Flinders Mines Limited
ABN 46 091 118 044

Annual Report
for the year ended 30 June 2020

Flinders Mines Limited
Annual Report - 30 June 2020

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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
James Gurry	Independent Non-Executive Director

Officers

Andrew Whitehead	General Manager

Joint Company Secretaries

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 Flinders Mines Limited Annual Report for the financial year ended 30 June 2020, a landmark year that saw the Company complete a strategic transaction with BBI Group Pty Ltd (**BBIG**) to progress the Company's flagship Pilbara Iron Ore Project (**PIOP**) in Western Australia and unlock value for all shareholders (**Transaction**).

Following Flinders' shareholder approval of the Transaction in March 2020, the Company announced on 4 September 2020 that all conditions precedent for the farm-in incorporated joint venture with BBIG had been satisfied or waived and the joint venture could proceed**.**

The formation of the joint venture will allow BBIG to start the feasibility studies for the PIOP development and perform its other obligations under the farm-in agreement for its initial 10% voting interest in the incorporated joint venture entity, PIOP Mine Co NL. Flinders retains 100% economic ownership of PIOP Mine Co NL until a final investment decision (**FID**) by BBIG.

The main material advantages for Flinders Shareholders derived from the Transaction are:

- Flinders interest in the mining joint venture to be free carried to 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 for PIOP iron ore products;
- Flinders to retain control of PIOP until FID, and if 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 at FID or continue to be free carried to first production as a 40% equity holder in PIOP Mine Co NL (subject to pro rata responsibility for capital cost overruns above an agreed contingency during construction).

During the financial year, the Company raised a total of $13.743 million (before costs) via two pro-rata non-renounceable equity raisings. Funds raised under the Entitlement Offers were used to repay the $7 million unsecured loan (including accrued interest) from PIO, a subsidiary of Flinders' major shareholder, TIO (NZ) Limited (**TIO**), costs of the Offers and to provide working capital.

During the year, laboratory metallurgical test work was conducted on RC chip samples from the Company's Canegrass vanadiferous, titaniferous, magnetite (**VTM**) project to commence the assessment of the ore characteristics. The preliminary results on the small number of samples showed the upgrading of certain minerals. However, further testwork is required and being planned to determine whether the results were a common feature within Canegrass, or whether anomalous to the small samples selected for the testwork.

During the year we welcomed new independent Non-Executive Director Mr James Gurry and, following a review of the Company's executive requirements as it moves into the next phase of development of the PIOP, in June 2020, the Company appointed Dr Andrew Whitehead as General Manager. Dr Whitehead has more than 20 years' experience across mining, resources, banking, finance, manufacturing, advisory and government and in multiple jurisdictions, including China.

The Company ended the financial year with $4.1 million in cash and a long-term unsecured fully drawn debt facility of $3 million, repayable by 30 June 2022.

In conclusion, I would like to thank the Board and our staff for their significant contribution to the Company and all shareholders for their continued support. In particular, on behalf of the Board, I would like to recognise our former CEO, David McAdam's significant contribution over the last few years culminating in shareholders approving the farm-in agreement with BBIG in March 2020.

The progress made during the 2020 financial year puts the Company, via its joint venture partner to progress the PIOP and unlock significant value for all Flinders' shareholders and I look forward to reporting further progress during the 2021 financial year.

Neil Warburton
Chairman
Perth, Western Australia
22 September 2020

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 2020.

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.

Name	Title	Appointment	Resignation
Neil Warburton	Non-Executive Chairman	19 October 2016	
The Hon. Cheryl Edwardes AM	Non-Executive Deputy Chair	17 June 2019	
Michael Wolley	Non-Executive Director	19 October 2016	
Evan Davies	Non-Executive Director	19 October 2016	
James Gurry	Non-Executive Director	18 September 2019	
Shannon Coates	Non-Executive Director	20 June 2018	25 November 2019
David McAdam [1]	Executive Director	19 October 2016	9 July 2019

[1] Mr McAdam resigned as Executive Director and was appointed as Chief Executive Officer on 9 July 2019. Mr McAdam resigned as Chief Executive Officer on 23 March 2020 with his 3-month notice period bringing his last effective day to 23 June 2020.

Company Secretary

On 30 August 2019, Ms Shannon Coates was appointed as Joint Company Secretary with Ms Sarah Wilson. Ms Coates resigned as a Director on 25 November 2019.

Information on Directors

Neil Warburton	Independent Non-Executive Chair
Qualifications	Assoc. MinEng WASM, MAusIMM, FAICD
Experience	Mr Warburton has over 40 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, member of Audit and Risk Committee and member of the PIOP Infrastructure Committee.
Directorships held in other ASX listed entities in the last three years	Non-Executive Director of IGO Limited (October 2015 to date). Previously a Non-Executive Director of Australian Mines Limited (April 2003 to December 2017) and Coolgardie Minerals Limited (July 2017 to May 2020).
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	516,149 fully paid ordinary shares.
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 Nuheara Limited (January 2020 to date). Previously a Non-Executive Director of CropLogic Limited (March 2018 to February 2019) and AusCann Group Holding Limited (May 2016 to January 2020).

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 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
James Gurry	**Independent Non-Executive Director**
Qualifications	B.Com (Hons), CA, GAICD
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	1,012,345 fully paid ordinary shares.
Special responsibilities	Member of PIOP Infrastructure Committee, Audit and Risk Committee and Nominations and Remuneration Committee.
Directorships held in other ASX listed entities in the last three years	Nil

David McAdam	**Executive Director (resigned 9 July 2019)**
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 until his resignation as Executive Director and member of the PIOP Infrastructure Committee until his resignation as Chief Executive Officer.
Directorships held in other ASX listed entities in the last three years	Nil
Shannon Coates	**Independent Non-Executive Director (resigned 25 November 2019) 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, PIOP Infrastructure Committee and Nominations and Remuneration Committee until her resignation as Director.
Directorships held in other ASX listed entities in the last three years	Non-Executive Director of Vmoto Limited (May 2014 to date) and Bellevue Gold Limited (May 2020 to date). Previously a Director of Kopore Metals Limited (October 2015 to March 2020).
Sarah Wilson	**Joint Company Secretary**
Experience	Ms Wilson is a Corporate Advisor with Evolution Corporate Services Pty Ltd and has over 10 years' experience in company secretarial, corporate advisory and corporate governance roles, which have included the provision of company secretarial services to a number of 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 2020, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Audit & Risk Committee		Nominations & Remuneration Committee		PIOP Infrastructure Committee	
	A	B	A	B	A	B	A	B
N Warburton	19	19	2	2	3	3	15	15
C Edwardes	19	19	2	2	3	3	15	15
M Wolley	19	19	2	2	3	3	3	-
E Davies	19	19	2	2	3	3	3	-
J Gurry [1]	13	13	1	1	3	3	7	7
S Coates [2]	8 [4]	8	1 [6]	1	3 [8]	-	14	15
D McAdam [3]	1 [5]	1	2 [7]	-	-	-	15	15

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office or was a member of the committee during the year.
[1] = Mr Gurry was appointed as a Director on 18 September 2019.
[2] = Ms Coates resigned as a Director on 25 November 2019 however remained as Joint Company Secretary.
[3] = Mr McAdam resigned as Executive Director on 9 July 2019 however remained as Chief Executive Officer.
[4] = Ms Coates attended 11 Full Meetings of Directors in her capacity as Joint Company Secretary following her resignation as Director.
[5] = Mr McAdam attended 18 Full Meetings of Directors in his capacity as Chief Executive Officer, following his resignation as Executive Director.
[6] = Ms Coates attended 1 Committee Meeting in her capacity as Joint Company Secretary following her resignation as a Director.
[7] = Mr McAdam attended 2 Committee Meetings as an Invitee.
[8] = Ms Coates attended 3 Committee Meetings in her capacity as Joint Company Secretary following her resignation as a Director.

Principal Activities

The Group's principal continuing activities during the year consisted of progression of finding an infrastructure solution for its Pilbara Iron Ore Project (**PIOP**) and mineral exploration on its Canegrass Project.

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 (2019: $nil).

Operating Results and Financial Position

The net result of operations for the financial year was a loss of $8.038 million (2019: loss of $5.470 million).

Review of Operations

Corporate

Director and Management Changes

As part of the Board renewal process to seek wider Board representation of shareholders, and as announced on 17 June 2019, the Company appointed Mr James Gurry as a Non-Executive Director on 18 September 2019, with Ms Shannon Coates resigning as a Director following a period of transition on 25 November 2019.

Following the successful General Meeting vote on the proposed Farm-In Agreement with BBI Group Pty Ltd (**BBIG**) on 3 March 2020, the Board assessed a range of executive and governance resource requirements and resolved that Mr David McAdam's employment contract as Chief Executive Officer would end on 23 March 2020, with a 3 month notice period bringing his last effective day to 23 June 2020.

Following the completion of the abovementioned Board and management assessment, Dr Andrew Whitehead was appointed as the Company's Perth based General Manager on 17 June 2020.

PIOP Farm-In Transaction

As announced on 17 June 2019, the Company established a PIOP Infrastructure Committee on 31 May 2019, a committee independent of its largest shareholder, TIO (NZ) Limited (**TIO**), to consider potential future infrastructure and capital alternatives for the PIOP. PricewaterhouseCoopers completed a review of all potential infrastructure solutions by assessing currently operating ports and proposed ports as well as associated rail infrastructure in the Pilbara region against key criteria, including, timing, current and future port capacity, project approval status, upfront capital expenditure requirements and the strategic importance of the PIOP against the potential infrastructure provider.

This independent review found the BBIG Balla Balla Infrastructure Project to be the most favourable transport option for the PIOP to meet its requirements. Following completion of this review, the Company announced on 2 September 2019, it had negotiated a non-binding Terms Sheet with BBIG to jointly develop the PIOP.

On 28 November 2019, the Company announced it had entered into binding agreements with BBIG in relation to a farm-in incorporated joint venture for the PIOP, subject to shareholder approval, with the Company's largest shareholder, TIO, excluded from voting (**Transaction**).

The Extraordinary General Meeting was held on 3 March 2020, at which Shareholders voted in favour of the proposed Transaction.

The key terms of the Transaction are:

- Flinders interest in the joint venture to be free carried to Final Investment Decision (**FID**);
- 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 if 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 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).

Following shareholder approval of the Transaction, the Company progressed its conditions precedent to the transaction documents, including obtaining Foreign Investment Review Board approval on 1 June 2020 and set up of an incorporated joint venture vehicle, PIOP Mine Co NL. Following the establishment of PIOP Mine Co NL, the tenements related to the PIOP were transferred to PIOP Mine Co NL, along with the relevant regulatory approvals.

Subsequent to year end, Flinders was notified that BBIG had received its Foreign Investment Review Board approval and that all conditions precedent were now complete. Full and final completion of the Transaction occurred on 3 September 2020. Completion will enable the advancement of the PIOP feasibility studies to potentially bring PIOP Iron ore to market.

Short-term Loan Facility

On 2 September 2019, the Company announced that it agreed a Loan Facility and Subscription Agreement with PIO Mines Pty Limited, a subsidiary of the Company's largest shareholder, TIO (**Loan Facility**). This Loan Facility was for an amount of $5.000 million, at an interest rate of the 6-month bank bill swap rate (BBSR) with a 2% per annum margin. The Loan Facility was unsecured and has a maturity of the earlier of 30 April 2020 or within 14 days of the closing of any capital raising the Company may undertake.

On 20 December 2019, the Company announced that the terms of this Loan Facility were varied to make available, a further $2.000 million.

This Loan Facility was fully drawn to $7.000 million in January 2020.

Subscription Agreement

On 2 September 2019, the Company also entered into a Subscription Agreement with its largest shareholder, TIO. The Company intended to undertake a pro rata rights issue post the shareholder general meeting seeking approval for the Transaction, to repay the abovementioned Loan Facility and for working capital purposes.

TIO agreed to subscribe for the number of the Company's shares under the pro rata rights issue equal to the lesser of its pro rata entitlement of $6.000 million, subject to, amongst other things, TIO Board approval once the terms of the rights issue were determined and no later than 30 April 2020.

On 20 December 2019, the Company announced that the terms of this Subscription Agreement were varied, with TIO subscribing to a further $2.000 million (maximum $8.000 million) and subject to the same conditions as above.

Capital Raisings

In March 2020, the Company announced a non-renounceable entitlement offer at $0.025 to raise up to $14.520 million in order to repay its Loan Facility with PIO Mines Pty Ltd of $7.000 million and accrued interest and fees associated with the BBIG Transaction. If the proceeds were insufficient for the Company to repay the Loan Facility in full whilst retaining a $3.000 million working capital balance, then the Loan Facility would be partially repaid, with the remaining amount due on or before 30 June 2020 and a second capital raising would be considered to ensure the balance of the Loan Facility was repaid by 30 June 2020.

In April 2020, the Company announced that it had received valid applications for a total of 347,892,602 fully paid ordinary shares for a total of $8,697,315.80. In accordance with the above paragraph, $5,624,406.80 of the Loan Facility principal and accrued interest was repaid to PIO Mines Pty Lt in late April 2020.

In May 2020, the Company announced a further non-renounceable entitlement offer at $0.013 to raise up to $5.500 million in order to repay the remaining Loan Facility amount and provide working capital funds. In June 2020, the Company announced that it had received valid applications for 388,123,198 fully paid ordinary shares for a total of $5,045,601.57. Following the receipt of these funds and before 30 June 2020, the remaining outstanding $1,495,885.90 in principal and accrued interest of the Loan Facility was repaid to PIO Mines Pty Ltd.

Pilbara Iron Ore Project, Western Australia

During the year ended 30 June 2020, the Company focussed on the progression of an infrastructure solution to unlock the value in the PIOP. As part of this process, a Scoping Study was released on 7 January 2020. The Scoping Study was based on data acquired and developed during the Maturation Programme undertaken in 2017 and 2018, including updated metallurgical, hydrogeological and geotechnical assessments.

Canegrass, Western Australia

The Company engaged CSA Global Pty Ltd to design and execute an exploration program with the objective to collect metallurgical drill samples from the Vanadium Titanium Magnetite ('VTM') Mineral Resource, complete preliminary metallurgical testwork on the VTM samples and continue the evaluation of the gold potential.

The program included on ground activities including soil sampling and three RC drill holes (294m total).

Soil sampling programme

In November 2019, Flinders completed a soil sampling programme on E58/236 targeting gold mineralisation along a structural trend north of the Honeypot gold prospect. A total of 29 soil samples were collected at 40m spacing along two W-E oriented lines 1km apart. In addition, 23 soil samples were collected in the north of E58/521 targeting VTM mineralisation. The results of these soil sampling activities showed no anomalous results were observed.

Drill programme

In December 2019, Flinders completed three Reverse Circulation Percussion (**RCP**) drill holes.

- E58/236 – 1 drill hole 126m
- E58/232 - 1 drill hole 60m (Kinks)
- E58/282 – 1 drill hole 108m (Fold Nose)

The purpose was to collect Resource Grade samples for metallurgical test work. The drill holes were collared on a previously cleared drill section and adjacent to known mineralisation.

Preliminary results on the 147 assays were encouraging showing the upgrading of certain minerals. Further test work is required and being planned to determine whether the encouraging results were a common feature within Canegrass, or whether anomalous to the small samples selected for the test work.

COVID-19 Pandemic Response

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation. At the date of this report, the pandemic, together with the various Government measures so far introduced, have not significantly affected the Company itself, as outlined below.

The Company has implemented controls as necessary to protect the health and safety of its workforce and their families while ensuring a safe environment to allow activities to continue.

The Company's COVID-19 response protocols reinforce and operate concurrently with public health advice to include:

- social distancing protocols;
- suspension of large indoor gatherings;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- self-isolation following international travel, development of symptoms, or interaction with a confirmed case of COVID; and
- increased focus on cleaning and sanitation.

No adjustments have been made to the Group's result as at 30 June 2020 for the impacts of COVID-19. However, the scale and duration of possible future Government measures, and their impact on the Company's activities, necessarily remains uncertain.

Likely Developments and Business Strategies

The likely developments of the Group and the expected results of those developments are as follows:

- Following completion of the Farm-In Agreement conditions precedent, BBIG commenced its feasibility study on 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 20 August 2020, the Company received notification from BBIG that it had received a no objection notification from the Foreign Investment Review Board in relation to its application to acquire its initial 10% voting interest in PIOP Mine Co NL, subject to BBIG complying with customary conditions.

On 4 September 2020, the Company announced that all conditions precedent had been completed in relation to the PIOP Farm-In Agreement. Completion of all conditions precedent will enable the advancement of the PIOP feasibility studies to bring PIOP Iron ore to market.

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. Subject to ongoing rehabilitation, the Group believes it has complied with all environmental obligations.

Heritage and Community Relations

The Company recognises the importance of establishing relationships with the Traditional Owners that are based on trust and mutual advantage and are respectful of the needs and concerns of the communities located within the regions in which it operates. The Company has agreements in place with the Traditional Owners and is committed to building strong relationships by:

- Being open and transparent in its communications;
- Improving cross-cultural awareness through training and education;
- Developing community relations management procedures that include business alliances;
- Being sensitive to the values and heritage issues of the local communities; and
- Being a good neighbour.

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
The Hon. Cheryl Edwardes AM	Independent Non-Executive Deputy Chair
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
James Gurry	Independent Non-Executive Director (appointed 18 September 2019)
Shannon Coates	Independent Non-Executive Director (resigned 25 November 2019)
David McAdam[1]	Chief Executive Officer (resigned 23 March 2020)
Andrew Whitehead	General Manager (appointed 17 June 2020)

[1] Mr McAdam resigned as Executive Director on 9 July 2019 and was appointed Chief Executive Officer. Mr McAdam resigned as Chief Executive Officer on 23 March 2020, with his 3-month notice period bringing his last effective day to 23 June 2020.

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 in relation to additional Director fees. 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 $11,500.

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 to 23 June 2020) was determined by the Directors as part of the terms and conditions of his employment which were 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.

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 was 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 was to be paid out by the Company is calculated at 4 days per week. The Chief Executive Officer Services Agreement also included a short-term incentive of $200,000 plus GST in the event the Company had a binding agreement approved by the Company's shareholders for an infrastructure solution for the PIOP before 31 March 2020. This was subsequently paid on 3 April 2020.

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

The remuneration of the Company's General Manager, Dr Whitehead, 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 Dr Whitehead's role were formalised in a Contractor Agreement.

Dr Whitehead's term commenced on 17 June 2020 and the Contractors Agreement 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 notice period.

Terms of Employment

Dr Whitehead's terms of employment as General Manager was formalised in a Contractor Agreement and contained the following material terms:

Name	Compensation	Notice Period and Term
A Whitehead	$3,000 per week (2 days per week)	Term of 12 months, subject to an annual review. Notice period of 30 days.

The previous Chief Executive Officer Service Agreement with Mr McAdam contained the following material terms:

Name	Compensation	Notice Period and Term
D McAdam	$3,250 per day for a minimum of 4 days per week. This was revised to a maximum of 4 days per week in March 2020.	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 included a short-term incentive, whereby Mr McAdam was 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 March 2020. This was paid in April 2020.

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 2020, Messrs Warburton, Gurry and Ms Edwardes and Ms Coates were paid additional fees as detailed in the table below in relation to the considerable additional time committed by the independent Non-Executive Directors during the PIOP infrastructure review process, BBIG transaction negotiations and associated meetings.

For the year ended 30 June 2021, the Board resolved to reduce the director fees paid to the Non-Executive Chairperson from $188,000 to $100,000 per annum and Non-Executive Directors from $119,000 to $70,000 per annum.

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.

2020	Salary & Service Contract	Additional Fees [2]	PIOP Infrastructure Committee Chair Fee	Success Fee [3]	Super-annuation	Total
	$	$	$	$	$	$
Non-Executive Directors						
N Warburton	188,000	45,000	-	-	-	233,000
C Edwardes	108,676	60,000	50,000	-	10,324	229,000
M Wolley [1]	119,000	-	-	-	-	119,000
E Davies [1]	119,000	-	-	-	-	119,000
J Gurry	86,523	30,000	-	-	8,220	124,743
S Coates [4]	43,331	37,000	-	-	4,116	84,447
Subtotal Non-Executive Directors	**664,530**	**172,000**	**50,000**	**-**	**22,660**	**909,190**
Other KMP						
D McAdam	942,500	-	-	200,000	-	1,142,500
A Whitehead [5]	6,000	-	-	-	-	6,000
Subtotal Other KMP	**948,500**	**-**	**-**	**200,000**	**-**	**1,148,500**
Total	**1,613,030**	**172,000**	**50,000**	**200,000**	**22,660**	**2,057,690**

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

[2] These additional fees are noted in the Non-Executive Director Remuneration Policy section and are excluded from the maximum aggregate Director fee pool of $750,000 per rolling 12-months.

[3] Mr McAdam was paid a success fee as a result of the successful outcome of the General Meeting held in March 2020 as noted in the Executive Remuneration Policy and Framework section.

[4] Ms Coates resigned on 25 November 2019.

[5] Dr Whitehead was appointed on 17 June 2020.

2019	Salary & Service Contract	Additional Fees [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 additional 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.

No remuneration is linked to performance and no share-based payments were received/granted or exercised/lapsed during the years ended 30 June 2020 and 30 June 2019.

Share holdings

Name	Held at 1 July 2019	Granted as compensation	On exercise of options/rights	Other Changes	Held at 30 June 2020
N Warburton	-	-	-	-	-
C Edwardes	-	-	-	516,149	516,149
M Wolley	-	-	-	-	-
E Davies	-	-	-	-	-
J Gurry	-	-	-	1,012,345	1,012,345
S Coates	-	-	-	-	-
D McAdam	-	-	-	-	-
A Whitehead	-	-	-	-	-

Other changes refer to sales/purchases on market and participation in entitlement offers.

There were no shares granted during the reporting period as compensation (2019: nil).

Other Transactions with KMP and their Related Parties

During the year ended 30 June 2020, the Company paid Director fees to TIO, its major shareholder, for Director services provided by Messrs Wolley and Davies. The total value of these services was $238,000 (2019: $366,000).

In April and June 2020, the Company repaid the $7.000 million Loan Facility plus accrued interest of $120,293 with PIO Mines Pty Ltd (**PIO**), a subsidiary of its major shareholder, TIO. As at 30 June 2020, the Company has an unsecured $3.000 million loan with PIO, repayable on 30 June 2022. Interest is capitalised annually at a rate of BBSW plus a 2% margin. The value of interest capitalised at 30 June 2020 is $122,409.

During the year ended 30 June 2020 and up until the date of Ms Coates resignation as a Director, 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 $70,244 (2019: $95,352).

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 paid in the period ended 30 June 2019 $154,560. This agreement was terminated on 24 June 2019.

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

Voting and comments made at the Company's 2019 Annual General Meeting

At the Company's 2019 Annual General Meeting (AGM), there were no comments or queries on the remuneration report. However, 31.89% of shareholders voted against the remuneration report resulting in a second strike (2018 AGM: 34.18% of votes were cast against the remuneration report, resulting in the first strike). In the 2019 Notice of Meeting, the Company included a contingent resolution to hold another general meeting within 90 days (Spill Meeting) if a second strike occurred. 64.45% of Shareholders did not vote in favour of a Spill Meeting. In the year ending 30 June 2020, no further action has been taken in response to the second strike.

For the year ended 30 June 2021, the Board resolved to reduce the fees paid to the Non-Executive Chairperson from $188,000 to $100,000 per annum and Non-Executive Directors from $119,000 to $70,000 per annum.

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 $185,861 to the auditor of the Group, KPMG, for provision of taxation advice services.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 16.

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.

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

Neil Warburton
Non-Executive Chair

Perth, Western Australia
22 September 2020

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 2020 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

22 September 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2020

	Notes	2020	2019
		$’000	**$’000**
Finance income	5	17	56
Other income	5	29	1
Administrative & other expenses	5	(7,873)	(5,459)
Finance costs	5	(211)	(55)
Loss before income tax		**(8,038)**	**(5,457)**
Income tax expense	6	(48)	(13)
Loss for the year		**(8,086)**	**(5,470)**
Items that may be reclassified to profit or loss:			
Other comprehensive income		-	-
Other comprehensive loss for the year attributable to owners of the Company		**(8,086)**	**(5,470)**
Loss per share attributable to ordinary equity holders:		Cents	Cents
Basic and diluted loss per share	7	(0.197)	(0.159)

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

	Notes	2020	2019
		$'000	$'000
Current assets			
Cash and cash equivalents	8	4,101	1,700
Trade and other receivables		47	83
Other current assets	9	405	379
Total current assets		**4,553**	**2,162**
Non-current assets			
Exploration and evaluation	10	64,982	61,126
Plant and equipment		-	1
Total non-current assets		**64,982**	**61,127**
Total assets		**69,535**	**63,289**
Current liabilities			
Trade and other payables	11	502	640
Provisions	13	85	-
Total current liabilities		**587**	**640**
Non-current liabilities			
Loans and borrowings	12	3,122	3,032
Provisions	13	665	-
Total non-current liabilities		**3,787**	**3,032**
Total liabilities		**4,374**	**3,672**
Net assets		**65,161**	**59,617**
Equity			
Contributed equity	14	160,694	147,064
Accumulated losses		(95,533)	(87,447)
Total equity		**65,161**	**59,617**

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 2018	**138,859**	**(81,977)**	**56,882**
Loss for the year	-	(5,470)	(5,470)
Total comprehensive loss for the year	-	(5,470)	(5,470)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs	8,205	-	8,205
Balance as at 30 June 2019	**147,064**	**(87,447)**	**59,617**
Loss for the year	-	(8,086)	(8,086)
Total comprehensive loss for the year	-	(8,086)	(8,086)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs	13,630	-	13,630
Balance as at 30 June 2020	**160,694**	**(95,533)**	**65,161**

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

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Payments to suppliers and employees		(7,868)	(5,034)
Interest expense		(120)	(131)
Interest received		17	56
Net cash outflow from operating activities	8	**(7,971)**	**(5,109)**
Cash flows from investing activities			
Payments for exploration activities		(3,209)	(2,722)
Net cash outflow from investing activities		**(3,209)**	**(2,722)**
Cash flows from financing activities			
Proceeds from issues of shares		13,743	8,275
Transaction costs		(162)	(45)
Proceeds from borrowings		7,000	3,000
Repayment of borrowings		(7,000)	(5,000)
Net cash inflow from financing activities		**13,581**	**6,230**
Net increase (decrease) in cash and cash equivalents		2,401	(1,601)
Cash and cash equivalents at the beginning of the year		1,700	3,301
Cash and cash equivalents at the end of the year	8	**4,101**	**1,700**

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 2020 was authorised for issue in accordance with a resolution of the Directors on 22 September 2020. 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.

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.

2020	**Pilbara Iron Ore $'000**	**Canegrass $'000**	**Total $'000**
Segment result	-	-	-
Capital expenditure	2,387	719	3,106
Total segment assets	63,028	1,954	64,982
Total segment liabilities	823	12	835
2019			
Segment result	-	-	-
Capital expenditure	1,984	691	2,675
Total segment assets	59,891	1,235	61,126
Total segment liabilities	105	38	143

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

	2020 $'000	**2019 $'000**
Total segment loss	-	-
Finance income	17	56
Other income	29	1
Administrative and other expenses	(7,873)	(5,459)
Finance cost	(211)	(55)
Loss before income tax	**(8,038)**	**(5,457)**

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

	2020 $'000	**2019 $'000**
Segment assets	64,982	61,126
Unallocated:		
Cash and cash equivalents	4,101	1,700
Trade and other receivables	47	83
Other current assets	405	379
Plant and equipment	-	1
Total assets	**69,535**	**63,289**

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

	2020 $'000	**2019 $'000**
Segment liabilities	835	143
Unallocated:		
Trade and other payables	417	497
Loans and borrowings	3,122	3,032
Total liabilities	**4,374**	**3,672**

5 Income and expenses

	2020 $'000	2019 $'000
Finance revenue		
Interest received	17	56
Other income		
Other income	29	1
Administrative expenses		
Compliance	(245)	(225)
Insurance	(351)	(338)
Consultants	(4,139)	(1,894)
Administration costs	(389)	(198)
Salary and Wages (including Director Fees)	(953)	(1,424)
Legal costs	(1,736)	(1,280)
Occupancy costs	(44)	(75)
	(7,857)	**(5,434)**
Other expense		
Exploration expenditure expensed	(16)	(25)
	(16)	**(25)**
Finance expense		
Interest expense	(210)	(53)
Bank fees	(1)	(2)
	(211)	**(55)**

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:

	2020 $'000	2019 $'000
Loss from continuing operations before income tax	(8,038)	(5,457)
Tax at the Australian tax rate of 30% (2019: 30%)	(2,412)	(1,637)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-allowable items	(9)	-
Temporary differences not bought to account	2,469	1,650
Tax expense	**48**	**13**

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.

The Group has DTAs arising in Australia of $23.484 million (2019: $25.382 million) that are available for offset against future taxable profits of the companies in which the losses arose.

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 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.

6 Income tax expense (continued)

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

The Company and its wholly owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2018 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Flinders Mines Limited. $120.510 million in carry forward revenue tax losses were transferred into the tax-consolidated group at formation. The Company has assessed that these losses are able to be carried forward under the Continuity of Ownership test as at 30 June 2020.

The head entity, in conjunction with other members of the tax-consolidated group, have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity and are recognised by the Company as intercompany receivables (or payables). Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

7 Loss per share

	2020 $'000	2019 $'000
Loss used in calculating basic and diluted loss per share	(8,086)	(5,470)
Loss used in calculating basic and diluted loss per share from continuing operations	(8,086)	(5,470)

	2020 Number	2019 Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	4,098,827,112	3,443,478,128

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

	2020 $'000	2019 $'000
Cash at bank and in hand	4,071	1,670
Term deposits	30	30
	4,101	**1,700**

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:

	2020 $'000	2019 $'000
Loss for the year	**(8,086)**	**(5,470)**
Exploration expenditure expensed	16	25
Other income	(29)	(1)
Interest expenses (net of paid part)	90	32
Income tax expense	48	13
Changes in operating assets and liabilities		
Decrease in trade and other receivables	36	1
(Increase)/decrease in other assets	(26)	89
(Decrease)/increase in trade and other payables	(20)	202
Net cash flows from operating activities	**(7,971)**	**(5,109)**

9 Other current assets

	2020 $'000	2019 $'000
Other current assets	405	379
	405	**379**

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

10 Exploration and evaluation expenditure

	2020 $'000	2019 $'000
Opening balance	61,126	58,461
Expenditure incurred	3,122	2,690
Recognition of rehabilitation asset	750	-
Exploration expenditure expensed	(16)	(25)
Closing balance	**64,982**	**61,126**

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 2020 and 30 June 2019 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

	2020 $'000	2019 $'000
Trade payables	194	252
Other payables	308	420
	502	**672**

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

	2020 $'000	2019 $'000
Non-current PIO Loan	3,122	3,032

The Company has an unsecured loan facility of $3.000 million with PIO Mines Pty Ltd ("Loan Facility"), a subsidiary of its major shareholder, TIO (NZ) Limited.

The key terms of the Loan Facility are as follows:

- Interest on the Loan Facility is capitalised annually at a rate of BBSW plus a 2% margin; and
- A repayment date of 30 June 2022.

As at 30 June 2020, the Loan Facility is fully drawn.

Accrued interest at 30 June 2020 has been capitalised to the loan totalling $0.122 million (2019: $0.032 million).

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 Provisions

	2020 $'000	2019 $'000
Current Rehabilitation provision	85	-
Non-Current Rehabilitation provision	665	-
	750	**-**

Rehabilitation provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision is made for the estimated cost of rehabilitation relating to areas disturbed during exploration activities, such as drill holes, collars and track creation, undertaken at the PIOP up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of re-contouring, topsoiling and revegetation, employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations which will be incurred due to the impact of changes in environmental legislation. The provision is recognised as a non-current liability with a corresponding asset included in property, plant and equipment.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates and timing or amount of costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as finance costs in profit or loss as it occurs.

13 Provisions (continued)

If the change in liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in the income statement. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in profit or loss in the period in which it occurs.

14 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 2018	3,366,951,446	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
Shares issued pursuant to a non-renounceable rights issue	736,015,800	13,743
Share issue costs	-	(113)
As at 30 June 2020	**4,221,185,881**	**160,694**

Ordinary shares

On 28 April 2020, the Company completed a pro-rata non-renounceable entitlement offer at $0.025 cents per share, raising approximately $8.697 million (before costs).

On 25 June 2020, the Company completed a second pro-rata non-renounceable entitlement offer at $0.013 cents per share, raising approximately $5.045 million (before costs).

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 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 is able to fund its future activities.

15 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.

15 Financial risk management (continued)

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.

2020		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	4,071	30	-	-	-	0.45%	0.91%
Trade and other receivables	-	-	-	-	47	-	-
Trade and other payables	-	-	-	-	503	-	-
Loans and borrowings	-	-	3,122	-	-	2.54%	-

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	-	-	-	-	640	-	-
Loans and borrowings	-	-	3,032	-	-	3.88%	-

As at 30 June 2020, a movement of 1% in interest rates, with all other variables being held constant, results in an immaterial movement in post-tax loss and equity.

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 its 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.

15 Financial risk management (continued)

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.

2020	< 1 year $'000	1 – 5 years $'000	Total $'000
Cash and cash equivalents	4,101	-	4,101
Trade and other receivables	47	-	47
Trade and other payables	(503)	-	(503)
Loans and borrowings	-	(3,122)	(3,122)
Net outflow	3,645	(3,122)	523
2019			
Cash and cash equivalents	1,700	-	1,700
Trade and other receivables	83	-	83
Trade and other payables	(640)	-	(640)
Loans and borrowings	-	(3,032)	(3,032)
Net outflow	**1,111**	**(3,032)**	**(1,889)**

16 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 %	
			2020	2019
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
PIOP Mine Co NL [1]	Australia	Ordinary	**100**	-

[1] PIOP Mine Co NL was incorporated in Australia on 29 October 2019.

17 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 6430 Tenement (previously EL5557), located in South Australia, for diamonds, barium, talc and phosphate.

18 Parent entity information

	2020 $'000	2019 $'000
Current assets	4,523	2,139
Non-current assets	64,232	61,127
Current liabilities	503	640
Non-current liabilities	3,122	3,032
Issued capital	160,645	147,064
Accumulated losses	(95,516)	(87,470)
Total equity	**65,129**	**59,594**
Loss for the year	(8,046)	(5,473)
Total comprehensive loss for the year	(8,046)	(5,473)

The Company has no material contingent liabilities.

19 Contingent assets and liabilities

The Group had no contingent assets or liabilities at 30 June 2020 (2019: nil).

20 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:

	2020 $	2019 $
Auditing and reviewing of financial reports	65,524	43,000
Taxation advice services	185,861	37,294
Other assurance services	-	4,613
	251,385	**84,907**

The auditor of the parent entity for the year ended 30 June 2020 and 30 June 2019 is KPMG.

21 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 2020 for the Group is approximately $1.331 million (2019: $1.400 million). These obligations are expected to be fulfilled in the normal course of operations.

22 Related party transactions

Parent entity

The Parent Entity within the Group is Flinders Mines Limited.

Loans to subsidiaries

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

Other transactions with related parties

During the year ended 30 June 2020, the Company paid Director fees to TIO, its major shareholder, for Director services provided by Messrs Wolley and Davies. The total value of these services was $238,000 (2019: $366,000).

In April and June 2020, the Company repaid the $7.000 million Loan Facility plus accrued interest of $120,293 with PIO Mines Pty Ltd ('PIO'), a subsidiary of its major shareholder, TIO. As at 30 June 2020, the Company has an unsecured $3.000 million loan with PIO, repayable on 30 June 2022. Interest is capitalised annually at a rate of BBSW plus a 2% margin. The value of interest capitalised at 30 June 2020 is $122,409.

During the year ended 30 June 2020 and up until the date of Ms Coates resignation as a Director, 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 $70,244 (2019: $95,352).

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 paid in the period ended 30 June 2019 $154,560. This agreement was terminated on 24 June 2019.

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

23 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 [1]	Independent Non-Executive Director
James Gurry [2]	Independent Non-Executive Director
David McAdam [3]	Chief Executive Officer
Andrew Whitehead [4]	General Manager

23 Key management personnel disclosures (continued)

[1] On 30 August 2019, Ms Shannon Coates was appointed as Joint Company Secretary with Ms Sarah Wilson. Ms Coates resigned as a Director on 25 November 2019.

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

[3] On 9 July 2019, Mr David McAdam resigned as Executive Director and was appointed Chief Executive Officer. Mr McAdam subsequently resigned as Chief Executive Officer on 23 March 2020, with a 3-month notice period making his last effective day 23 June 2020.

[4] On 17 June 2020, Dr Andrew Whitehead was appointed as General Manager.

Compensation of key management personnel

	2020 $	2019 $
Short-term employee benefits	2,035,030	1,498,526
Post-employment benefits	22,660	16,801
	2,057,690	**1,515,327**

24 Events occurring after the reporting period

On 20 August 2020, the Company received notification from BBIG that it had received a no objection notification from the Foreign Investment Review Board in relation to its application to acquire its initial 10% voting interest in PIOP Mine Co NL, subject to BBIG complying with customary conditions.

On 4 September 2020, the Company announced that all conditions precedent had been completed in relation to the PIOP Farm-In Agreement. Completion of all conditions precedent will enable the advancement of the PIOP feasibility studies to bring PIOP Iron ore to market.

25 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.

Rehabilitation

The Group assesses rehabilitation liabilities annually. The provision recognised is based on an assessment of the estimated cost of closure and reclamation of the areas using internal information concerning environmental issues in the exploration area, together with input from various environmental consultants, discounted to present value. Significant estimation is required in determining the provision for site rehabilitation as there are many factors that may affect the timing and ultimate cost to rehabilitate sites where mining and/or exploration activities have previously taken place. These factors include future development/exploration activity, changes in the cost of goods and services required for restoration activity and changes to the legal and regulatory framework. These factors may result in future actual expenditure differing from the amounts currently provided.

26 Changes in accounting policy

In the year ended 30 June 2020, 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.

27 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 2020 with relevant standards and interpretations outlined below.

a) AASB 2018-6 Amendments to Australian Accounts Standards – Definition of Material (effective 1 July 2020)

These amendments clarify the definition of "material" and its application across AASB Standards and other pronouncements. The principal amendments are to AASIC 101 Presentation of Financial Statements.

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

b) AASB 2014-10 Amendments to Australian Accounting Standards – 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.

c) AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (effective 1 July 2022)

The subject of the principal amendments to the Standards are set out below:

AASB 1 First-time Adoption of Australian Accounting Standards

The amendment allows a subsidiary that becomes a first-time adopter after its parent to elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial, based on the parents date of transition, if no adjustment were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

AASB 9 Financial Instruments

The amendment clarifies that an entity includes only fees paid or received between the borrower and the lender and fees paid or received by either the borrower or the lender on the other's behalf when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

AASB 116 Property, Plant and Equipment

The amendment requires an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset.

AASB 137 Provisions, Contingent Liabilities and Contingent Assets

The amendment specifies the costs an entity includes when assessing whether a contract will be loss-making consists of the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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.

In the Directors' opinion:

(a) the Consolidated Financial Statements and notes and Remuneration Report 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

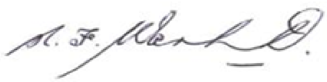
  (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date, and

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

(c) the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

The Directors have been given the declarations as 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
22 September 2020

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 2020 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 2020
- 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 (including Independence Standards)* (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.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was 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 this matter.

KPMG

Capitalised Exploration and Evaluation $64.982m

Refer to Note 10 to the Financial Report

The key audit matter

Capitalised Exploration and evaluation expenditure (E&E) is a key audit matter due to:

- the significance of the activity to the Group's business and the balance (being 93.45% 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.

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 details of the farm-in incorporated joint venture with BBI Group Pty Ltd, in which Flinders would be free carried to Final Investment Decision.
- Results from latest activities regarding the existence or otherwise of economically recoverable reserves.

How the matter was addressed in our audit

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;
- We tested the Group's additions to E&E for the year by evaluating a 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 and project budgets 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.

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

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 11 to 14 of the Directors' report for the year ended 30 June 2020.

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

22 September 2020

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 31 August 2020.

Issued Equity Capital

	Ordinary Shares	Options
Number of holders	4,060	Nil
Number on issue	4,221,185,881	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	368	38,953
1,001 – 5,000	419	1,524,514
5,001 – 10,000	634	5,150,787
10,001 – 100,000	1,786	65,597,002
100,001 and over	853	4,148,874,625
Total	**4,060**	**4,221,185,881**

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel (which as at 31 August 2020 was 9,804 Shares) was 1,191.

Substantial Shareholders

	Number of Ordinary Shares	Percentage (%)
TIO (NZ) Limited [1]	2,258,958,869	58.93
OCJ Investment (Australia) Pty Ltd [2]	758,160,000	21.75
Various Requisitioning Shareholders [3]	210,302,405	6.03

[1] As lodged on ASX on 29 April 2020.

[2] As lodged on ASX on 3 February 2017.

[3] 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	2,509,954,299	59.46
2	OCJ INVESTMENT (AUSTRALIA) PTY LTD	852,066,667	20.19
3	MR KENNETH MARTIN KEANE	67,765,433	1.61
4	CITICORP NOMINEES PTY LIMITED	53,933,239	1.28
5	MR KENNETH MARTIN KEANE + MS SALLY MORTON ROBERTS <KEANE SUPER FUND A/C>	26,902,682	0.64
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	26,417,412	0.63
7	MR CHUNLEI OUYANG	25,342,223	0.60
8	QUATTUOR REGIONIS PTY LTD <QUATTUOR REGIONIS A/C>	21,610,162	0.51
9	MR IAN DRUMMOND + MRS JANICE DRUMMOND <INSTIL ENTERPRISES S/F A/C>	18,058,043	0.43
10	VACHKODI PTY LTD <BEP INVESTMENT A/C>	15,000,000	0.36
11	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,200,362	0.34
12	MR BRENDON TONY DUNSTAN	12,093,744	0.29
13	MR ASHLEY MARTIN NEWLAND	11,500,000	0.27
14	DR STUART CLARKE + MRS MARGARET IRENE CLARKE <MACSE SUPER FUND A/C>	7,642,223	0.18
15	MR SANOJ XAVIER & MRS MARIA XAVIER	7,500,000	0.18
16	MR WAYNE RAYMOND KEARNEY + MRS ROBYN KEARNEY <KEARNEY SUPER A/C>	6,772,952	0.16
17	MR WAYNE RAYMOND KEARNEY <W & R KEARNEY FAMILY A/C>	6,757,963	0.16
18	MR ALEXANDER ILIEVSKI	6,595,348	0.16
19	SOUTHERN SHELLFISH PTY LTD <SUPERANNUATION FUND A/C>	6,540,372	0.15
20	MS NICOLE MAXIME BRUCE	5,251,365	0.12
	TOTAL	**3,701,904,489**	**87.70**

Corporate Governance

The Company's 2020 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 2020.

Tenement	Location	Status	Registered Holder	Interest at 30 June 2020
R47/021	Western Australia	Granted	PIOP Mine Co NL	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	PIOP Mine Co NL	100%
L47/0730	Western Australia	Granted	PIOP Mine Co NL	100%
L47/0734	Western Australia	Granted	PIOP Mine Co NL	100%
M47/1451	Western Australia	Granted	PIOP Mine Co NL	100%
L47/0731	Western Australia	Granted	PIOP Mine Co NL	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 2020. 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 2020

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 - PIOP

The information in this report that relates to the Pilbara Iron Ore Project Mineral Resources is based on, and fairly reflects, the ASX announcement dated 1 March 2018 (PIOP Mineral Resource Estimate Update) which was prepared by a Competent Person (Mr John Graindorge).

The Mineral Resource statement has been approved by Dr Tarrant Elkington, who consents to the inclusion in the report of the matters based on this information in the form and context in which it appears. Dr Elkington is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and is a member of the Australasian Institute of Mining and Metallurgy.

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.

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 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 - Canegrass

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.