chief Financial Officer	Redundant 29 April 2017

Compensation of key management personnel

	30-Jun-17	30-Jun-16
	$	$
Short-term employee benefits	907,136	899,875
Post-employment benefits	31,452	88,176
Termination payments	79,463	426,719
Share-based payments	-	109,498
	1,018,051	1,524,268

18 Remuneration of auditors

During the year 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:

	30-Jun-17	30-Jun-16
	$	$
Amounts paid or payable to the auditors:		
Auditing and reviewing of financial reports	44,482	32,500

19 Contingent assets and liabilities

The Group had no contingent assets or liabilities at 30 June 2017 (2016: nil).

20 Commitments

Non-cancellable operating lease

On 1 July 2014 the Group leased one office under a non-cancellable operating lease. This lease expired on 29 April 2017.

	30-Jun-17	30-Jun-16
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:		
Within one year	-	117
Later than one year but not later than five years	-	-
	-	117

20 Commitments (continued)

Exploration and evaluation expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various State and Territory Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in this financial report.

The minimum level of exploration commitment expected in the year ending 30 June 2018 for the Group is approximately $1.400m. These obligations are expected to be fulfilled in the normal course of operations.

Subject to funding, the Group expects to spend in excess of $10.000m on the PIOP and Canegrass project in the year ending 30 June 2018.

21 Related party transactions

Parent entity

The Parent Entity within the Group is Flinders Mines Limited.

Loans to subsidiaries

Loans between entities in the wholly owned Group are non-interest bearing, unsecured and are payable upon reasonable notice having regard to the financial situation of the entity.

Other transactions with related parties

During the year ended 30 June 2017, the Group utilised the tenement management services of BBI Group Pty Ltd, a subsidiary of its major shareholder. The total value of these services was $59,488 (2016: nil).

During the year ended 30 June 2017, the Group paid Director Fees to TIO (NZ) Limited, its major shareholder, for Director services provided by Mr M Wolley and Mr E Davies. The total value of these services was $98,920 (2016: nil).

22 Subsidiaries

The Consolidated Financial Statements include the financial statements of Flinders Mines Limited and the subsidiaries listed in the following table:

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding %**	
			2017	2016
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

23 Interests in joint venture operations

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

Participant/Joint Operation	**Percentage of interest held in joint venture %**	
	2017	2016
Copper Range Limited	Nil	100%
PNX Metals [1]	100%	100%
Tarcowie Phosphate Ltd	Nil	100%
Prenti Exploration Pty Ltd	Nil	100%

[1] FMS maintains 100% of the rights to explore for and, if warranted, develop mining operations on PNX Metals Jamestown Project, EL 5557 tenement, located in South Australia, for diamonds, barium, talc and phosphate.

24 Reconciliation of loss for the year to net cash flows from operations

	30-Jun-17 $'000	30-Jun-16 $'000
Loss for the year	(2,264)	(4,057)
Depreciation	33	82
Exploration expenditure written off	165	117
Non-cash employee benefits expense (share-based payments)	-	155
Impairment of exploration	-	393
Impairment of financial assets	2	293
Net profit on disposal of non-current assets	-	(2)
Deferred income tax expense	43	-
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	672	(36)
(Increase) in other assets	(310)	(31)
(Decrease)/increase in trade and other payables	(672)	853
(Decrease) in provisions	(37)	(218)
Net cash flows from operating activities	(2,368)	(2,451)

25 Loss per share

	30-Jun-17 $'000	30-Jun-16 $'000
Loss used in calculating basic and diluted loss per share	(2,264)	(4,057)
Loss used in calculating basic and diluted loss per share from continuing operations	(2,264)	(4,057)

	30-Jun-17 No.	30-Jun-16 No.
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	3,114,608,516	2,823,300,003

26 Share-based payments

Employee Share 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. Any Option granted under the plan are un-listed and carry no voting or dividend rights.

There were no Options granted under the Employee Share Option Plan in 2017 or 2016 financial years.

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 Employee Incentive Rights Plan carry no voting or dividend rights.

On 1 July 2014 22,796,000 rights were issued to nine Company employees under the Company’s Employee Incentive Rights Plan. The unvested Rights expired on 30 June 2016.

There were no Rights issued in the 2017 financial year.

27 Parent entity information

	30-Jun-17	30-Jun-16
	$'000	$'000
Current assets	10,637	2,527
Non-current assets	48,960	46,148
Total assets	**59,597**	**48,675**
Current liabilities	935	1,339
Total liabilities	**935**	**1,339**
Issued capital	138,817	125,239
Reserves	-	-
Accumulated losses	(80,154)	(77,902)
	58,663	**47,337**
Loss for the year	(2,826)	(4,057)
Total comprehensive loss for the year	(2,826)	(4,057)

The Company has no material contingent liabilities.

28 Events occurring after the reporting period

There are no material events subsequent to balance date.

In the Directors' opinion:

(a) the Financial Statements and notes 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 2017 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 and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

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.

David McAdam
Interim Executive Director

Perth, Western Australia
14 September 2017

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Independent Auditor's Report to the Members of Flinders Mines Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Flinders Mines Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Assets – valuation Note 3(p) and 11	
At 30 June 2017, the carrying value of Exploration and Evaluation Assets was $49 million. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Company is required to assess at each reporting date if there are any triggers for impairment which may suggest the carrying value is in excess of the recoverable value. The process undertaken by management to assess whether there are any impairment triggers in each area of interest involves an element of management judgement. This area is a key audit matter due to the valuation of exploration and evaluation assets being a significant risk.	Our procedures included, amongst others: • Obtaining the management prepared reconciliation of capitalised exploration and evaluation expenditure and agreeing to the general ledger; • Reviewing management's area of interest considerations against AASB 6; • Conducting a detailed review of management's assessment of trigger events prepared in accordance with AASB 6 including; – Tracing projects to statutory registers to determine whether a right of tenure existed; – Enquiry of management regarding their intentions to carry out exploration and evaluation activity in the relevant exploration area, including review of managements' budgeted expenditure; – Understanding whether any data exists to suggest that the carrying value of these exploration and evaluation assets are unlikely to be recovered through development or sale; • Assessing the accuracy of impairment recorded for the year as it pertained to exploration interests; and • Reviewing the appropriateness of the related disclosures within the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Flinders Mines Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Grant Thornton,

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

J L Humphrey

Partner - Audit & Assurance

Adelaide, 14 September 2017

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows: The information is current as at 4 September 2017.

Issued Equity Capital

	Ordinary Shares	Options
Number of holders	4,492	Nil
Number on issue	3,366,951,446	Nil

Voting Rights

Voting rights, on a show of hands, are one vote for every registered holder of Ordinary Shares and on a poll, are one vote for each share held by registered holders of Ordinary Shares. Options do not carry any voting rights.

Distribution of Holdings of Equity Securities

Holding ranges	Number of Equity Security Holders	
	Ordinary Shares	Units
1 – 1,000	351	35,709
1,001 – 5,000	490	1,806,480
5,001 – 10,000	703	5,766,327
10,001 – 100,000	2,056	77,049,628
100,001 and over	892	3,282,293,302
Total	4,492	3,366,951,446

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel (which as at 4 September 2017 was 9,091 Shares) was 1,246.

Substantial Shareholders

	Number of Ordinary Shares	Percentage (%)
TIO (NZ) Limited	1,861,779,287	55.30
OCJ Investment (Australia) Pty Ltd	686,000,000	20.37

On Market Buy Back

There is no current on-market buy-back.

Top 20 Shareholders

Rank	Name	Number of Ordinary Shares	Percentage (%)
1	TIO (NZ) LIMITED	1,861,779,287	55.30
2	OCJ INVESTMENT (AUSTRALIA) PTY LTD	686,000,000	20.37
3	MR KENNETH MARTIN KEANE	61,188,251	1.82
4	CITICORP NOMINEES PTY LIMITED	46,073,466	1.37
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	34,438,507	1.02
6	MISS SHUOHANG WANG	21,610,162	0.64
7	MR CHUNLEI OUYANG	21,450,000	0.64
8	MR IAN DRUMMOND + MRS JANICE DRUMMOND <INSTIL ENTERPRISES S/F A/C>	17,100,000	0.51
9	MR KENNETH MARTIN KEANE + MS SALLY MORTON ROBERTS <KEANE SUPER FUND A/C>	14,819,868	0.44
10	MR GRANT RUSSELL MCGARRY	10,000,001	0.30
11	MR SAMUEL GWYNNE WALKER	9,863,270	0.29
12	MR ASHLEY MARTIN NEWLAND	8,792,564	0.26
13	MR BRENDON TONY DUNSTAN	8,559,913	0.25
14	MR BOBBY PAPADOPOULOS	8,000,000	0.24
15	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,578,231	0.23
16	MR SANOJ XAVIER & MRS MARIA XAVIER	6,770,147	0.20
17	MS NICOLE MAXIME BRUCE	6,330,700	0.19
18	MR WAYNE RAYMOND KEARNEY + MRS ROBYN KEARNEY <KEARNEY SUPER A/C>	5,861,207	0.17
19	MR WAYNE RAYMOND KEARNEY <W & R KEARNEY FAMILY A/C>	5,848,236	0.17
20	MR ALEXANDER ILIEVSKI	5,303,731	0.16
	TOTAL	**2,847,367,541**	**84.57**

The Board of Flinders Mines Limited has adopted the spirit and intent of the 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

The Company's 2017 Corporate Governance Statement is available for in the Corporate Governance section of the Company's website: http://www.flindersmines.com/Corporate/Governance.

This document is reviewed regularly to address any changes in governance practices and the law.

The below table details the Group's interest in mining tenements as at 30 June 2017.

Tenement	Location	Status	Registered Holder	Interest at 30 June 2017
E47/1560	Western Australia	Granted	Flinders Mines Limited	100%
E58/0232	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0236	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0282	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
L47/0728	Western Australia	Granted	Flinders Mines Limited	100%
L47/0730	Western Australia	Granted	Flinders Mines Limited	100%
L47/0734	Western Australia	Granted	Flinders Mines Limited	100%
M47/1451	Western Australia	Granted	Flinders Mines Limited	100%
L47/0731	Western Australia	Pending	Flinders Mines Limited	100%

Total Mineral Resource Inventory as at 30 June 2017

M47/1451 – Blacksmith [1]

JORC Classification	Tonnes 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	Tonnes 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**

Pilbara Iron Ore Project - Total

JORC Classification	Tonnes 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**

Canegrass V205 >0.5% [3]

JORC Classification	Tonnes Mt	Fe%	Tio_2%	V_2O_5%	SiO_2%	AL_2O_3%	P%
Inferred	107	0.62	5.80	29.00	24.50	12.60	0.006
Indicated	-	-	-	-	-	-	-
Measured	-	-	-	-	-	-	-
Total	**107**	**0.62**	**5.80**	**29.00**	**24.50**	**12.60**	**0.006**

Canegrass Fe >20% [3]

JORC Classification	Tonnes Mt	Fe%	Tio_2%	V_2O_5%	SiO_2%	AL_2O_3%	P%
Inferred	216	25.40	5.00	0.52	28.10	14.00	0.007
Indicated	-	-	-	-	-	-	-
Measured	-	-	-	-	-	-	-
Total	**216**	**25.40**	**5.00**	**0.52**	**28.10**	**14.00**	**0.007**

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 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.

[3] The Canegrass Mineral Resource includes the Fold Nose and Kinks deposits. This Mineral Resource is currently reported to JORC 2004 standards and will be updated to meet JORC 2012 standards according to development priorities.

Mineral Resources Annual Statement and Review

The Company carries out an annual review of its Mineral Resources as required by the ASX Listing Rules. The review was carried out as at 30 June 2017. The estimates for Mineral Resources were prepared and disclosed under the JORC Code 2004 (Anvil and Canegrass) and 2012 (Pilbara Iron Ore Project) Editions.

No changes were made to the Mineral Resources for either Canegrass or the Pilbara Iron Ore Project in the year ending 30 June 2017.

The Company is not aware of any new information or data that materially affects the information included in the Annual Statement with regard to Mineral Resources and confirms that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Estimation Governance Statement

The Company ensures that all Mineral Resource calculations are subject to appropriate levels of governance and internal controls.

Exploration results are collected and managed by an independent competent qualified geologist. All data collection activities are conducted to industry standards based on a framework of quality assurance and quality control protocols covering all aspects of sample collection, topographical and geophysical surveys, drilling, sample preparation, physical and chemical analysis and data and sample management.

Mineral Resource estimates are prepared by qualified independent Competent Persons. If there is a material change in the estimate of a Mineral Resource, the estimate and supporting documentation in question is reviewed by a suitable qualified independent Competent Persons.

The Company reports its Mineral Resources on an annual basis in accordance with JORC Code 2004 (Anvil and Canegrass) and 2012 (Pilbara Iron Ore Project).

Competent Person's Statement

The information in this report that relates to Mineral Resources is based on information compiled by Dr Graeme McDonald who is a member of the Australian Institute of Mining and Metallurgy and a consultant to 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.