



Flinders Mines Limited

ABN 46 091 118 044

**Financial report
for the half-year ended 31 December 2015**

(To be read in conjunction with the 30 June 2015 Annual Report)

Flinders Mines Limited ABN 46 091 118 044

Financial report - 31 December 2015

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These interim financial statements are the consolidated interim financial statements of the consolidated entity consisting of Flinders Mines Limited and its subsidiaries. The interim financial statements are presented in the Australian currency.

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

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

The registered postal address is:

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

The interim financial statements were authorised for issue by the Directors on 09 March 2016/09 March 2016. The Directors have the power to amend and reissue the interim financial statements.

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

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Flinders Mines Limited (referred to hereafter as the Parent Entity or the Company) and the entities it controlled at the end of, and during, the half-year ended 31 December 2015.

Directors

The following persons held office as Directors of Flinders Mines Limited during the financial period:

Robert Michael Kennedy (*Non-executive Chairman*)
Kevin John Malaxos (*Non-executive Director*)
Ewan John Vickery (*Non-executive Director*)
Nicholas John Smart (*Alternate Director for RM Kennedy*)
Ian James Gordon (*Managing Director*)

Review of operations

The Company focused on completion of approvals for the Pilbara Iron Ore Project "PIOP" including heritage, environmental and tenement approvals. The project was approved through the Western Australia Environmental Protection Authority and Western Australia heritage processes in this period. Commonwealth approvals for the project continued during the half year.

A number of new economic assessments were carried out on the project during the half year focused on a high grade, low impurity product that is economic to develop at iron ore prices below US\$60t.

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 3.

This report is signed and dated in Adelaide on 09 March 2016 09 March 2016 and made in accordance with a resolution of Directors.



Adelaide
09 March 2016

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

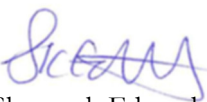
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FLINDERS MINES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Flinders Mines Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants


Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 9 March 2016

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Flinders Mines Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

		Half-year	
		2015	2014
	Notes	\$	\$
Revenue from continuing operations		55,867	116,682
Loss on disposal of assets		1,242	(76,027)
Marketing expenses		(452,721)	(297,635)
Administrative expenses		(1,190,387)	(1,217,511)
Finance costs		(2,315)	(1,926)
Exploration expenditure written off/ impaired	5	(23,543,568)	(67,853)
Loss before income tax		(25,131,882)	(1,544,270)
Income tax benefit		(750)	-
Loss for the half year		(25,132,632)	(1,544,270)
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets		(1,750)	-
Other comprehensive income for the half year (net of tax)		(1,750)	-
Total comprehensive income for the half-year		(25,134,382)	(1,544,270)
Loss is attributable to:			
Owners of Flinders Mines Limited		(25,132,632)	(1,544,270)
Total comprehensive income attributable to:			
Owners of Flinders Mines Limited		(25,134,382)	(1,544,270)
		Cents	Cents
Earnings per share for (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings per share		(0.908)	(0.064)
Diluted earnings per share		(0.908)	(0.064)

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

Flinders Mines Limited
Consolidated statement of financial position
As at 31 December 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,942,513	3,770,160
Trade and other receivables		75,716	815,393
Other current assets		166,894	266,049
Total current assets		<u>2,185,123</u>	<u>4,851,602</u>
Non-current assets			
Available-for-sale financial assets		35,111	37,611
Plant and equipment		313,361	418,297
Exploration and evaluation	5	22,700,000	45,273,862
Other non-current assets		7,000	27,000
Total non-current assets		<u>23,055,472</u>	<u>45,756,770</u>
Total assets		<u>25,240,595</u>	<u>50,608,372</u>
LIABILITIES			
Current liabilities			
Trade and other payables		91,442	231,958
Provisions		146,626	204,685
Total current liabilities		<u>238,068</u>	<u>436,643</u>
Non-current liabilities			
Provisions		15,465	50,285
Total non-current liabilities		<u>15,465</u>	<u>50,285</u>
Total liabilities		<u>253,533</u>	<u>486,928</u>
Net assets		<u>24,987,062</u>	<u>50,121,444</u>
EQUITY			
Contributed equity	6	124,414,150	124,414,150
Reserves	7	267,080	268,830
Retained losses		<u>(99,694,168)</u>	<u>(74,561,536)</u>
Total equity		<u>24,987,062</u>	<u>50,121,444</u>

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

Flinders Mines Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2015

	Contributed equity \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2014	119,106,233	18,580	(45,371,254)	73,753,559
Total comprehensive income for the half-year:				
Loss for the period	-	-	(1,544,270)	(1,544,270)
Total comprehensive income for the period	-	-	(1,544,270)	(1,544,270)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	5,255,595	-	-	5,255,595
Rights expensed during the period	-	164,757	-	164,757
	5,255,595	164,757	-	5,420,352
Balance at 31 December 2014	124,361,828	183,337	(46,915,524)	77,629,641
Balance at 1 July 2015	124,414,150	268,830	(74,561,536)	50,121,444
Total comprehensive income for the half-year:				
Loss for the period	-	-	(25,132,632)	(25,132,632)
Revaluation of financial assets (net of tax)	-	(1,750)	-	(1,750)
Total comprehensive income for the period	-	(1,750)	(25,132,632)	(25,134,382)
Balance at 31 December 2015	124,414,150	267,080	(99,694,168)	24,987,062

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

Flinders Mines Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2015

	Half-year	
	2015	2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	22,434	-
Payments to suppliers and employees	(1,553,569)	(2,074,570)
Income tax received	578,400	-
Interest received	33,433	135,205
Net cash (outflow) from operating activities	<u>(919,302)</u>	<u>(1,939,365)</u>
Cash flows from investing activities		
Payments for plant and equipment	-	(18,836)
Proceeds from sale of plant and equipment	2,264	-
Payments for exploration activities	(910,609)	(5,737,358)
Net cash (outflow) from investing activities	<u>(908,345)</u>	<u>(5,756,194)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	5,255,595
Net (decrease) in cash and cash equivalents	<u>(1,827,647)</u>	<u>(2,439,964)</u>
Cash and cash equivalents at the beginning of the financial period	3,770,160	9,868,548
Cash and cash equivalents at end of financial period	<u>1,942,513</u>	<u>7,428,584</u>

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

1 Basis of preparation of half-year report

This consolidated financial report for the half-year reporting period ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year report is for the consolidated entity consisting of Flinders Mines Limited and its subsidiaries.

This consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the period ended 30 June 2015 and any public announcements made by Flinders Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the Group for the year ended 30 June 2015 is available on request from the Company's registered office at Level 1, 135 Fullarton Road, Rose Park, South Australia 5067, or the Company's website: www.flindersmines.com.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2015.

2 Segment information

(a) Description of segments

Identification of reportable segments

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

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

- external regulatory requirements
- geographical and geological styles

Operations

The Group has exploration operations in base metals and iron mineralisation at the Canegrass Project, and a different style of iron mineralisation at the Pilbara Iron Ore Project. The costs associated with these operations are reported on in these segments.

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 with those adopted in the annual financial statements of the Group.

(b) Primary reporting format - business segments

Half-year 2015	Pilbara Iron Ore \$	Canegrass Magnetite \$	Other Minerals \$	Total \$
Adjusted EBITDA	(23,484,221)	-	(59,347)	(23,543,568)
Capital expenditure written off / impaired for the year 2015	(23,484,221)	-	(59,347)	(23,543,568)
Total segment assets	22,345,329	346,187	8,484	22,700,000
Segment asset movements for the half-year ended 31 December 2015:				
Capital expenditure	829,550	72,325	67,830	969,705
Impairment of assets	(23,484,221)	-	(59,347)	(23,543,568)
Total movement for the half-year	(22,654,671)	72,325	8,483	(22,573,863)
Segment assets				22,700,000
Unallocated assets				2,540,595
Total assets				25,240,595

2 Segment information (continued)

(b) Primary reporting format - business segments (continued)

Half-year 2014	Pilbara Iron Ore \$	Canegrass Magnetite \$	Other Minerals \$	Total \$
Adjusted EBITDA	-	(6,915)	(60,938)	(67,853)
Total segment assets	45,660,158	-	-	45,660,158
Segment movements for the year ended 30 June 2015:				
Capital expenditure	5,662,757	201,946	186,128	6,050,831
Impairment of assets	-	(6,915)	(60,938)	(67,853)
Total movement for the year	5,662,757	195,031	125,190	5,982,978
Segment assets				45,660,158
Unallocated assets				4,948,214
Total Assets				50,608,372

2 Segment information (continued)

(c) Other segment information

(i) Adjusted EBITDA

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

	Half-year 2015 \$	2014 \$
Allocated:		
Adjusted EBITDA	(23,543,568)	(67,853)
Unallocated:		
Other revenue from ordinary activities	55,867	116,682
Loss on disposal of assets	1,242	(76,027)
Marketing expenses	(452,721)	(297,635)
Administrative expenses	(1,190,387)	(1,217,511)
Finance costs	(2,315)	(1,926)
(Loss) before income tax from continuing operations	(25,131,882)	(1,544,270)

3 Contingencies

Contingent liabilities

The Group had no known contingent liabilities at 31 December 2015 (30 June 2015: nil).

4 Commitments

Bank guarantees

The State Government departments responsible for mineral resources require performance bonds for the purposes of rehabilitation of areas disturbed by exploration activities. Financial institutions similarly require guarantees for credit card automatic payment facilities. At 31 December 2015, the Group had \$178,978 of bank guarantees in place for these purposes (30 June 2015: \$178,978).

5 Non-current assets - Exploration and evaluation

	31 December 2015 \$	30 June 2015 \$
Exploration and evaluation assets		
Movement:		
Opening balance	45,273,863	64,038,405
Expenditure incurred	969,705	8,127,125
Less: expenditure written off / impaired	(23,543,568)	(26,891,668)
Closing balance	22,700,000	45,273,862
Closing balance comprises		
Exploration and evaluation - 100% owned	20,582,001	43,155,863
Exploration and evaluation phases - Joint Venture Operations	2,117,999	2,117,999
	22,700,000	45,273,862

The carrying value of the PIOP project has been reviewed using a market value approach. An impairment of \$23,484,221 has been recognised.

6 Contributed equity

(a) Share capital

	31 December 2015 Shares	30 June 2015 Shares	31 December 2015 \$	30 June 2015 \$
Ordinary shares				
Ordinary shares - fully paid	2,769,648,754	2,762,995,689	124,414,150	124,414,150

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$
1 July 2015	Opening balance	2,762,995,689	124,414,150
7 August 2015	Conversion of employee rights	6,063,430	-
14 December 2015	Conversion of employee rights	589,635	-
31 December 2015	Balance	2,769,648,754	124,414,150

6 Contributed equity (continued)

(c) Employee incentive rights plan

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

On 1 July 2014, 12,796,000 incentive rights, expiring 30 June 2016 were issued to nine Company employees. On 12 November 2014, 10,000,000 incentive rights, expiring 30 June 2016 were issued to one Company employee.

During the reporting period four Company employees were terminated, triggering 6,653,065 incentive rights to vest at zero issue price.

7 Reserves

	31 December 2015 \$	30 June 2015 \$
Available-for-sale investments revaluation reserve	(294,097)	(292,347)
Share-based payments	561,177	561,177
	<u>267,080</u>	<u>268,830</u>
	31 December 2015 \$	30 June 2015 \$
Movements:		
<i>Available-for-sale investments revaluation reserve</i>		
Opening balance	(292,349)	(293,049)
Revaluation	(1,750)	700
Balance at period end	<u>(294,099)</u>	<u>(292,349)</u>
<i>Share-based payments</i>		
Opening balance	561,179	311,629
Rights issued/(expired) during the year	-	249,550
Balance at period end	<u>561,179</u>	<u>561,179</u>

8 Events occurring after the reporting period

On 29 February 2016 \$233,350 was paid out as redundancy payments to three company employees taking the total employees of the Group as at release date to three.

On 2 March 2016 settlement of a capital raising placement occurred for 165 million fully paid ordinary shares at \$0.005 per share raising a total of \$825,000.

The Placement will provide working capital to the Group to pay the holding costs for PIOP and its pursuit of securing development partners, offtake customers and transport solutions for the project.

9 Fair value measurement of assets and liabilities

AASB 13 requires disclosure of fair value measurements by level of the following value hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

All financial instruments were valued using the level 1 valuation techniques. There were no changes in valuation techniques for financial instruments in the period.

Available-for-sale financial assets are measured at fair value using the closing price on the reporting dates as listed on the Australian Securities Exchange Limited (ASX). The carrying value of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

In the Directors' opinion:

- (a) the interim financial statements and notes set out on pages 4 to 15 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 31 December 2015 and of its performance for the half-year 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.

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

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke.

Adelaide
09 March 2016

Level 1,
67 Greenhill Rd
Wayville SA 5034

Correspondence to:
GPO Box 1270
Adelaide SA 5001

T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

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

We have reviewed the accompanying half-year financial report of Flinders Mines Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Flinders Mines Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Flinders Mines Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Flinders Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Flinders Mines Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 9 March 2016