

Flinders Mines Limited

ABN 46 091 118 044

**Annual Report
for the year ended 30 June 2018**

Flinders Mines Limited

Annual Report - 30 June 2018

Contents Page

Corporate Directory	3
Chairman's Report	4
Directors' Report	5
Auditors Independence Report	13
Financial Statements	14
Directors' Declaration	32
Independent Auditor's Report to the Members	33
Additional Information	37
Corporate Governance Statement	39
Interest in Mining Tenements	40
Mineral Resources and Ore Reserves Information	41

Corporate Directory

Board of Directors

Neil Warburton	Independent Non-Executive Chairman
David McAdam	Executive Director
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
Shannon Coates	Independent Non-Executive Director

Company Secretary

Shannon Coates

Registered Office

45 Ventnor Avenue

West Perth WA 6005

Telephone: 08 9389 4483

Email: info@flindersmines.com

Website: www.flindersmines.com

Share Registry

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

Perth WA 6000

Telephone: 08 9323 2000

Website: www.computershare.com.au

Auditors

KPMG

235 St Georges Terrace

Perth WA 6000

Securities Exchange Listing

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

Chairman's Report

Dear Shareholders,

I am pleased to present the Company's Annual Report for the year ended 30 June 2018.

During the year, the Company completed its planned maturation work at the Pilbara Iron Ore Project (**PIOP**), located 70km from Tom Price in Western Australia. Geotechnical, hydrological and metallurgical test work was completed and the potential for lower-grade detrital material to contribute to the PIOP Mineral Resource confirmed and on 1 March 2018, a revised JORC Mineral Resource Statement for the PIOP was announced. Base case metallurgical processing test work indicated that the PIOP detrital resource material, whilst being upgradeable to a circa 59%Fe product, experiences significantly lower yields than non-detrital ores. Key metallurgical, geotechnical and geohydrological risks identified during the strategic review were better understood and able to be mitigated as a result of the maturation work.

Whilst the maturation programme achieved the majority of its goals and progressed the PIOP project towards development, it also highlighted areas of future work, which include progressing discussions on provision of a logistics solution for transportation and shipping, considering further exploration programs at PIOP to identify additional higher grade Mineral Resources and optimising product quality and processing plant development to assess the impacts of the ore characteristics.

The Company also continued to work on further exploration of the Canegrass tenements, with the focus being on extending its knowledge of the VTM Resource and its ongoing assessment of the potential for gold in the various tenement holdings.

During the year, the Company was extremely saddened by the passing of longstanding Non-Executive Director, Mr Robert Kennedy, in March 2018. Bob worked tirelessly in his role as Director and as Chair of the Audit and Risk Committee for over 17 years. Following Bob's passing, Ms Shannon Coates was appointed as Non-Executive Director and Chair of the Audit and Risk Committee on 20 June 2018.

Post the end of the financial year, the Company undertook a non-renounceable entitlement issue, raising \$8.275 million (before costs) which represented approximately 88% of the offer. The funds were used to repay a \$5 million unsecured loan (plus interest) from PIO Mines Pty Ltd, a subsidiary of its major shareholder, TIO (NZ) Limited, costs of the offer and will also be applied towards future tenement management expenditure and working capital.

In conclusion, I would like to thank Executive Director, Mr David McAdam, and his team for their valuable contribution to the Company, and shareholders for their continued support. I look forward to reporting further progress on our projects during the 2019 financial year.



Neil Warburton
Chairman

Perth, Western Australia
19 September 2018

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 2018.

Directors

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

Neil Warburton	Independent Non-Executive Chairman	Appointed 19 October 2016
David McAdam	Executive Director	Appointed 19 October 2016
Robert Kennedy ¹	Independent Non-Executive Director	Appointed 14 December 2001
Michael Wolley	Non-Executive Director	Appointed 19 October 2016
Evan Davies	Non-Executive Director	Appointed 19 October 2016
Shannon Coates	Independent Non-Executive Director	Appointed 20 June 2018

¹ Deceased 20 March 2018

Company Secretary

Shannon Coates held the position of Company Secretary during the whole of the financial year and up to the date of this report.

Information on Directors and Officers

Neil Warburton	Independent Non-Executive Chairman
Qualifications	Assoc. MinEng WASM, MAusIMM, FAICD
Experience	Mr Warburton has over 38 years' experience in corporate and all areas of mining operations. Mr Warburton held senior positions with Barminto Limited culminating in being the Chief Executive Officer from August 2007 to March 2012. He successfully grew Barminto into Australia and West Africa's largest underground hard rock mining contractor before expanding to non-executive director roles on ASX listed mining companies.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Chair of Nominations and Remuneration Committee and member of Audit and Risk Committee and Strategic Review Committee.
Directorships held in other listed entities in the last three years	Non-executive director of Independence Group Limited (October 2015 to date) and non-executive chairman of Coolgardie Minerals Limited (July 2017 to date). Previously a non-executive director of Australian Mines Limited (April 2003 to December 2017), Peninsula Energy Limited (February 2013 to April 2016), Sirius Resources NL (August 2013 to September 2015), Namibian Copper NL (September 2014 to December 2016) and Red Mountain Mining Limited (May 2006 to July 2016).
David McAdam	Executive Director
Qualifications	BE (Chemical, 1 st Class Hons), MBA, FAICD, FIEAust
Experience	In the past 20 years, Mr McAdam has been focused on senior management leadership roles in design and construction organisations that focus on the resource and infrastructure industries. In these roles he has led the creation and re-establishment of a series of highly successful engineering companies across a range of industries in a variety of locations. These roles have included responsibilities as a director in listed and private organisations.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Member of Nominations and Remuneration Committee and Strategic Review Committee.
Directorships held in other listed entities in the last three years	Previously Managing Director and CEO of Seymour Whyte Limited (February 2013 to May 2015).

Michael Wolley	Non-Executive Director
Qualifications	BE (Chemical and Materials, 1 st 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 and Strategic Review Committee.
Directorships held in other listed entities in the last three years	Non-executive director of Wolf Minerals Limited (June 2013 to date). Previously a non-executive director of Rutla Resources Limited (now BBI Group) (June 2012 to August 2015) and Red Mountain Mining Limited (April 2011 to July 2016).
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 and Strategic Review Committee.
Directorships held in other listed entities in the last three years	Nil
Shannon Coates	Independent Non-Executive Director and 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	Chair of the Audit and Risk Committee and Strategic Review Committee and member of Nominations and Remuneration Committee
Directorships held in other listed entities in the last three years	Non-executive director of the following listed companies: Vmoto Limited (May 2014 to date) and Kopore Metals Limited (October 2015 to date).

Robert Kennedy	Independent Non-Executive Director
Qualifications	KSJ, ASAIT, Grad Dip (Systems Analysis), Dip Financial Planning, Dip Financial Services, FCA, CTA, AGIA, Life Member AIM, FAICD, MRSASA
Experience	Chartered Accountant with extensive experience as chairman and non-executive director for a range of listed public companies in the resources sector.
Interest in FMS Shares and Options at the date of this report	Nil
Special responsibilities	Nil
Directorships held in other listed entities in the last three years	Previously Chairperson of Ramelius Resources Limited (November 1995 to March 2018), Maximus Resources Limited (December 2004 to March 2018), Monax Mining Limited (August 2004 to March 2018) and Tychean Resources Limited (March 2006 to March 2018) and a non-executive director of Crestal Petroleum Limited (formerly Tellus Resources Limited and currently Firstwave Cloud Technology Ltd) (December 2013 to February 2015) and Marmota Energy Limited (April 2006 to April 2015).

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 2018, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Audit & Risk Committee		Nominations & Remuneration Committee		Corporate Governance Committee ³		Strategic Review Committee ⁴	
	A	B	A	B	A	B	A	B	A	B
N Warburton	12	12	4	4	3	3	-	-	-	-
D McAdam	12	12	-	-	3	3	-	-	-	-
M Wolley	10	12	3	4	2	3	-	-	-	-
E Davies	12	12	3	4	3	3	-	-	-	-
R Kennedy ¹	6	8	2	4	1	2	-	-	-	-
S Coates ²	-	-	-	-	-	-	-	-	-	-

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 = Deceased 20 March 2018.

² = Ms Coates was appointed as Director on 20 June 2018, no board or committee meetings were held in the period from her appointment to 30 June 2018.

³ = The Board resolved to cease the Corporate Governance Committee on 18 July 2018. Corporate Governance is a standing agenda item at each Board Meeting and as such, Corporate Governance is undertaken by the full Board pursuant to the Corporate Governance Committee Charter.

⁴ = The Board established a Strategic Review Committee on 7 September 2018.

Principal Activities

The Group's principal continuing activities during the year consisted of mineral exploration. There were no significant changes in the nature of the activities of the Group during the year.

Dividends

No dividends have been declared or paid during the financial year (2017: \$nil).

Operating Results and Financial Position

The net result of operations for the financial year was a loss of \$1.810m (2017: loss of \$2.264m).

Review of Operations

Corporate

On 6 November 2017, Flinders entered into a loan facility agreement with PIO Mines Pty Limited, a subsidiary of the Company's major shareholder TIO (NZ) Limited.

The short-term loan facility was for a total of A\$5m. The loan facility was unsecured and required repayment on or before 31 August 2018. Interest was payable at the repayment date at a rate of 3.885% per annum. Subsequent to year end, this loan was repaid in its entirety including accrued interest.

The funds were used to complete all work programs associated with the maturation work undertaken at the Pilbara Iron Ore Project ('PIOP').

Pilbara Iron Ore Project, Western Australia

In March 2017, the Company undertook a strategic review to identify the best path forward to unlock the value of the PIOP asset.

The strategic review concluded that, among other things, a further asset maturation phase was required to define the PIOP's commercial viability ahead of any pre-feasibility study.

These maturation works commenced in June 2017 and concluded in May 2018.

The primary purpose of the maturation program was to determine if lower iron grade detrital ores ('DID's'), ranging in grade from ~40% to 50%Fe could be upgraded to a product that would contribute to a total project marketable quality blend. If successful, this would increase the total recoverable tonnes from the PIOP.

As a result of this work, an updated JORC Code 2012 Mineral Resource for the PIOP was announced to the ASX on 1 March 2018.

The maturation program has also produced a preliminary process design for Ore Processing Facility 1 and 2. The initial process flow diagrams and mechanical equipment lists reflect the metallurgical test work and will facilitate engagement with process engineering designers and contractors once the infrastructure solutions and ore marketability has been further developed.

The maturation program achieved majority of its goals and progressed the PIOP towards development, it also highlighted future areas of work, including:

- Commence discussions on provision of a logistics solution;
- Consider further exploration programs at PIOP to identify additional Mineral Resources and higher resource grade;
- Product quality optimisation and marketing update;
- Process plant development to assess the impacts of the ore characteristics; and
- Undertake detailed mine planning once infrastructure parameters are secured.

Canegrass, Western Australia

The Company completed the planned field drilling and analysis work on the Canegrass tenements during the period. The drilling program conducted at Canegrass in November 2017, targeted cobalt, nickel, copper soil and rock chip anomalies and included reverse circulation and air-core drilling. None of the drilling intersected any cobalt, nickel, copper sulphide mineralisation of economic interest. Previous drilling on Canegrass where copper, cobalt and platinum group elements were also analysed supports this result, with only low values of cobalt and platinum group elements associated with the copper zones and reinforces the conclusion that the prospects of any significant cobalt and/or platinum group elements mineralisation in the current tenure are negligible.

An updated JORC Code 2012 Vanadium Mineral Resource for Canegrass was announced to the ASX on 30 January 2018.

Additional exploratory drilling designed to explore for additional vanadium resources and gold prospectivity within the Company's funding constraints, is expected to commence in the September 2018 quarter.

Likely Developments and Business Strategies

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

- Consideration of the future areas of work highlighted from the results of the maturation program at PIOP;
- Commence discussions with a third party for provision of a logistics solution at PIOP; and
- Continue active exploration activity at the Group's Canegrass tenements in Western Australia.

Events Subsequent to the End of the Reporting Period

Subsequent to year end, the Company completed a rights issue raising \$8.275m (before costs) by issuing 118,218,635 fully paid ordinary shares at \$0.07 per share. These proceeds have been used to repay the PIO loan facility in entirety, \$5.127m including accrued interest. The remaining funds will be used to fund ongoing exploration and evaluation programs.

Environmental Regulation

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

Remuneration Report - Audited

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

Key Management Personnel Covered in this Report

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

Neil Warburton	Independent Non-Executive Chairman	
David McAdam	Executive Director	
Robert Kennedy	Independent Non-Executive Director	Deceased 20 March 2018
Michael Wolley	Non-Executive Director	
Evan Davies	Non-Executive Director	
Shannon Coates	Independent Non-Executive Director	Appointed 20 June 2018

Remuneration Governance

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

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

Use of Remuneration Consultants

During the year the Nominations and Remuneration Committee sought advice from BDO regarding market data and advice in relation to Director fees and the Company's overall remuneration framework. Such consultants were engaged by and reported directly to the Nominations and Remuneration Committee and were required to confirm in writing, their independence from the Company's senior management and other executives. 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 the decision making process. These recommendations were considered along with other factors by the Company in making its remuneration decisions and recommendations to the Board of Directors. The fees paid to BDO for this market data and advice were \$5,547.

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) is determined by the Non-Executive Directors on the Board as part of the terms and conditions of his employment which are subject to review from time to time. The employment conditions of the Executive Director, which are in addition to Mr McAdam's role as a Non-Executive Director, were formalised in a Services Agreement.

The Services Agreement commenced on 27 February 2017 and details the consulting fee per day, a maximum number of days per week during which the services are to be performed, term of the agreement and termination clauses. Subsequent to year end, the Executive Director's Service Agreement has been extended to 1 March 2019 with a rolling 3 month extension at the Board's discretion.

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

Non-Executive Directors Remuneration Policy

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

Fees are reviewed annually by the Board's Nominations and Remuneration Committee taking into account 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 annum and was approved by shareholders at the Annual General Meeting on 6 November 2009. The Board may apportion any amount up to this maximum amount amongst the Non-Executive Directors as it determines. Directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred in performing their duties as Directors.

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

Details of Remuneration

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

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

¹ Mr Wolley and Mr Davies Non-Executive Director Fees are paid directly to the major shareholder, TIO.

² Deceased 20 March 2018.

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

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

2017	Short-term benefits	Post-employment		
	Salary & Fees	Superannuation	Termination benefits	Total
	\$	\$	\$	\$
Non-Executive Directors				
N Warburton ¹	104,160	-	-	104,160
M Wolley ^{1, 3}	49,160	-	-	49,160
E Davies ^{1, 3}	49,160	-	-	49,160
R Kennedy	139,196	9,804	-	149,000
K Malaxos ²	42,000	-	-	42,000
E Vickery ²	38,356	3,644	-	42,000
Subtotal Non-Executive Directors	422,032	13,448	-	435,480
Executive Directors				
D McAdam ^{1, 4}	266,360	-	-	266,360
Other key management personnel				
J Panagopoulos ⁵	218,744	18,004	79,463	316,211
Total	907,136	31,452	79,463	1,018,051

¹ Appointed 19 October 2016.

² Resigned 19 October 2016.

³ Mr Wolley and Mr Davies Non-Executive Director Fees are paid directly to the major shareholder, TIO.

⁴ Mr McAdam's remuneration includes \$70,800 for strategic review services, \$146,400 for Executive services and \$49,160 for Director services.

⁵ Redundant 29 April 2017.

No remuneration is linked to performance and no share-based payments were received/granted or exercised/lapsed during the years ended 30 June 2018 and 30 June 2017.

Terms of Employment

The terms of employment for the Executive Director are formalised in Service Agreements. Material terms relating to the duration and termination as at 30 June 2018 are set out below;

Name	Compensation	Notice Period	Term
D McAdam	\$2,500 per day for a maximum of 4 days per week	One week's notice in writing by either Mr D McAdam or the Company	Concludes 30 September 2018

Subsequent to year end, the Executive Director's Service Agreement has been extended to 1 March 2019 with a rolling 3 month extension at the Board's discretion. The previous one week notice period has been extended to align with the end of the respective term.

Share holdings

No Directors or KMP held a relevant interest in shares in the Company during the 2018 and 2017 financial year. There were no shares granted during the reporting period as compensation.

Other Transactions with KMP and their Related Parties

During the year ended 30 June 2018, the Group utilised the tenement management and field services of BBI Group Pty Ltd, a subsidiary of its major shareholder, TIO. The total value of these services was \$172,595 (2017: \$59,488).

During the year ended 30 June 2018, the Group paid Director fees to TIO, its major shareholder, for Director services provided by Mr Wolley and Mr Davies. The total value of these services was \$238,000 (2017: \$98,320).

During the year ended 30 June 2018, the Group received Company Secretarial services from Evolution Corporate Services, a company of which Ms Coates is a Director of. The total value of these services for the period of time Ms Coates was a Director was \$2,167.

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

This is the end of the audited remuneration report.

Options Granted over Unissued Shares

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

Non- Audit Services

No non-audit services were provided by the entity's auditor, KPMG.

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 brought by a third party against the Company or its current or former Directors or Officers and against liabilities for costs and expense incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

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

Indemnification of Auditors

The Company has not indemnified its auditors, KPMG.

Rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

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



David McAdam
Executive Director

Perth, Western Australia
19 September 2018



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 2018 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

A handwritten signature in blue ink, appearing to read 'R Gambitta'.

R Gambitta
Partner

Perth

19 September 2018

Flinders Mines Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from continuing operations			
Finance income	5	105	43
Other income	5	49	-
Administrative expenses	5	(1,718)	(2,070)
Other expenses	5	(117)	(167)
Finance costs	5	(112)	(27)
Loss before income tax		(1,793)	(2,221)
Income tax (expense)/benefit	6	(17)	(43)
Loss for the year		(1,810)	(2,264)
<i>Items that may be reclassified to profit or loss:</i>			
Other comprehensive income		-	-
Other comprehensive loss for the year attributable to owners of the Company		(1,810)	(2,264)
Loss per share attributable to ordinary equity holders:		Cents	Cents
Basic and diluted loss per share	7	(0.058)	(0.073)

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

Flinders Mines Limited
Consolidated Statement of Financial Position
As at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	8	3,301	10,067
Trade and other receivables	9	84	127
Other current assets	10	468	467
Total current assets		3,853	10,661
Non-current assets			
Available-for-sale financial assets		-	3
Exploration and evaluation	11	58,461	48,890
Plant and equipment		4	72
Other non-current assets	9	-	7
Total non-current assets		58,465	48,972
Total assets		62,318	59,633
Current liabilities			
Trade and other payables	12	436	941
Loans and borrowings	13	5,000	-
Total current liabilities		5,436	941
Total liabilities		5,436	941
Net assets		56,882	58,692
Equity			
Contributed equity	14	138,859	138,859
Accumulated losses		(81,977)	(80,167)
Total equity		56,882	58,692

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

Flinders Mines Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2018

	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2016	125,239	(77,903)	47,336
Loss for the year	-	(2,264)	(2,264)
Total comprehensive loss for the year	-	(2,264)	(2,264)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs and tax	13,620	-	13,620
Balance as at 30 June 2017	138,859	(80,167)	58,692
Loss for the year	-	(1,810)	(1,810)
Total comprehensive loss for the year	-	(1,810)	(1,810)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs and tax	-	-	-
Balance as at 30 June 2018	138,859	(81,977)	56,882

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

Flinders Mines Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(1,687)	(2,387)
Interest expense		-	(24)
Interest received		105	43
Net cash outflow from operating activities	8	(1,582)	(2,368)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		14	1
Proceeds from sale of available-for-sale financial assets		73	-
Payments for exploration activities		(10,219)	(1,695)
Net cash outflow from investing activities		(10,132)	(1,694)
Cash flows from financing activities			
Proceeds from issues of shares		-	13,670
Transaction costs		(52)	(92)
Proceeds from borrowings		5,000	2,000
Repayment of borrowings		-	(2,000)
Net cash inflow from financing activities		4,948	13,578
Net (decrease)/increase in cash and cash equivalents		(6,766)	9,516
Cash and cash equivalents at the beginning of the year		10,067	551
Cash and cash equivalents at the end of the year	8	3,301	10,067

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 2018 was authorised for issue in accordance with a resolution of the Directors on 19 September 2018. 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 Class Order 2016/191. The Company is an entity to which this Class Order applies.

2 Reporting entity

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

3 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 has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

c) Comparatives

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

d) Going Concern

The Company was required to repay the unsecured short term loan facility with PIO Mines Pty Limited ("PIO"), a subsidiary of its major shareholder, TIO (NZ) Limited, by 31 August 2018.

Subsequent to year end, the Company completed a rights issue raising \$8.275m (before costs) by issuing 118,218,635 fully paid ordinary shares at \$0.07. These proceeds have been used to repay the PIO loan facility in entirety, \$5.127m including accrued interest. The remaining funds will be used to fund ongoing exploration and evaluation programs.

On this basis, the financial statements have been prepared on a going concern basis

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 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 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.

2018	Pilbara Iron Ore	Canegrass	Other	Total
	\$'000	\$'000	\$'000	\$'000
Segment result	-	-	(65)	(65)
Impairment of assets	-	-	(65)	(65)
Capital expenditure	9,097	474	65	9,636
Total segment assets	57,917	544	-	58,461
Total segment liabilities	156	6	-	162
2017				
Segment result	-	-	(165)	(165)
Impairment of assets	-	-	(165)	(165)
Capital expenditure	2,302	70	165	2,537
Total segment assets	48,820	70	-	48,890
Total segment liabilities	498	5	-	503

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

	2018	2017
	\$'000	\$'000
Total segment loss	(65)	(165)
Finance income	105	43
Profit on disposal of assets	49	-
Administrative expenses	(1,718)	(2,070)
Non-mine site rehabilitation	(52)	-
Impairment of financial assets	-	(2)
Finance cost	(112)	(27)
Loss before income tax	(1,793)	(2,221)

4 Segment information (continued)

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

	2018 \$'000	2017 \$'000
Segment assets	58,461	48,890
Unallocated:		
Cash and cash equivalents	3,301	10,067
Trade and other receivables	84	127
Other current assets	429	467
Available-for-sale financial assets	-	3
Plant and equipment	4	72
Other non-current assets	-	7
Total assets	62,279	59,633

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

	2018 \$'000	2017 \$'000
Segment liabilities		
Unallocated:		
Trade and other payables	162	503
Loans and borrowings	274	438
	5,000	-
Total liabilities	5,436	941

5 Income and expenses

	2018 \$'000	2017 \$'000
Other revenue		
Interest received	105	43
	105	43

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

	2018 \$'000	2017 \$'000
Other income		
Profit on sale of assets	7	-
Profit on sale of available-for-sale financial assets ¹	42	-
	49	-

¹ Represents the profit on sale of 1,000,000 Rumble Resources Limited shares at a weighted average sale price of \$0.705 and 250,000 Phoenix Metals Limited shares at a weighted average sale price of \$0.011.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in another category of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the available-for-sale fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

5 Income and expenses (continued)

	2018	2017
	\$'000	\$'000
Administrative expenses		
Compliance	149	252
Depreciation	22	33
Administration costs	854	650
Salary and wages	603	839
Legal costs	45	113
Occupancy costs	45	183
	1,718	2,070
	2018	2017
	\$'000	\$'000
Other expense		
Exploration expenditure written off	65	165
Non-mine site rehabilitation	52	-
Impairment of financial assets	-	2
	117	167
	2018	2017
	\$'000	\$'000
Finance expense		
Interest expense	110	24
Bank fees	2	3
	112	27

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:

	2018	2017
	\$'000	\$'000
Loss from continuing operations before income tax	(1,793)	(2,221)
Tax at the Australian tax rate of 30% (2017: 30%)	(538)	(666)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non allowable items	19	1
Temporary differences not brought to account	536	707
Transfer of available for sale asset reserve to impairment expense	-	1
Tax expense	17	43

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

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

6 Income tax expense (Continued)

The taxation benefits will only be obtained if:

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

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

The Group has net DTAs arising in Australia of \$23.873m (2017: \$23.337m) that are available for offset indefinitely against future taxable profits of the companies in which the losses arose.

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

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

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

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

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

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

7 Loss per share

	2018	2017
	\$'000	\$'000
Loss used in calculating basic and diluted loss per share	(1,793)	(2,264)
Loss used in calculating basic and diluted loss per share from continuing operations	(1,793)	(2,264)
	2018	2017
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	3,114,608,516	3,114,608,516

Basic earnings/loss per share is determined by dividing net profit or loss after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

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

8 Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank and in hand	3,241	3,917
Term deposits	60	6,150
	3,301	10,067

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:

	2018	2017
	\$'000	\$'000
Loss for the year	(1,793)	(2,264)
Depreciation	22	33
Exploration expenditure written off	65	165
Profit on disposal of assets	(7)	-
Profit on disposal of available-for-sale financial assets	(42)	-
Impairment of financial assets	-	2
Income tax expense	17	43
Changes in operating assets and liabilities		
Decrease in trade and other receivables	5	672
Decrease/(increase) in other assets	18	(310)
Increase/(decrease) in trade and other payables	150	(672)
Decrease in provisions	-	(37)
Net cash flows from operating activities	(1,582)	(2,368)

9 Trade and other receivables

	2018	2017
	\$'000	\$'000
Current		
Other receivables	84	127
	84	127
Non-current		
Security bonds	-	7
	-	7

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

All current receivables are due within 30 days (2017: 30 days). There are no past due or impaired receivables.

10 Other assets

	2018	2017
	\$'000	\$'000
Other current assets	468	467
	468	467

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

11 Exploration and evaluation expenditure

	2018	2017
	\$'000	\$'000
Opening balance	48,890	46,518
Expenditure incurred	9,636	2,537
Impairment loss	(65)	(165)
Closing balance	58,461	48,890

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 2018 and 30 June 2017 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.

12 Trade and other payables

	2018	2017
	\$'000	\$'000
Trade payables	190	491
Other payables ¹	246	450
	436	941

¹ Included in Other payables is accrued interest of \$110k payable on the PIO Mines Pty Limited loan. Refer Note 13.

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.

13 Loans and Borrowings

	2018 \$'000	2017 \$'000
Short-term loan	5,000	-
Closing balance	<u>5,000</u>	<u>-</u>

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

The key terms are as follows:

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

As at 30 June 2018, this loan was fully drawn. Subsequent to year end, this loan and applicable interest was repaid in its entirety.

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. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

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 2016	2,947,152,568	125,239
Shares issued pursuant to a non-renounceable rights issue	419,798,878	13,717
Share issue costs	-	(97)
As at 30 June 2017	<u>3,336,951,446</u>	<u>138,859</u>
Share issue costs	-	-
As at 30 June 2018	<u>3,336,951,446</u>	<u>138,859</u>

Ordinary shares

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

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

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

Capital risk management

The Group's debt and capital includes ordinary share capital and short term debt. There are no externally imposed capital requirements.

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

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

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.

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.

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

2017		Fixed interest maturing in:				Average interest rates	
	Floating interest rate	< 1 year	1 – 5 years	> 5 years	Non-interest bearing	Floating	Fixed
	\$'000	\$'000	\$'000	\$'000	\$'000	%	%
Cash and cash equivalents	3,917	6,150	-	-	-	1.50%	2.20%
Trade and other receivables	-	-	-	-	134	-	-
Available-for-sale financial assets	-	-	-	-	3	-	-
Trade and other payables	-	-	-	-	941	-	-

As at 30 June 2018, if interest rates had moved by 1%, with all other variables being held constant, post-tax loss and equity would have been affected by +/- \$0.033m (2017: +/- \$0.101m).

15 Financial risk management (continued)

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

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

Credit risk

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

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

The credit quality of the Group's financial assets as at 30 June 2018 is as follows:

2018	AAA	AA-	Internally rated	Total
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	3,301	-	3,301
Trade and other receivables	46	-	38	84
2017				
Cash and cash equivalents	-	10,067	-	10,067
Trade and other receivables	91	-	43	134
Available-for-sale financial assets	-	-	3	3

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

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

Liquidity risk

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

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

2018	< 1 year	1 – 5 years	Total
Cash and cash equivalents	3,301	-	3,301
Trade and other receivables	84	-	84
Trade and other payables	(436)	-	(436)
Loans and borrowings	(5,000)	-	(5,000)
Net outflow	(2,051)	-	(2,051)
2017			
Cash and cash equivalents	10,067	-	10,067
Trade and other receivables	127	7	134
Available-for-sale financial assets		3	3
Trade and other payables	(941)	-	(941)
Net inflow	9,253	10	9,263

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 %	
			2018	2017
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

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 5557 tenement, located in South Australia, for diamonds, barium, talc and phosphate.

18 Parent entity information

	2018	2017
	\$'000	\$'000
Current assets	3,794	10,637
Non-current assets	58,465	48,960
Current liabilities	5,436	935
Issued capital	138,820	138,817
Accumulated losses	(81,997)	(80,154)
Total equity	56,823	58,663
Loss for the year	(1,843)	(2,826)
Total comprehensive loss for the year	(1,843)	(2,826)

The Company has no material contingent liabilities.

19 Contingent assets and liabilities

The Group had no contingent assets or liabilities at 30 June 2018 (2017: 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:

	2018	2017
	\$	\$
Auditing and reviewing of financial reports	30,000	44,482
	30,000	44,482

The auditor of the parent entity for the year ended 30 June 2018 is KPMG and for the year ended 30 June 2017 it was Grant Thornton Audit Pty Ltd.

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 2019 for the Group is approximately \$1.400m (2018: \$1.400m). 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 2018, the Group utilised the tenement management services of BBI Group Pty Ltd, a subsidiary of its major shareholder. The total value of these services was \$172,595 (2017: \$59,488).

During the year ended 30 June 2018, the Group paid Director Fees to TIO (NZ) Limited, its major shareholder, for Director services provided by Mr M Wolley and Mr E Davies. The total value of these services was \$238,000 (2017: \$98,920).

During the year ended 30 June 2018, the Group received Company Secretarial services from Evolution Corporate Services, a company of which Ms Coates is a Director of. The total value of these services for the period of time Ms Coates was a Director was \$2,167.

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

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 Chairman	
David McAdam	Executive Director	
Robert Kennedy	Independent Non-Executive Director	Deceased 20 March 2018
Michael Wolley	Non-Executive Director	
Evan Davies	Non-Executive Director	
Shannon Coates	Independent Non-Executive Director	Appointed 20 June 2018

Compensation of key management personnel

	2018	2017
	\$	\$
Short-term employee benefits	1,108,088	907,136
Post-employment benefits	825	31,452
Termination payments	-	79,463
	1,108,913	1,018,051

24 Events occurring after the reporting period

Subsequent to year end, the Company completed a rights issue raising \$8.275m (before costs) by issuing 118,218,635 fully paid ordinary shares at \$0.07. These proceeds have been used to repay the PIO loan facility in entirety, \$5.127m including accrued interest. The remaining funds will be used to fund ongoing exploration and evaluation programs.

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.

25 Critical accounting estimates and assumptions (Continued)

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.

26 Changes in accounting policy

In the year ended 30 June 2018, 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 2018 with relevant standards and interpretations outlined below.

AASB 9 Financial Instruments (effective from 1 July 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. All financial assets that are within the scope of AASB 9 are required to be measured at either amortised cost or fair value, while financial liabilities measured at fair value through profit and loss will require consideration as to the portion change in fair value that is attributable to changes in the credit risk of that liability. Such changes in value with a connection to change in credit risk will be presented in other comprehensive income rather than profit and loss.

The requirements for hedge accounting under AASB 9 retain similar accounting treatments to those currently available under AASB 139. The new standard introduces greater flexibility to types of transactions eligible for hedge accounting while the previous requirement for hedge effectiveness testing has been replaced with the principle of an 'economic relationship' and the requirement for retrospective assessment of hedge effectiveness has been removed. The standard has however introduced enhanced disclosure requirements regarding risk management activities.

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

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment transactions (effective from 1 July 2018)

This standard amends AASB 2 Share-Based Payments clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and
Share-based payment transactions with a net settlement feature for withholding tax obligations.

A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

AASB 16 Leases (effective from 1 July 2019)

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

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

27 New accounting standards and interpretations (Continued)

AASB Interpretation 23 Uncertainty over Income Tax Treatments (effective from 1 July 2019)

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

Whether an entity considers uncertain tax treatments separately;

The assumptions an entity makes about the examination of tax treatments by taxation authorities;

How an entity determines taxable profit, tax bases, unused tax losses, unused tax credits and tax rates; and

How an entity considers changes in facts and circumstances.

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

In the Directors' opinion:

- (a) the Financial Statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) the financial statements and notes thereto are in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Executive Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

A handwritten signature in dark ink, appearing to read 'David McAdam', with a stylized flourish at the end.

David McAdam
Executive Director

Perth, Western Australia
19 September 2018



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 2018 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 2018
- Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Changes in Equity, and Consolidated Statement of Cash Flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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.

Exploration and evaluation expenditure \$58.461 million

Refer to Note 11 of the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> the significance of the activity to the Group's business and the balance (being 93.9% of total assets); and the greater level of audit effort to evaluate the Group's application of the requirements of AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> to the Pilbara Iron Ore Project (PIOP) in particular the maturation program of works undertaken 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. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> 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. <p>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:</p> <ul style="list-style-type: none"> The ability of the Group to fund the continuation of activities Results from latest activities regarding the existence or otherwise of economically recoverable reserves. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> 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 statistical sample of recorded expenditure. We tested consistency to underlying records, the capitalisation requirements of the Group's accounting policy, and the requirements of the accounting standard; We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We challenged this through interviews with key operational and finance personnel. We obtained project and corporate budgets identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We analysed the Group's determination of recoupment through successful development and exploitation of the area by evaluating the Group's documentation of planned future activities including work programmes 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Flinders Mines Limited for the year ended 30 June 2018, complies with *Section 300A of the Corporations Act 2001*.

KPMG

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 on pages 9 to 11 of the Directors' report for the year ended 30 June 2018.

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

R Gambitta
Partner

Perth

19 September 2018

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows: The information is current as at 4 September 2018.

Issued Equity Capital

	Ordinary Shares	Options
Number of holders	4,280	Nil
Number on issue	3,485,170,081	Nil

Voting Rights

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

Distribution of Holdings of Equity Securities

Holding ranges	Number of Equity Security Holders	
	Ordinary Shares	Units
1 – 1,000	370	37,888
1,001 – 5,000	462	1,692,314
5,001 – 10,000	704	5,774,908
10,001 – 100,000	1,915	70,852,572
100,001 and over	829	3,406,812,399
Total	4,280	3,485,170,081

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel (which as at 4 September 2018 was 6,850 Shares) was 1,033.

Substantial Shareholders

	Number of Ordinary Shares	Percentage (%)
TIO (NZ) Limited	1,936,250,459	55.56
OCJ Investment (Australia) Pty Ltd	758,160,000	21.75

On Market Buy Back

There is no current on-market buy-back.

Top 20 Shareholders

Rank	Name	Number of Ordinary Shares	Percentage (%)
1	TIO (NZ) LIMITED	1,936,250,459	55.56
2	OCJ INVESTMENT (AUSTRALIA) PTY LTD	758,160,000	21.75
3	MR KENNETH MARTIN KEANE	63,635,782	1.83
4	CITICORP NOMINEES PTY LIMITED	45,883,557	1.32
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	27,298,960	0.78
6	MR CHUNLEI OUYANG	22,308,000	0.64
7	QUATTUOR REGIONIS PTY LTD <QUATTUOR REGIONIS A/C>	21,610,162	0.62
8	MR IAN DRUMMOND + MRS JANICE DRUMMOND <INSTIL ENTERPRISES S/F A/C>	17,150,000	0.49
9	MR KENNETH MARTIN KEANE + MS SALLY MORTON ROBERTS <KEANE SUPER FUND A/C>	15,739,330	0.45
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,492,269	0.33
11	MR GRANT RUSSELL MCGARRY	10,400,002	0.30
12	MR BRENDON TONY DUNSTAN	9,360,000	0.27
13	MR ASHLEY MARTIN NEWLAND	9,200,000	0.26
14	MR BOBBY PAPADOPOULOS <VAIA PAPADOPOULOS A/C>	8,000,000	0.23
15	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	7,813,569	0.22
16	MR SANOJ XAVIER & MRS MARIA XAVIER	7,200,000	0.21
17	MS NICOLE MAXIME BRUCE	6,336,229	0.18
18	MR WAYNE RAYMOND KEARNEY + MRS ROBYN KEARNEY <KEARNEY SUPER A/C>	6,095,656	0.17
19	MR WAYNE RAYMOND KEARNEY <W & R KEARNEY FAMILY A/C>	6,082,166	0.17
20	MR ALEXANDER ILIEVSKI	5,163,874	0.15
	TOTAL	2,995,200,015	85.94

Flinders Mines Limited
Corporate Governance Statement
As at 30 June 2018

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

The Company's 2018 Corporate Governance Statement is available for in the Corporate Governance section of the Company's website: <http://www.flindersmines.com/Corporate/Governance>.

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

Flinders Mines Limited
Interest in Mining Tenements
As at 30 June 2018

The below table details the Group's interest in mining tenements as at 30 June 2018.

Tenement	Location	Status	Registered Holder	Interest at 30 June 2018
E47/1560	Western Australia	Granted	Flinders Mines Limited	100%
E58/0232	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0236	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0282	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0520	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0521	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
E58/0522	Western Australia	Granted	Flinders Canegrass Pty Ltd	100%
L47/0728	Western Australia	Granted	Flinders Mines Limited	100%
L47/0730	Western Australia	Granted	Flinders Mines Limited	100%
L47/0734	Western Australia	Granted	Flinders Mines Limited	100%
M47/1451	Western Australia	Granted	Flinders Mines Limited	100%
L47/0731	Western Australia	Pending	Flinders Mines Limited	100%

Mineral Resources Annual Statement and Review

The Company carries out an annual review of its Mineral Resources as required by the ASX Listing Rules. The review was carried out as at 30 June 2018. 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 calculations are subject to appropriate levels of governance and internal controls.

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

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

The Company reports its Mineral Resources on an annual basis in accordance with JORC Code 2012.

Total Mineral Resource Inventory as at 30 June 2018

M47/1451 – Blacksmith ¹

JORC Classification	Tonnes Mt	Fe%	SiO ₂ %	Al ₂ O 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 ₂ O 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 ₂ O 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 Al₂O₃<8%, ore types DID4, CID, BID reported using Fe>50% and Al₂O₃<6%

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

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

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

Competent Person's Statement

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

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

JORC Classification	Tonnes Mt	Fe%	TiO ₂ %	V ₂ O ₅ %	SiO ₂ %	Al ₂ O ₃ %	P%
Inferred	79	29.7	6.0	0.64	23.6	12.2	.007
Total	79	29.7	6.0	0.64	23.6	12.2	.007

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

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

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

The Canegrass Mineral Resource estimate was previously reported in accordance with the 2004 Edition of the JORC Code and totalled 107 Mt @ 0.62% V₂O₅, 5.83% TiO₂ and 28.98% Fe. The difference in tonnage is due to CSA Global reporting the existing block model above 210m RL, which effectively removed all blocks at a depth greater than 250m below surface. The Company and CSA Global consider this approach results in a Mineral Resource which appropriately and transparently addresses the 'Reasonable Prospects for 'Eventual Economic Extraction' requirement for Mineral Resources reported under the JORC Code (2012 Edition).

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

Competent Person's Statement

The information in this report that relates to the Canegrass Project Mineral Resources is based on, and fairly reflects, information compiled by Mr Aaron Meakin, a Competent Person, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Meakin is a consultant to Flinders Mines Limited, employed by CSA Global Pty Ltd, independent mining industry consultants. Mr Meakin has sufficient experience that is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Meakin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.