Flinders Mines Limited

ABN 46 091 118 044

Annual Report
for the year ended 30 June 2019

Flinders Mines Limited
Annual Report - 30 June 2019

Contents Page

Corporate Directory

Board of Directors

Neil Warburton	Independent Non-Executive Chair
The Hon. Cheryl Edwardes, AM	Independent Non-Executive Deputy Chair
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
Shannon Coates	Independent Non-Executive Director
James Gurry	Independent Non-Executive Director

Executive Officer

David McAdam	Chief Executive Officer

Company Secretary

Sarah Wilson

Shannon Coates

Registered Office

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West Perth WA 6005

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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

KPMG

235 St Georges Terrace

Perth WA 6000

Securities Exchange Listing

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

Chairman's Report

Dear Shareholders,

I am pleased to present the Company's Annual Report for the year ended 30 June 2019.

During the year, the Company completed a strategic review to identify the best path forward to progress the Company's Pilbara Iron Ore Project (PIOP) and unlock value for all shareholders. Following the strategic review conducted by the Company with the assistance of an independent corporate advisory firm and as announced on 13 December 2018, the Company applied to the ASX for the removal of the Company from the official list of the ASX under ASX Listing Rule 17.11. This process was subsequently withdrawn on 10 April 2019.

The Company then confirmed that a PIOP Infrastructure Committee had been established on the 31 May 2019, comprising members who are independent of the Company's largest shareholder, TIO (NZ) Limited (Infrastructure Committee). The Infrastructure Committee is chaired by non -executive independent director Cheryl Edwardes.

Flinders announced on 17 June 2019 that the Infrastructure Committee had sought a proposal from BBIG and commenced preliminary discussions with BBIG concerning potential future arrangements to progress the PIOP.

The Infrastructure Committee engaged an independent consultant, PwC, to undertake a review of all potential infrastructure options for the PIOP, with key findings of the review announced to shareholders on 2 September 2019.

The key findings of the PwC review of potential infrastructure options for the PIOP determined that BBI Group Pty Ltd (BBIG) represented the most favourable potential infrastructure pathway for the PIOP through the Balla Balla Infrastructure Project (BBIG Project). The Company further advised it had signed a non-binding terms sheet (Terms Sheet) with BBIG in relation to a farm-in and joint venture arrangement for the PIOP development and at the time of writing this address, Flinders is negotiating binding agreements to give effect to the principles in the Terms Sheet (Transaction Documents).

The main material advantages for Flinders Shareholders contained in the Terms Sheet are;

- Flinders interest in the mining joint venture to be free carried to Final Investment Decision (FID);
- provision of foundation customer status and first priority status on the planned BBIG infrastructure for the PIOP;
- BBIG to arrange all debt and equity financing for the integrated development;
- BBIG to secure long-term offtake agreements with its customers;
- Flinders to retain control of PIOP until FID, and FID does not occur in an agreed timeframe, Flinders to retain 100% of the PIOP;
- provision of significant governance protocols and minority shareholder protections; and
- optionality for Flinders to convert to a royalty or other revenue stream at FID or continue to be free carried to first production (subject to pro rata responsibility for capital cost overruns above an agreed contingency during construction).

Importantly, the Proposed Transaction will be subject to Flinders' shareholder approval, with TIO excluded from voting as it is a related party to BBIG. An independent expert's report will also be prepared, which will opine on whether the proposed transaction with BBIG is fair and reasonable to all Flinders shareholders.

At the same time as announcing the BBIG Terms Sheet, we entered into a $5 million loan facility agreement (Loan Facility) with PIO Mines Pty Limited, a subsidiary of TIO, to assist Flinders in completing due diligence and negotiation of the Transaction Documents and to meet its short term capital requirements, and a subscription agreement (Subscription Agreement) with TIO for them to subscribe for a maximum of $6 million in relation to a future rights issue.

The progress made during the 2019 financial year puts the Company in good stead to progress the PIOP and unlock value for all Flinders' shareholders.

The Canegrass Project had limited work conducted during the year however remains a project which the company is maintaining in good standing.

In conclusion, I would like to welcome Cheryl Edwardes to the Board and thank her for her tireless contribution since accepting the role of Chair of the PIOP Infrastructure Committee. I would also like to thank our CEO, Mr David McAdam, his experienced team and all directors for their valuable contribution to the Company and all shareholders for their continued support.

I look forward to reporting further progress on our projects during the 2020 financial year.

Neil Warburton
Chairman
Perth, Western Australia
18 September 2019

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 2019.

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	Non-Executive Chair	Appointed 19 October 2017
Cheryl Edwardes	Non-Executive Deputy Chair	Appointed 17 June 2019
Michael Wolley	Non-Executive Director	Appointed 19 October 2017
Evan Davies	Non-Executive Director	Appointed 19 October 2017
Shannon Coates	Non-Executive Director	Appointed 20 June 2018
James Gurry	Non-Executive Director	Appointed 18 September 2019
David McAdam [1]	Executive Director	Appointed 19 October 2017

[1] Mr McAdam resigned as Executive Director and was appointed as Chief Executive Officer on 9 July 2019.

Company Secretary

Sarah Wilson held the position of Company Secretary from 20 November 2018 to 30 August 2019 and is joint company secretary with Shannon Coates from 30 August 2019.

Ms Coates was previously appointed Company Secretary on 9 May 2017 and resigned on 20 November 2018. Ms Coates was subsequently appointed joint Company Secretary with Ms Wilson on 30 August 2019.

Information on Directors and Officers

Neil Warburton	**Independent Non-Executive Chair**
Qualifications	Assoc. MinEng WASM, MAusIMM, FAICD
Experience	Mr Warburton has over 38 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 and private mining companies.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chair of Nominations and Remuneration Committee and member of Audit and Risk Committee and PIOP Infrastructure Committee.
Directorships held in other ASX listed entities in the last three years	Non-Executive Director of Independence Group Limited (October 2015 to date), Previously a Non-Executive Director of Australian Mines Limited (April 2003 to December 2017), Peninsula Energy Limited (February 2013 to April 2016), Namibian Copper NL (September 2014 to December 2016), Red Mountain Mining Limited (May 2006 to July 2016) and Coolgardie Minerals Limited (July 2017 to March 2019).
The Hon.Cheryl Edwardes, AM	**Independent Non-Executive Deputy Chair**
Qualifications	LLM, B. Juris, BA
Experience	A lawyer by training, Mrs Edwardes is former Minister in the Western Australian Legislative Assembly with extensive experience and knowledge of WA's legal and regulatory framework relating to mining projects, environmental, native title and heritage and land access. Mrs Edwardes was appointed in August 2017 as a part-time member of the Foreign Investment Review Board for a five-year period. Ms Edwardes assists the clients of FTI Consulting within a range of complex statutory approvals required for resources and infrastructure projects. She also chairs the Port Hedland International Airport and is a Commissioner of the WA Football Commission.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chair of PIOP Infrastructure Committee and Audit and Risk Committee and member of Nominations and Remuneration Committee.
Directorships held in other ASX listed entities in the last three years	Non-Executive Chair of Vimy Resources (May 2014 to date) and Non-Executive Director of AusCann Group Holdings Limited (May 2016 to date). Previously a Non-Executive Director of Atlas Iron Limited (May 2015 to October 2018) and CropLogic Limited (March 2018 to February 2019).

Michael Wolley	**Non-Executive Director**
Qualifications	BE (Chemical and Materials, 1st Class Hons), MMan
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	Member of Nominations and Remuneration Committee and Audit and Risk Committee.
Directorships held in other ASX listed entities in the last three years	Previously a Non-Executive Director of Red Mountain Mining Limited (April 2011 to July 2016) and Wolf Minerals Limited (June 2013 to October 2018).
Evan Davies	**Non-Executive Director**
Qualifications	BTP, MSc, MPhil
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 Nominations and Remuneration Committee and Audit and Risk Committee.
Directorships held in other ASX listed entities in the last three years	Nil
Shannon Coates	**Independent Non-Executive Director /Joint Company Secretary**
Qualifications	LLB, BA (Jur), GAICD, GIA
Experience	Ms Coates is a non-executive director and Chartered Secretary. She is a qualified lawyer and has over 20 years' experience in corporate law and compliance. Ms. Coates is currently Managing Director of Evolution Corporate Services, a boutique corporate advisory firm providing company secretarial and corporate advisory support to boards and various committees across a variety of industries including financial services, resources, oil and gas, manufacturing and technology.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Member of Audit and Risk Committee and PIOP Infrastructure Committee and Nominations and Remuneration Committee
Directorships held in other ASX listed entities in the last three years	Non-Executive Director of Vmoto Limited (May 2014 to date) and Kopore Metals Limited (October 2015 to date).

James Gurry	**Independent Non-Executive Director**
Qualifications	B.Com (Hons)
Experience	Mr Gurry is a leading equity analyst with extensive research experience in the iron ore sector. His most recent role was as Director – Corporate & Investment Bank, and Head of Natural Resources Equity Research with Deutsche Bank Equities Australia, and previous roles have included equity research with Credit Suisse Equities in both Sydney and London where he was Head of Mining Company Research. He started his career in the Transaction Advisory Services Division of Ernst & Young, Melbourne
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Member of PIOP Infrastructure Committee
Directorships held in other ASX listed entities in the last three years	Nil
David McAdam	**Chief Executive Officer**
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	Member of Nominations and Remuneration Committee and PIOP Infrastructure Committee.
Directorships held in other ASX listed entities in the last three years	Nil
Sarah Wilson	**Joint Company Secretary**
Experience	Ms Wilson is a Corporate Advisor with Evolution Corporate Services Pty Ltd and has over 8 years' experience in company secretarial, corporate advisory and corporate governance roles, which have included the provision of company secretarial services to resource companies. Ms Wilson holds a Certificate in Governance Practice and is a Certified Member of the Governance Institute of Australia.

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 2019, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Audit & Risk Committee		Nominations & Remuneration Committee		PIOP Infrastructure Committee[1]		Strategic Review Committee[2]		Corporate Governance Committee[3]	
	A	B	A	B	A	B	A	B	A	B	A	B
N Warburton	24	27	2	2	2	2	3	3	5	6	1	1
C Edwardes[4]	2	2	-	-	-	-	2	2	-	-	-	-
D McAdam	27	27	-	-	2	2	3	3	6	6	1	1
M Wolley	27	27	2	2	2	2	-	-	6	6	1	1
E Davies	26	27	2	2	2	2	-	-	5	6	1	1
S Coates	26	27	2	2	2	2	2	3	6	6	1	1

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] = The Board established the Pilbara Iron Ore Project ('PIOP') Infrastructure Committee on 31 May 2019.

[2] = The Board established the Strategic Review Committee on 7 September 2018 and ceased on 11 June 2019.

[3] = The Board resolved to cease the Corporate Governance Committee on 18 July 2018. Corporate Governance is a standing agenda item at each Board Meeting and as such, Corporate Governance is undertaken by the full Board. On 9 July 2019, responsibility for corporate governance was mandated to the Audit and Risk Committee.

[4] = Ms Edwardes was appointed as a Non-Executive Director on 17 June 2019.

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 (2018: $nil).

Operating Results and Financial Position

The net result of operations for the financial year was a loss of $5.457m (2018: loss of $1.810m).

Review of Operations

Corporate

De-listing from the ASX

Following a strategic review conducted by the Company with the assistance of an independent corporate advisory firm and as announced on 13 December 2018, the Company applied to the ASX for the removal of the Company from the official list of the ASX under ASX Listing Rule 17.11. This process was subsequently withdrawn on 10 April 2019.

Capital raising and Debt Repayment

In August 2018, the Company completed a rights issue raising $8.275m (before costs) by issuing 118,218,635 fully paid ordinary shares at $0.07 per share. These proceeds were used to repay the PIO Mines Pty Ltd loan facility in entirety, $5.131m including accrued interest with the remaining being used for working capital purposes of the Group.

Board Renewal Process

On 17 June 2019, the Hon. Ms Cheryl Edwardes AM was appointed as an independent Non-Executive Director. Ms Edwardes was also appointed as Deputy Chair of the Board, Chair of the Audit and Risk Committee and PIOP Infrastructure Committee and member of the Nominations and Remuneration Committee.

Subsequent to year end, Mr McAdam resigned as Executive Director and was appointed as Chief Executive Officer of the Group on 9 July 2019.

Strategic Path

On 31 May 2019, the Board established the PIOP Infrastructure Committee to consider and make recommendations to the Board on potential infrastructure alternatives for the PIOP. The PIOP Infrastructure Committee comprises Ms Edwardes (Chair), Mr Warburton, Mr McAdam and Ms Coates.

The PIOP Infrastructure Committee engaged PriceWaterhouseCoopers (PwC) as an independent consultant to assess the potential infrastructure alternatives for PIOP, including BBI Group Pty Ltd's (BBIG) Balla Balla infrastructure project, based on the following criteria:

- sufficient existing or proposed port and rail capacity to accommodate the PIOP's anticipated ore volumes;
- timeliness of delivery of the required infrastructure solution;
- potential to assist Flinders in securing development finance for the PIOP;
- commercial motivation and technical capacity of the counterparty to delivery an infrastructure solution; and
- economic viability of the infrastructure solution in relation to the PIOP and its capacity to deliver appropriate returns to shareholders.

In the June 2019 quarter, the PIOP Infrastructure Committee also commenced preliminary discussions with BBIG around a potential infrastructure arrangement.

Subsequent to year end, PwC concluded their independent review with BBIG's Balla Balla infrastructure project being the most favourable PIOP infrastructure pathway. On 2 September 2019, the Company signed a non-binding term sheet with BBIG in relation to a farm-in and joint venture arrangement for the PIOP development.

To support working capital, the Company also entered into a $5m Loan Facility and $6m Subscription Agreement with TIO (NZ) Limited (TIO), the major shareholder.

Going concern

The Independent Auditor's Report contains an emphasis of matter paragraph in relation to going concern. Refer to Note 2(d) of the Financial Statements.

Pilbara Iron Ore Project, Western Australia

During the year ended 30 June 2019, the Company focussed on the progression of an infrastructure solution to unlock the value in the PIOP. Accordingly, no material work was completed on ground or through in-house technical analysis.

Canegrass, Western Australia

The Company engaged CSA Global Pty Ltd to design and execute an exploration work programme at the Canegrass Project and update the Mineral Resource in accordance with JORC Code 2012 Edition.

Activities targeted both extensions to the Vanadium Inferred Mineral Resource and potential gold mineralisation at the Honeypot prospect. Refer to the "Canegrass Project Exploration Update" announcement made on the ASX on 22 January 2019.

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:

- Continue the progression of the non-binding Terms Sheet signed with BBI Group Pty Ltd in relation to the farm-in and joint venture arrangement for the PIOP; and
- Continue active exploration activity at the Group's Canegrass tenements in Western Australia.

Events Subsequent to the End of the Reporting Period

On 9 July 2019, Mr David McAdam resigned as Executive Director and was appointed Chief Executive Officer. Details of his revised contract are included in the Remuneration Report.

On 30 August 2019, Ms Shannon Coates was appointed as Joint Company Secretary with Ms Sarah Wilson.

On 2 September 2019, the Company entered into a non-binding Terms Sheet with BBI Group Pty Ltd in relation to a farm-in and joint venture arrangement for the PIOP development. The Company intends to negotiate binding agreements to give effect to the principles in the Terms Sheet. The binding agreements will be the subject of shareholder approval with TIO excluded from voting.

The major terms of the Terms Sheet are:

- Flinders interest in the joint venture to be free carried to Final Investment Decision;
- provision of foundation customer status for the PIOP and infrastructure solution to unlock the currently stranded PIOP orebody;
- BBIG to arrange all debt and equity financing for the integrated development;
- BBIG to secure long-term offtake agreements with its customers;
- Flinders to retain control of PIOP until FID, and FID does not occur in an agreed timeframe, Flinders to retain 100% of the PIOP;
- provision of significant governance protocols and minority shareholder protections; and
- optionality for Flinders to convert to a royalty or other revenue stream at FIDS or continue to be free carried to first production (subject to pro rata responsibility for capital cost overruns above an agreed contingency during construction).

Should shareholders approve the binding agreements and upon completion of the binding agreements, success fees of $1.7m to various advisors will become payable.

In addition, the Company entered into a $5m Loan Facility with PIO Mines Pty Ltd (a subsidiary of its major shareholder, TIO) and Subscription Agreement with TIO for a maximum of $6m in relation to a future rights issue.

The major terms of the Loan Facility are:

- unsecured, $5m loan;
- interest rate of 6 month Bank Bill Swap Rate and a margin of 2%; and
- maturity on the earlier of 30 April 2020 or within 14 days of the closing of any capital raising.

As at the date of this report, this loan is fully drawn.

The major terms of the Subscription Agreement are:

- final TIO board approval once terms of the rights issue are determined; and
- launch of the rights issue no later than 30 April 2020.

On 18 September 2019, the Company announced the appointment of Mr James Gurry as an Independent Non-Executive Director.

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.

Audited Remuneration Report

Remuneration Report

This report sets out the remuneration arrangements in place for Directors and senior management of the Company and the Group in accordance with the 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	Independent Non-Executive Chair
Cheryl Edwardes	Independent Non-Executive Deputy Chair
David McAdam[1]	Chief Executive Officer
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
Shannon Coates	Independent Non-Executive Director

[1] Mr McAdam resigned as Executive Director on 9 July 2019 and was appointed Chief Executive Officer.

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 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. Consequently, 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 remuneration decision-making processes. These recommendations were considered along with other factors by the Committee in makings its remuneration decisions and recommendations to the Board of Directors. The fees paid to BDO for this market data and advice were $8,750.

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 (Executive Director until 9 July 2019 and Chief Executive Officer from 9 July 2019) is determined by the Directors as part of the terms and conditions of his employment which are subject to review from time to time. The employment conditions for Mr McAdam's Executive Director and Chief Executive Officer roles were formalised in applicable Services Agreements.

Mr McAdam's Executive Director 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. Subsequent to year end upon Mr McAdam's appointment as Chief Executive Officer this agreement was superseded by the Chief Executive Officer Service Agreement which details the consulting fee per day, term of agreement and termination clauses. The Services Agreement is for a minimum 6-month term commencing on 17 June 2019, with 3 months' notice by either Mr McAdam or the Company, applicable after 3 months. Any part of the notice that is paid out by the Company is calculated at 4 days per week. The Chief Executive Officer Services Agreement also includes a short-term incentive of $200,000 plus GST in the event the Company has a binding agreement approved by the Company's shareholders for an infrastructure solution for the PIOP before 31 December 2019.

The Company has no other short or long-term performance related milestones and obligations on its KMP.

Non-Executive Directors Remuneration Policy

Non-Executive Directors receive a Directors 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 and salary sacrifice, if applicable.

Fees are reviewed annually by the Board's Nominations and Remuneration Committee considering comparable roles and market data provided by an 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 rolling 12-month period 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 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.

During the year ended 30 June 2019, based on independent remuneration advice received from BDO, Messrs Warburton, McAdam, Wolley and Davies and Ms Coates were paid an extra exertion fee of $64,000 each in addition to their Directors fees in relation to the Strategic Review, additional Board and committee meetings for these additional services provided. These exertion fees are excluded from the maximum aggregate Director fee pool of $750,000 per rolling 12-months.

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.

2019	**Salary & Fees**	**Exertion Fee** [4]	**Superannuation**	**Total**
	$	$	$	$
Non-Executive Directors				
N Warburton	188,000	64,000	-	252,000
C Edwardes [1]	4,180	-	397	4,577
M Wolley [2]	119,000	64,000	-	183,000
E Davies [2]	119,000	64,000	-	183,000
S Coates	102,596	64,000	16,404	183,000
Subtotal Non-Executive Directors	**532,776**	**256,000**	**16,801**	**805,577**
Executive Director				
D McAdam [3]	645,750	64,000	-	709,750
Total	**1,178,526**	**320,000**	**16,801**	**1,515,327**

[1] Ms Edwardes was appointed on 17 June 2019, $4,577 in Non-Executive Director Fees were payable to Ms Edwardes for the period 17 June 2019 to the year ending 30 June 2019.

[2] Messrs Wolley and Davies Non-Executive Director Fees are paid directly to the Company's major shareholder, TIO.

[3] Mr McAdam's remuneration includes $539,000 for executive services and $170,750 for Director services.

[4] These exertion fees relate to additional services provided by the Directors in relation to the Strategic Review and additional board and committee meetings and are excluded from the maximum aggregate Director fee pool of $750,000 per rolling 12-months.

2018	**Salary & Fees**	**Superannuation**	**Total**
	$	$	$
Non-Executive Directors			
N Warburton	188,000	-	188,000
M Wolley [1]	119,000	-	119,000
E Davies [1]	119,000	-	119,000
R Kennedy [2]	88,744	507	89,251
S Coates [3]	3,344	318	3,662
Subtotal Non-Executive Directors	**518,088**	**825**	**518,913**
Executive Directors			
D McAdam [4]	590,000	-	590,000
Total	**1,108,088**	**825**	**1,108,913**

[1] Messrs Wolley and Davies Non-Executive Director Fees are paid directly to the Company's major shareholder, TIO.

[2] Deceased 20 March 2018.

[3] Ms Coates was appointed as a Non-Executive Director on 20 June 2018 and as at 30 June 2018, $3,662 in Non-Executive Director Fees were payable to Ms Coates for the period 20 June 2018 to the year ending 30 June 2018.

[4] Mr McAdam's remuneration includes $520,000 for Executive services and $70,000 for Director services.

No remuneration is linked to performance and no share-based payments were received/granted or exercised/lapsed during the years ended 30 June 2019 and 30 June 2018.

Terms of Employment

Mr McAdam's terms of employment as Executive Director was formalised in a Service Agreement. Material terms relating to the duration and termination as at 30 June 2019 are set out below:

Name	Compensation	Notice Period and Term
D McAdam	$2,500 per day for a maximum of 4 days per week	Rolling 3-month term and notice period post 1 March 2019 at the Board's discretion.

Subsequent to year end, the Executive Director's Service Agreement was replaced with a Chief Executive Officer Service Agreement which contains the following material terms:

Name	Compensation	Notice Period and Term
D McAdam	$3,250 per day for a minimum of 4 days per week	Minimum 6-month term commencing on 17 June 2019, with 3 months' notice by either Mr McAdam or the Company, applicable after 3 months. Any part of the notice that is paid out by the Company is calculated at 4 days per week.

The Chief Executive Officer Services Agreement also includes a short-term incentive, whereby Mr McAdam will be entitled to a one-off payment of $200,000 plus GST in the event the Company has a binding agreement approved the Company's shareholders for an infrastructure solution for the PIOP before 31 December 2019.

Share holdings

No Directors or KMP held a relevant interest in shares in the Company during the 2019 and 2018 financial year. There were no shares granted during the reporting period as compensation.

Other Transactions with KMP and their Related Parties

During the year ended 30 June 2019, the Group utilised the tenement management and field services of BBI Group Pty Ltd, a subsidiary of its major shareholder, TIO. The total value of these services was $145,600 (2018: $172,595). This agreement was terminated on 24 June 2019.

During the year ended 30 June 2019, 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 $366,000 (2018: $238,000).

In August 2018, the Group repaid a $5.0 million loan facility with PIO Mines Pty Ltd ('PIO'), a subsidiary of its major shareholder, TIO. In March 2019, the Group received a further $3.0 million loan from PIO. At 30 June 2019, the total value outstanding to PIO is $3,032,183. Interest is capitalised quarterly at a rate of BBSW plus a 2% margin. This loan is repayable on 30 June 2022.

During the year ended 30 June 2019, the Group received Company Secretarial services from Evolution Corporate Services, a company of which Ms Coates and Ms Wilson are employees of. The total value of these services was $95,352 (2018: $2,167).

The above transactions are all entered on arm's length terms.

End of the Audited Remuneration Repot.

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

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act 2001 as the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as advocate for the Group or jointly sharing risks and rewards.

The Company paid $37,294 to the auditor of the Group, KPMG for provision of taxation advice services and $4,613 for other assurance services.

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

The Company has not indemnified its auditors, KPMG.

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 Legislative Instrument 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 the following page.

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

Neil Warburton
Non-Executive Chair

Perth, Western Australia
18 September 2019

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Flinders Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Flinders Mines Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG.

KPMG

R Gambitta
Partner

Perth

18 September 2019

	Notes	**2019**	**2018**
		$'000	**$'000**
Finance income	5	56	105
Other income		1	49
Administrative expenses	5	(5,434)	(1,718)
Other expenses	5	(25)	(117)
Finance costs	5	(55)	(112)
Loss before income tax		**(5,457)**	**(1,793)**
Income tax (expense)/benefit	6	(13)	(17)
Loss for the year		**(5,470)**	**(1,810)**
Items that may be reclassified to profit or loss:			
Other comprehensive income		-	-
Other comprehensive loss for the year attributable to owners of the Company		**(5,470)**	**(1,810)**
Loss per share attributable to ordinary equity holders:		Cents	Cents
Basic and diluted loss per share	7	(0.159)	(0.058)

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

	Notes	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	8	1,700	3,301
Trade and other receivables		83	84
Other current assets	9	379	468
Total current assets		2,162	3,853
Non-current assets			
Exploration and evaluation	10	61,126	58,461
Plant and equipment		1	4
Total non-current assets		61,127	58,465
Total assets		63,289	62,318
Current liabilities			
Trade and other payables	11	672	436
Loans and borrowings	12	-	5,000
Total current liabilities		672	5,436
Non-current liabilities			
Loans and borrowings	12	3,000	-
Total non-current liabilities		3,000	-
Total liabilities		3,672	5,436
Net assets		59,617	56,882
Equity			
Contributed equity	13	147,064	138,859
Accumulated losses		(87,447)	(81,977)
Total equity		59,617	56,882

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

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	138,859	(80,167)	58,692
Loss for the year	-	(1,810)	(1,810)
Total comprehensive loss for the year	-	(1,810)	(1,810)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs and tax	-	-	-
Balance as at 30 June 2018	**138,859**	**(81,977)**	**56,882**
Loss for the year	-	(5,470)	(5,457)
Total comprehensive loss for the year	-	(5,470)	(5,457)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs and tax	8,192	-	8,192
Balance as at 30 June 2019	**147,051**	**(87,447)**	**59,617**

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

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(5,034)	(1,687)
Interest expense		(131)	-
Interest received		56	105
Net cash outflow from operating activities	8	**(5,109)**	**(1,582)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	14
Proceeds from sale of available-for-sale financial assets		-	73
Payments for exploration activities		(2,722)	(10,219)
Net cash outflow from investing activities		**(2,722)**	**(10,132)**
Cash flows from financing activities			
Proceeds from issues of shares		8,275	-
Transaction costs		(45)	(52)
Proceeds from borrowings		3,000	5,000
Repayment of borrowings		(5,000)	-
Net cash inflow from financing activities		**6,230**	**4,948**
Net decrease in cash and cash equivalents		(1,601)	(6,766)
Cash and cash equivalents at the beginning of the year		3,301	10,067
Cash and cash equivalents at the end of the year	8	**1,700**	**3,301**

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 2019 was authorised for issue in accordance with a resolution of the Directors on 18 September 2019. 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 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 Instrument 2016/191. The Company is an entity to which this Instrument 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 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.

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.

a) 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 could 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.

b) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

c) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

d) Going Concern

As at 30 June 2019, the Group has a net current asset surplus of $1.490m and incurred a net loss for the year ended 30 June 2019 of $5.470m, with net operating cash outflows of $5.109m.

A twelve-month cash flow forecast shows that the Group will need to raise additional funds in order to repay the short-term loan provided by PIO Mines Pty Ltd (PIO), a subsidiary of its major shareholder TIO (NZ) Limited (TIO) and to meet working capital forecasts.

As announced to the ASX on 2 September 2019, the Group has negotiated an unsecured loan agreement with PIO of $5m with the proceeds being used for working capital purposes. The terms of this loan include, a maturity date of 30 April 2020 or within 14 days of the closing of a capital raise with an interest rate of BBSW plus a 2% margin. This loan has since been drawn in full. In addition to this loan, the Group has also entered a Subscription Agreement with TIO for TIO to subscribe for up to $6.0m in Flinders shares before 30 April 2020 via a not underwritten, non-renounceable pro rata rights issue. The Subscription Agreement is subject to TIO board approval.

On 2 September 2019 the Group also announced that it had entered into non-binding term sheet with BBI Group Pty Ltd, a related party of TIO establishing the basis for negotiating the future development and operation of the PIOP. The Term sheet contemplates finalisation of documentation and approval by the Company's shareholders before 31 December 2019 by which time the Directors expect a more detailed assessment of the funding requirements and timetable will be available.

In addition to the requirement to repay the PIO Loan of $5m the Group will need funding in addition to that contemplated by the Subscription Agreement for working capital needs over the course of the foreseeable future.

The Directors are confident that sufficient additional funding will be achieved through the ultimate approval and use of the Subscription Agreement, together with securing additional debt or equity funding or a combination of both. The successful completion of documentation consistent with the Term Sheet, the approval of the TIO Board of the subscription Agreement, together with the source of additional debt or equity funding remains uncertain and together they present a material uncertainty to the ability of the Company and the Group to continue as a going concern.

If the Company is unable to continue as a going concern, it may be required to realise its assets and/or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in this financial report.

4 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 based on 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 iron ore mineralisation, gold and base metals. The costs associated with the Pilbara Iron Ore Project are reported on in the Pilbara Iron Ore segment and the costs associated with Canegrass gold and base metals are reported in the Canegrass 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.

2019	**Pilbara Iron Ore $'000**	**Canegrass $'000**	**Other $'000**	**Total $'000**
Segment result	-	-	(25)	(25)
Impairment of assets	-	-	(25)	(25)
Capital expenditure	1,984	691	25	2,700
Total segment assets	59,891	1,235	-	61,126
Total segment liabilities	105	38	-	143
2018				
Segment result	-	-	(65)	(65)
Impairment of assets	-	-	(65)	(65)
Capital expenditure	9,097	474	65	9,636
Total segment assets	57,917	544	-	58,461
Total segment liabilities	156	6	-	162

A reconciliation of segment loss to operating loss before income tax is provided as follows:

	2019 $'000	**2018 $'000**
Total segment loss	(25)	(65)
Finance income	56	105
Profit on disposal of assets	1	49
Administrative expenses	(5,434)	(1,718)
Non-mine site rehabilitation	-	(52)
Finance cost	(55)	(112)
Loss before income tax	**(5,457)**	**(1,793)**

4 Segment information (continued)

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

	2019 $'000	2018 $'000
Segment assets	61,126	58,461
Unallocated:		
Cash and cash equivalents	1,700	3,301
Trade and other receivables	83	84
Other current assets	379	429
Plant and equipment	1	4
Total assets	**63,289**	**62,279**

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

	2019 $'000	2018 $'000
Segment liabilities	143	162
Unallocated:		
Trade and other payables	529	274
Loans and borrowings	3,000	5,000
Total liabilities	**3,672**	**5,436**

5 Income and expenses

	2019 $'000	2018 $'000
Finance revenue		
Interest received	56	105
Administrative expenses		
Compliance	(225)	(149)
Depreciation	-	(22)
Insurance	(338)	(170)
Consultants	(1,894)	(471)
Administration costs	(198)	(213)
Salary and Wages (including Director Fees)	(1,424)	(603)
Legal costs	(1,280)	(45)
Occupancy costs	(75)	(45)
	(5,434)	**(1,718)**
Other expense		
Exploration expenditure expensed	(25)	(65)
Non-mine site rehabilitation	-	(52)
	(25)	**(117)**
Finance expense		
Interest expense	(53)	(110)
Bank fees	(2)	(2)
	(55)	**(112)**

6 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:

	2019 $'000	2018 $'000
Loss from continuing operations before income tax	(5,457)	(1,793)
Tax at the Australian tax rate of 30% (2017: 30%)	(1,637)	(538)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-allowable items	-	19
Temporary differences not bought to account	1,650	536
Tax expense	13	17

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.

6 Income tax expense (continued)

A deferred tax asset ('DTA') on the timing differences has not been recognised as they do not meet the recognition criteria as outlined in below. 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. The Company 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 $25.382m (2018: $23.873m) that are available for offset indefinitely against future taxable profits of the companies in which the losses arose.

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.

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.

7 Loss per share

	2019 $'000	2018 $'000
Loss used in calculating basic and diluted loss per share	(5,470)	(1,793)
Loss used in calculating basic and diluted loss per share from continuing operations	(5,470)	(1,793)

	2019 Number	2018 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	3,443,478,128	3,114,608,516

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.

8 Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and in hand	1,670	3,241
Term deposits	30	60
	1,700	**3,301**

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

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

	2019 $'000	2018 $'000
Loss for the year	**(5,470)**	**(1,793)**
Depreciation	-	22
Exploration expenditure expensed	25	65
Profit on disposal of assets	(1)	(7)
Profit on disposal of available-for-sale financial assets	-	(42)
Income tax expense	13	17
Changes in operating assets and liabilities		
Decrease in trade and other receivables	1	5
Decrease/(increase) in other assets	89	18
Increase/(decrease) in trade and other payables	234	150
Net cash flows from operating activities	**(5,109)**	**(1,582)**

9 Other assets

	2019 $'000	2018 $'000
Other current assets	379	468
	379	**468**

Other current assets represents the prepaid portion of rates and rents of the Group's tenements and corporate insurances.

10 Exploration and evaluation expenditure

	2019 $'000	2018 $'000
Opening balance	58,461	48,890
Expenditure incurred	2,690	9,636
Impairment loss	(25)	(65)
Closing balance	**61,126**	**58,461**

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, those amounts are charged to the Consolidated Statement of Comprehensive Income. During the years ending 30 June 2019 and 30 June 2018 expenditure relating to depreciation and tenement administrative services was written off.

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.

11 Trade and other payables

	2019 $'000	2018 $'000
Trade payables	252	190
Other payables [1]	420	246
	672	**436**

[1] Included in Other payables is accrued interest of $32k payable on the PIO Mines Pty Limited loan. Refer Note 12.

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, non-interest bearing 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.

12 Loans and Borrowings

	2019 $'000	2018 $'000
Current PIO Loan[1]	-	5,000
Non-current PIO Loan[2]	3,000	-

[1] On 6 November 2017, the Company announced that it had entered into an unsecured $5m short term loan facility with PIO Mines Pty Limited, a subsidiary of its major shareholder, TIO (NZ) Limited.

The key terms are as follows:

- Repayable on or before 31 August 2018;
- Interest payable on repayment date at a rate of 3.885% per annum; and
- Funds must be used to complete the PIOP maturation work programs.

This loan and applicable interest was repaid in August 2018.

[2] On 15 March 2019, the Company announced that it had executed a Variation to the Loan Agreement previously announced on 20 February 2019 with PIO Mines Pty Ltd, a subsidiary of its major shareholder, TIO (NZ) Limited.

The key terms are as follows:

- Unsecured loan amount of up to $32.9m, with use of proceeds being to fund a proposed Buy-Back (up to $25.3m), plus working capital ($3.0m) and potential Company tax associated with the Buy-Back (up to $4.6m);
- Capitalised interest quarterly at a rate of BBSW plus a 2% margin; and
- Repayable on or before 30 June 2022.

The proposed Buy-Back was cancelled during April 2019 as a result of the withdrawal of the de-listing from the ASX application, therefore $29.9m of the Loan Agreement is not available to be drawn. As at 30 June 2019, the remaining $3m loan is fully drawn.

Refer to Note 23 for details of an additional working capital loan provided by PIO Mines Pty Ltd.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

13 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.

	Number of shares	$'000
Issued shares:		
At 1 July 2017	3,336,951,446	138,859
As at 30 June 2018	3,336,951,446	138,859
Shares issued pursuant to a non-renounceable rights issue	118,218,635	8,275
Share issue costs	-	(70)
As at 30 June 2019	3,485,170,081	147,064

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.

Capital risk management

The Group's debt and capital includes ordinary share capital and short-term debt. 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.

14 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 and loans to related parties.

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.

2019		**Fixed interest maturing in:**				**Average interest rates**	
	Floating interest rate	**< 1 year**	**1 – 5 years**	**> 5 years**	**Non-interest bearing**	**Floating**	**Fixed**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**%**	**%**
Cash and cash equivalents	1,670	30	-	-	-	1.45%	2.12%
Trade and other receivables	-	-	-	-	83	-	-
Trade and other payables	-	-	-	-	672	-	-
Loans and borrowings	-	-	3,000	-	-	-	3.88%

14 Financial risk management (continued)

2018		Fixed interest maturing in:				Average interest rates	
	Floating interest rate	< 1 year	1 – 5 years	> 5 years	Non-interest bearing	Floating	Fixed
	$'000	$'000	$'000	$'000	$'000	%	%
Cash and cash equivalents	3,241	60	-	-	-	1.70%	2.68%
Trade and other receivables	-	-	-	-	84	-	-
Trade and other payables	-	-	-	-	436	-	-
Loans and borrowings	-	5,000	-	-	-	-	3.92%

As at 30 June 2019, if interest rates had moved by 1%, with all other variables being held constant, post-tax loss and equity would have been affect by +/- $0.017m (2018: +/- $0.0.33m).

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, and it'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. The Group's exposure to credit risk is minimal and results only from its exposure in cash and cash equivalents and trade receivables.

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.

2019	< 1 year $'000	1 – 5 years $'000	Total $'000
Cash and cash equivalents	1,700	-	1,700
Trade and other receivables	83	-	83
Trade and other payables	(672)	-	(672)
Loans and borrowings		(3,000)	(3,000)
Net outflow	**1,111**	**(3,000)**	**(1,889)**
2018			
Cash and cash equivalents	3,301	-	3,301
Trade and other receivables	84	-	84
Trade and other payables	(436)	-	(436)
Loans and borrowings	(5,000)	-	(5,000)
Net outflow	**(2,051)**	**-**	**(2,051)**

15 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 %	
			2019	2018
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

16 Interests in exploration projects

The Company 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.

17 Parent entity information

	2019 $'000	2018 $'000
Current assets	2,139	3,794
Non-current assets	61,127	58,465
Current liabilities	672	5,436
Non-current liabilities	3,000	-
Issued capital	147,064	138,820
Accumulated losses	(87,470)	(81,997)
Total equity	**59,594**	**56,823**
Loss for the year	(5,473)	(1,843)
Total comprehensive loss for the year	(5,473)	(1,843)

The Company has no material contingent liabilities.

18 Contingent assets and liabilities

The Group had no contingent assets or liabilities at 30 June 2019 (2018: nil).

19 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:

	2019 $	2018 $
Auditing and reviewing of financial reports	43,000	30,000
Taxation advice services	37,294	-
Other assurance services	**4,613**	**-**
	84,907	**30,000**

The auditor of the parent entity for the year ended 30 June 2019 and 30 June 2018 is KPMG.

20 Commitments

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 2019 for the Group is approximately $1.400m (2018: $1.400m). These obligations are expected to be fulfilled in the normal course of operations.

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.

21 Related party transactions (continued)

Other transactions with related parties

During the year ended 30 June 2019, the Group utilised the tenement management and field services of BBI Group Pty Ltd, a subsidiary of its major shareholder, TIO. The total value of these services was $145,600 (2018: $172,595). This agreement was terminated on 24 June 2019

During the year ended 30 June 2019, 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 $366,000 (2018: $238,000).

In August 2019, the Group repaid a $5.0 million loan facility with PIO Mines Pty Ltd ('PIO'), a subsidiary of its major shareholder, TIO. In March 2019, the Group received a further $3.0 million loan from PIO. At 30 June 2019, the total value outstanding to PIO is $3,032,183. Interest is capitalised quarterly at a rate of BBSW plus a 2% margin. This loan is repayable on 30 June 2022.

During the year ended 30 June 2019, the Group received Company Secretarial services from Evolution Corporate Services, a company of which Ms Coates and Ms Wilson are employees of. The total value of these services was $95,352 (2018: $2,167).

The above transactions are all entered on arm's length terms.

22 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 Chair
Cheryl Edwardes	Independent Non-Executive Deputy Chair
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
Shannon Coates	Independent Non-Executive Director
David McAdam [1]	Executive Director

[1] Mr McAdam resigned as Executive Director on 9 July 2019 and was appointed Chief Executive Officer.

Compensation of key management personnel

	2019 $	2018 $
Short-term employee benefits	1,498,526	1,108,088
Post-employment benefits	16,801	825
	1,515,327	**1,108,913**

23 Events occurring after the reporting period

On 9 July 2019, Mr David McAdam resigned as Executive Director and was appointed Chief Executive Officer. Details of his revised contract are included in the Remuneration Report.

On 30 August 2019, Ms Shannon Coates was appointed as Joint Company Secretary with Ms Sarah Wilson.

On 2 September 2019, the Company entered into a non-binding Terms Sheet with BBI Group Pty Ltd in relation to a farm-in and joint venture arrangement for the PIOP development. The Company intends to negotiate binding agreements to give effect to the principles in the Terms Sheet. The binding agreements will be the subject of shareholder approval with TIO excluded from voting.

The major terms of the Terms Sheet are:

- Flinders interest in the joint venture to be free carried to Final Investment Decision;
- provision of foundation customer status for the PIOP and infrastructure solution to unlock the currently stranded PIOP orebody;
- BBIG to arrange all debt and equity financing for the integrated development;
- BBIG to secure long-term offtake agreements with its customers;
- Flinders to retain control of PIOP until FID, and FID does not occur in an agreed timeframe, Flinders to retain 100% of the PIOP;
- provision of significant governance protocols and minority shareholder protections; and
- optionality for Flinders to convert to a royalty or other revenue stream at FIDS or continue to be free carried to first production (subject to pro rata responsibility for capital cost overruns above an agreed contingency during construction).

Should shareholders approve the binding agreements and upon completion of the binding agreements, success fees of $1.7m to various advisors will become payable.

In addition, the Company entered into a $5m Loan Facility with PIO Mines Pty Ltd (a subsidiary of its major shareholder, TIO) and Subscription Agreement with TIO for a maximum of $6m in relation to a future rights issue.

The major terms of the Loan Facility are:

- unsecured, $5m loan;
- interest rate of 6 month Bank Bill Swap Rate and a margin of 2%; and
- maturity on the earlier of 30 April 2020 or within 14 days of the closing of any capital raising.

As at the date of this report, this loan is fully drawn.

The major terms of the Subscription Agreement are:

- final TIO board approval once terms of the rights issue are determined; and
- launch of the rights issue no later than 30 April 2020.

On 18 September 2019, the Company announced the appointment of Mr James Gurry as an Independent Non-Executive Director

24 Critical 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:

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.

25 Changes in accounting policy

In the year ended 30 June 2019, the directors have reviewed all the new and revised Standards and Interpretations issued by the AASB 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 Group accounting policies.

26 New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2019 with relevant standards and interpretations outlined below.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2019 are outlined below.

a) IFRIC 23 Uncertainty over Income Tax Treatments (effective from 1 July 2019)

This Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

Interpretation 23 is a clarification treatment of uncertain tax positions. The Group is not expecting a material impact on the adoption of the interpretation. The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

b) Annual Improvements 2015-2017 (effective 1 July 2019)

The amendments clarify certain requirements in: AASB 3 Business Combinations and AASB 11 Joint Arrangements – previously held interest in a joint operation; AASB 112 Income Taxes – income tax consequences of payments on financial instruments classified as equity; AASB 123 Borrowing Costs – borrowing costs eligible for capitalisation.

The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

26 New accounting standards and interpretations (continued)

c) Conceptual Framework for Financial Reporting (effective 1 July 2020)

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new framework will be minimal.

d) Amendments to AASB 10 and AASB 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective 1 July 2022)

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in associate or joint venture.

The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

e) Amendments to AASB 119 - Employee benefits on plan amendment, curtailment or settlement (effective 1 July 2019)

These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Group has considered the impact on its Consolidated Financial Statements and assessed that the effect of the new standard will be minimal.

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.

f) AASB 16 Leases (effective from 1 July 2019)

AASB 16 distinguishes leases and services contracts based on whether an identified asset is controlled by the customer. Distinctions between operating leases (previously off-balance sheet) and finance leases (previously on balance sheet) are removed under the new standard and replaced by the concept of right of use. Where an entity has control over and an ongoing right to use an asset, that asset will be recognised on the balance sheet as an asset with a corresponding liability.

The Group has considered the impact on its consolidated Financial Statements and assessed that the effect of the new standard is minimal. The Group will continue to assess its contracts and other arrangements that may be impacted by the introduction of the revised standard

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 2019 and of its performance for the year ended on that date, and

(b) with reference to Note 2(d), 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 Executive Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Neil Warburton
Non-Executive Chair
Perth, Western Australia
18 September 2019

KPMG

Independent Auditor's Report

To the shareholders 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).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*

The ***Financial Report*** comprises:

- Consolidated Statement of financial position as at 30 June 2019
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 *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 fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Flinders Mines Limited, would be in the same terms if given to the Directors as at the time of this Auditor's Report.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(d), "Going Concern" in the 30 June 2019 Financial Report. The conditions disclosed in Note 2(d), indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the 30 June 2019 Financial Report. Our conclusion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern, we evaluated the extent of uncertainty regarding events or conditions casting significant doubt of the Company's plans to raise in the company's assessment of going concern. Our approach involved:

- Evaluating the feasibility, quantum and timing of the Company's plans to raise additional funding to address going concern
- Assessing the Company's cash flow forecasts and plans to address going concern, in particular the funding of ongoing administration and exploration and evaluation costs and the progression of the Pilbara Iron Ore Project (PIOP) non-binding Term Sheet with BBI Group Pty Ltd (BBIG) announced on 2 September 2019
- Determining the completeness of the Company's going concern disclosures for the principal matters casting significant doubt on the Company's ability to continue as a going concern, the Company's plans to address these matters and the material uncertainty

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 year.

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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matter described below to be a Key Audit Matter.

<table>
<tr><th colspan="2">Exploration and Evaluation Expenditure $61.126 million</th></tr>
<tr><td colspan="2">Refer to Note 10 to the Financial Report</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:
• the significance of the activity to the Group's business and the balance (being 96.6% of total assets); and
• the greater level of audit effort to evaluate the Group's application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources to the Pilbara Iron Ore Project (PIOP) in particular the evaluation of development options to progress the feasibility of the project. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E. Given the criticality of this to the scope of our work, we involved senior team members to challenge the Group's determination that no such indicators existed.</td><td>Our procedures included:
• Evaluating the Group's accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;
• We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as license related technical conditions and planned work programmes
• For each area of interest, we assessed the Group's current rights to tenure by checking the ownership of the relevant license to government registries. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses;</td></tr>
</table>

The key audit matter	How the matter was addressed in our audit
In assessing the conditions allowing capitalisation of relevant expenditure, we focused on: • the determination of the areas of interest (areas); • documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity to continue the relevant E&E activities; • the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest. In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for PIOP where significant capitalised E&E exists. In addition to the assessments above, and given the financial position of the group, we paid particular attention to: • The ability of the Group to fund the continuation of activities Results from latest activities regarding the existence or otherwise of economically recoverable reserves.	• We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure. We tested consistency to underlying records, the capitalisation requirements of the Group's accounting policy, and the requirements of the accounting standard; • We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We challenged this through interviews with key operational and finance personnel. • We obtained project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We analysed the Group's determination of recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future activities including work programmes, project budgets and infrastructure options for a sample of areas.

Other Information

Other Information is financial and non-financial information in Flinders Mines Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the 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

Directors' 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 responsibilities

We have audited the Remuneration Report included in pages 10 to 12 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG.

KPMG

R Gambitta
Partner

Perth

18 September 2019

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 5 September 2019.

Issued Equity Capital

	Ordinary Shares	Options
Number of holders	4,028	Nil
Number on issue	3,485,170,081	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	363	36,809
1,001 – 5,000	445	1,626,710
5,001 – 10,000	670	5,470,138
10,001 – 100,000	1,756	65,364,754
100,001 and over	794	3,412,671,670
Total	**4,028**	**3,485,170,081**

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel (which as at 5 September 2019 was 9,091 Shares) was 1,194.

Substantial Shareholders

	Number of Ordinary Shares	Percentage (%)
TIO (NZ) Limited	1,936,250,459	55.56
OCJ Investment (Australia) Pty Ltd	758,160,000	21.75
Various Requisitioning Shareholders[1]	210,302,405	6.03

[1] On 13 March 2019, various Shareholders lodged a Form 603 (Becoming a Substantial Shareholder Notice) with ASX disclosing an association pursuant to sections 12(2)(b) or (c) of the Corporations Act by reason of notices issued under sections 203D and 249D of the Corporations Act requiring the Company to call and arrange to hold a general meeting to consider resolutions to remove, as directors of the Company, Mr Neil Warburton, Mr Michael Wolley, Mr Evan Davies and any other persons appointed as directors of the Company prior to the requisitioned meeting, and to elect Mr Brendon Dunstan as a director of the Company. These resolutions were subsequently not carried at a general meeting of shareholders on 9 May 2019.

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	1,936,250,459	55.56
2	OCJ INVESTMENT (AUSTRALIA) PTY LTD	766,160,000	21.98
3	MR KENNETH MARTIN KEANE	57,988,889	1.66
4	CITICORP NOMINEES PTY LIMITED	53,871,746	1.55
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,019,782	0.75
6	MR KENNETH MARTIN KEANE + MS SALLY MORTON ROBERTS <KEANE SUPER FUND A/C>	23,332,413	0.67
7	MR CHUNLEI OUYANG	22,308,000	0.64
8	QUATTUOR REGIONIS PTY LTD <QUATTUOR REGIONIS A/C>	21,610,162	0.62
9	MR IAN DRUMMOND + MRS JANICE DRUMMOND <INSTIL ENTERPRISES S/F A/C>	17,170,000	0.49
10	MR GRANT RUSSELL MCGARRY	10,400,002	0.30
11	MR BRENDON TONY DUNSTAN	10,095,597	0.29
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,018,269	0.29
13	MR ASHLEY MARTIN NEWLAND	9,700,000	0.28
14	VACHKODI PTY LTD <BEP INVESTMENT A/C>	8,000,000	0.23
15	MR SANOJ XAVIER & MRS MARIA XAVIER	7,200,000	0.21
16	MS NICOLE MAXIME BRUCE	6,336,229	0.18
17	MR WAYNE RAYMOND KEARNEY + MRS ROBYN KEARNEY <KEARNEY SUPER A/C>	6,095,656	0.17
18	MR WAYNE RAYMOND KEARNEY <W & R KEARNEY FAMILY A/C>	6,082,166	0.17
19	MR ALEXANDER ILIEVSKI	5,550,339	0.16
20	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	5,000,000	0.14
20	MICKAN HOLDINGS PTY LTD <MICKAN FAMILY S/F A/C>	5,000,000	0.14
	TOTAL	**3,014,189,709**	**86.48**

Corporate Governance

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 2019 Corporate Governance Statement is available for in the Corporate Governance section of the Company's website: flindersmines.com/about-us/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 2019.

Tenement	Location	Status	Registered Holder	Interest at 30 June 2019
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%
E58/0520	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0521	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0522	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%

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 2019. The estimates for Mineral Resources were prepared and disclosed under the JORC Code 2012 Edition.

Estimation Governance Statement

The Company ensures that all Mineral Resource estimations 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 2012.

Total Mineral Resource Inventory as at 30 June 2019

M47/1451 – Blacksmith [1]

JORC Classification	Tonnes Mt	Fe%	SiO_2%	AL_2O_3%	P%	LOI%
Inferred	105	51.6	15.7	5.13	0.057	4.4
Indicated	1,148	52.6	14.1	4.81	0.067	4.93
Measured	54	59.8	6.24	4.28	0.064	2.98
Total	**1,307**	**52.8**	**13.9**	**4.81**	**0.066**	**4.81**

E47/1560 - Anvil [2]

JORC Classification	Tonnes Mt	Fe%	SiO_2%	AL_2O_3%	P%	LOI%
Inferred	176	47.1	21.3	6.05	0.044	4.13
Total	**176**	**47.1**	**21.3**	**6.05**	**0.044**	**4.13**

Pilbara Iron Ore Project – Total [3]

JORC Classification	Tonnes Mt	Fe%	SiO_2%	AL_2O_3%	P%	LOI%
Inferred	282	48.8	19.2	5.7	0.049	4.23
Indicated	1,148	52.6	14.1	4.81	0.067	4.93
Measured	54	59.8	6.24	4.28	0.064	2.98
Total	**1,484**	**52.2**	**14.8**	**4.96**	**0.064**	**4.73**

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. All the estimates making up the Anvil Mineral Resource are reported to JORC 2012 standards.

[3] Cut off: Ore types DID1, DID2, DID3 reported using Fe>40% and Al_2O_3<8%, ore types DID4, CID, BID reported using Fe>50% and Al_2O_3<6%

Following the completion of a drilling campaign and subsequent metallurgical laboratory analysis, the Company commissioned Snowden Mining Industry Consultants (‘Snowden’) to re-estimate and update the Mineral Resource to bring into compliance with JORC Code 2012. The Company released this update on the ASX on 1 March 2018. There have been no changes since the date of this announcement to the date of this report.

The cut off grades are based on product optimisation carried out by Snowden based on metallurgical regressions provided by the Company for two ore processing facilities – known as Ore Processing Facility 1 (‘OPF1’) and Ore Processing Facility 2 (‘OPF2’). The OPF1 processing route includes crushing, wet scrubbing, wet screening and hydrocyclone desliming. The Company propose to beneficiate relatively low grade DID1, DID2 and DID3 (detrital) mineralisation using the OPF2 processing route which includes crushing, scrubbing, wet screening and dense media separation. The metallurgical regressions based largely on the 2017 drilling campaign samples support this as being a viable processing path.

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.

Competent Person’s Statement

The information in this report that relates to the Pilbara Iron Ore Project Mineral Resources is based on, and fairly reflects, information compiled by Mr John Graindorge who is a Chartered Professional (Geology) and a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Canegrass V205 >0.5% cut off grade, >210 m RL [4]

JORC Classification	Tonnes Mt	Fe%	Tio_2%	V_2O_5%	SiO_2%	AL_2O_3%	P%
Inferred	79	29.7	6.0	0.64	23.6	12.2	.007
Total	**79**	**29.7**	**6.0**	**0.64**	**23.6**	**12.2**	**.007**

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

[4] The Canegrass Mineral Resource includes the Fold Nose and Kinks deposits. All the estimates making up the Canegrass Mineral Resource are reported to JORC 2012 standards.

During the year, the Company commissioned CSA Global Pty Ltd (‘CSA Global’) to review the existing Mineral Resource for the Canegrass Project and to bring it into compliance with JORC Code 2012. The Company released this update on the ASX on 30 January 2018. There have been no changes since the date of this announcement to the date of this report.

The Canegrass Mineral Resource estimate was previously reported in accordance with the 2004 Edition of the JORC Code and totalled 107 Mt @ 0.62% V_20_5, 5.83% TIO_2 and 28.98% Fe. The difference in tonnage is due to CSA Global reporting the existing block model above 210m RL, which effectively removed all blocks at a depth greater than 250m below surface. The Company and CSA Global consider this approach results in a Mineral Resource which appropriately and transparently addresses the ‘Reasonable Prospects for ‘Eventual Economic Extraction’ requirement for Mineral Resources reported under the JORC Code (2012 Edition).

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.

Competent Person’s Statement

The information in this report that relates to the Canegrass Project Mineral Resources is based on, and fairly reflects, information compiled by Mr Aaron Meakin, a Competent Person, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Meakin is a consultant to Flinders Mines Limited, employed by CSA Global Pty Ltd, independent mining industry consultants. Mr Meakin 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’. Mr Meakin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.