

FLINDERS MINES LIMITED ABN 46 091 118 044
(Formerly Flinders Diamonds Limited)

Financial Report

For the year ended 30 June 2008

INDEX

Corporate Governance Statement	2
Directors Report	7
Auditor's Independence Declaration	12
Income Statement	13
Balance Sheet	14
Statement of Changes in Equity	15
Cash Flow Statement	16
Notes to the Financial Statements	17
Directors Declaration	31
Independent Audit Report	32

Corporate Governance Statement

The Board of Directors of Flinders Mines Limited has established corporate governance policies and procedures, where practicable, consistent with the revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council ("ASX Recommendations").

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the revised Corporate Governance Principles and Recommendations issued by the Australian Stock Exchange Corporate Governance Council ("ASX Recommendations"). The Company has elected to undergo an early transition to the revised Principles and Recommendations and as such has reported against these for the financial year ending 30 June 2008.

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a "one size fits all" approach to Corporate Governance is not required. Instead, it states aspirations of best practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

The Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company. The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company.

PRINCIPLE 1

Lay solid foundations for management and oversight

Recommendation 1.1 – Recommendation followed

The Board is governed by the Corporations Act 2001, ASX Listing Rules and a formal constitution adopted by the Company in 2006.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit Committee to deal with internal control, ethical standards and financial reporting.

The Board appoints a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

The Board has not adopted a formal statement of matters reserved to it or a formal board charter that details its functions and responsibilities nor a formal statement of the areas of authority delegated to senior executives.

Recommendation 1.2 – Recommendation followed

The Board takes responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

The Board considers the Company's present circumstances and goals ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team. The Board on a regular basis reviews the performance of and remuneration for Executive Director's and senior management including any equity participation by such Executive Directors and senior management. The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development.

Recommendation 1.3 – Recommendation followed

During the period the Board undertook a performance evaluation of the Managing Director, Company Secretary and senior management. The evaluation was in accordance with the Company's process for evaluation of senior executives.

PRINCIPLE 2

Structure the board to add value

Recommendation 2.1 – Recommendation followed

The composition of the Board consists of three directors of whom two, including the Chairman, are Independent Directors.

The Audit Committee currently consists of two Independent directors.

Recommendation 2.2 – Recommendation followed

The Chairman, Mr Kennedy is an Independent Director

Recommendation 2.3 – Recommendation followed

Mr Kennedy's role as Chairman of the Board is separate from that of the Managing Director, Dr Wills who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.4 – Recommendation not followed

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a Nomination Committee in line with ASX Recommendation 2.4 and establishing a formal charter as recommended by ASX Recommendation 2.4 cannot be justified by the perceived benefits of so doing.

Recommendation 2.5 – Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company, the assessment of the Board's overall performance and its own succession plan is conducted on an informal basis. Whilst this is at variance with the ASX Recommendation 2.5, the Directors consider that at the date of this report an appropriate and adequate process for the evaluation of Directors is in place.

Recommendation 2.6 – Recommendation followed

The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

Messer's Kennedy and Vickery are considered to be independent.

The Company has no relationships with any of the independent directors which the Company believes would compromise the independence of these directors.

All directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as directors in relation to the affairs of the Company at the expense of the Company upon seeking permission and being granted it by the Chairman.

The Company's constitution specifies the number of directors must be at least three and at most ten. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

As the board does not have a Nomination Committee, the functions of this Committee in its absence are dealt with by the Board as a whole.

An assessment of the Board's overall performance and its own succession plan is conducted on an informal basis and was done so during the year by the Chairman.

PRINCIPLE 3

Companies should actively promote ethical and responsible decision making

Recommendation 3.1 – Recommendation not followed

While the Company does not have a formal code of conduct, as the Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing and managing a formal code of conduct cannot be justified, the Company requires all its directors and employees to abide by the standards of behaviour and business ethics in accordance with the law. In discharging their duties, Directors of the Company are required to:

- act in good faith and in the best interests of the Company;
- exercise care and diligence that a reasonable person in that role would exercise;
- exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- disclose material personal interests and avoid actual or potential conflicts of interests;
- keep themselves informed of relevant Company matters;
- keep confidential the business of all directors meetings; and
- observe and support the Board's Corporate Governance practices and procedures

Directors are also required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present (unless required by the Board to be present) when that matter is considered by the Board and will not vote on that matter.

Recommendation 3.2 – Recommendation followed

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available. This securities trading policy has been established by the Board and all employees and Directors are obliged to comply.

All directors have signed agreements with the Company which require them to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party, to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Recommendation 3.3 – Recommendation followed

The Company's Trading Policy can be found at www.flindersmines.com/governance

PRINCIPLE 4

Safeguard integrity in financial reporting

Recommendation 4.1 – Recommendation followed

The Company was not a company required by ASX Listing Rule 12.7 to have an Audit Committee during the year although it is an ASX Recommendation. Notwithstanding the Listing Rule requirement, an Audit Committee has been established to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The main responsibilities of the Audit Committee include;

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports and all other financial information published or released to the market by the Company;
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal controls and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

Recommendation 4.2 – Recommendation not followed

The Audit Committee consists of two non executive, independent Board directors, Messrs Vickery and Kennedy, and is chaired by Mr Vickery.

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing an audit committee with at least three members in line with ASX Recommendation 4.2 cannot be justified by the perceived benefits of so doing. The existing composition of the Audit Committee is such that review and authorisation of the integrity of the Company's financial reporting and the independence of the external auditor is via the exercise of independent and informed judgement.

Recommendation 4.3 – Recommendation not followed

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a formal audit committee charter in line with ASX Recommendation 4.3 cannot be justified by the perceived benefits of so doing.

Recommendation 4.4 – Recommendation followed

Mr Kennedy is a qualified Chartered Accountant. Details of the Audit Committee member's qualifications and attendance at meetings are set out in the Directors' Report section of this report.

The Committee meets at least twice per annum and reports to the Board. The Managing Director, Company Secretary and external auditor may by invitation attend meetings at the discretion of the Committee.

PRINCIPLE 5

Make timely and balanced disclosure

Recommendation 5.1 and 5.2 – Recommendations not followed

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board does not believe a formal policy for continuous disclosure is required. However, the above policy describing how the Company will ensure its compliance with continuous disclosure requirements is posted on the Company's web-site, www.flindersmines.com/governance.

PRINCIPLE 6

Respect the rights of shareholders

Recommendation 6.1 and 6.2 – Recommendations not followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's web-site; and
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's web-site.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board does not believe a formal policy for shareholder communication is required. However, this policy describing how the Company will communicate with its shareholders is posted on the Company's web-site, www.flindersmines.com/governance.

PRINCIPLE 7

Recognise and manage risk

Recommendation 7.1, 7.2 and 7.4 – Recommendations not followed

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risk is presented to the Board.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, and the inherent risks associated with the industry it operates in, the Board does not believe formal policies for oversight and management of risk is required nor a mechanism for formal review be established. The policy describing how the Company manages risk by procedures established at Board and executive level can be found posted on the Company's web-site, www.flindersmines.com/governance.

Recommendation 7.3 – Recommendation followed

In accordance with ASX Recommendation 7.3 the Managing Director and Chief Financial Officer have provided assurances that the written declarations under s295A of the Corporations Act are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Both the Managing Director and Chief Financial Officer provided said assurances at the time the s295A declarations were provided to the Board.

PRINCIPLE 8

Remunerate fairly and responsibly

Recommendation 8.1 – Recommendation not followed

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a formal remuneration committee in line with ASX Recommendation 8.1 cannot be justified by the perceived benefits of so doing.

The Board takes responsibility for monitoring the composition of the Board and reviewing the compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

Recommendation 8.2 and 8.3 – Recommendations followed

In accordance with ASX Recommendation 8.2 the Company's remuneration practices are set out as follows.

The Company's Constitution specifies that the total amount of remuneration of non executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non executive directors has been set at \$300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. 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.

The remuneration of the Managing Director is determined by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of employees is determined by the Managing Director subject to the approval of the Board.

The Company's remuneration structure is based on a number of factors including the particular experience and performance

of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a junior listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company. The non-executive directors are not eligible to participate in the Plan.

The employment conditions of the Managing Director are formalised in a contract of employment. The Managing Director's contract may be terminated at any time by mutual agreement or without notice in serious instances of misconduct.

Further details of director's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

These Corporate Governance Policies can be found at www.flindersmines.com/governance

Directors Report

Your directors present their report on the Company for the financial year ended 30 June 2008.

Directors

The names of directors in office at any time during or since the end of the year are:

Robert Michael Kennedy

Kevin John Anson Wills

Ewan John Vickery

Gregory Mornington May (alternate for E J Vickery)

Michael Robert Billing (alternate for KJA Wills) resigned
15 August 2007

Richard Walter Cumming Willson (alternate for K J A Wills)
since 15 August 2007.

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Richard Walter Cumming Willson
B.Ac., CPA, GAICD

Bachelor of Accounting, CPA, Graduate Member of the Australian Institute of Company Directors. Mr Willson has had more than 14 years experience. He has worked in public practice and in various financial management and company secretarial roles within the Provimi Australia group, BHP Billiton and the Jumbuck Pastoral group. He has been the Company Secretary since 29 March 2006 and to the date of this report.

Principal Activities

The principal activity of the Company during the financial year was mineral exploration.

Operating Results

The net result of operations for the financial year was a loss of \$1,217,429.

Dividends

There were no dividends declared or paid during the period.

Review of Operations

The 07/08 financial year was one of significant change, growth and refocusing for the Company. The key to these changes was the realisation that we were probably sitting on a large resource of iron ore at our Hamersley tenement E47/882 in the Pilbara of Western Australia. This led to a decision to focus the Company's main activities on iron ore and to change the name of the Company from Flinders Diamonds to Flinders Mines to reflect the new strategy. The name and strategy change was approved by shareholders on 16 April 2008.

The realisation of the potential of E47/882 came in November 2007 after the announcement by Fortescue Metal Group Limited (FMG) that it had located an Inferred Resource of over one billion tonnes of iron ore in an area immediately to the southeast of E47/882. Flinders had been aware of the presence of iron ore on 882 since commencing exploration for Diamonds in 2003. However, it was not aware of the magnitude of Channel Iron Deposit (CID) mineralisation until FMG's November announcement. With the new information, Flinders

carried out an independent assessment of the size of the exploration target on E47/882 by consultant Dr Richard Russell. The result was a target of between 333 and 390 million tonnes at a grade of 56% iron. This target is partly conceptual and further exploration is necessary to confirm if more, less or any resource is present.

More recent work has begun to provide strong evidence that a large resource is indeed present. In a follow up field study in April 2008, Dr Russell found abundant evidence of the presence of CID mineralisation as rock exposures and subcrop at the sides of valleys. Also since June 2007, the Company has obtained permission for an extensive drilling program from numerous authorities, set up a field base and commenced drilling. At the time of writing about 15 exploration holes have been drilled with 14 intersecting CID mineralisation. From assays to date the CID is averaging 55% iron with a similar level of deleterious elements as found in FMG's adjacent deposits. The drilling program is designed to complete sufficient holes in September and October to enable an Inferred Resource to be estimated by the end of 2008.

The Company has decided to continue with its diamond exploration at a similar level of expenditure to previous years. The focus has now moved to the Gawler Craton as well as a continuation of exploration in the Flinders Ranges. In the Flinders Ranges this year two large new helimag surveys have been flown which have led to a large number of new kimberlite targets. A new method of following up these targets is being carried out. This involved soil sampling to prove the presence of kimberlite prior to ground magnetic surveys and trenching to obtain a large kimberlite sample. It is anticipated that large numbers of new kimberlites will be ready for mini-bulk sampling with FMS's bulk sampling plant over the summer of 2008/09.

On the Gawler Craton, exploration has been undertaken on Flinders Island (30 Km west of Elliston), at Venus Bay north of Elliston and on the Tasman JV in the Northern Gawler Craton west of Coober Pedy. To date, target testing at Venus bay has proven unsuccessful and it is planned to drill test other targets on Flinders Island and the north Gawler Craton later in 2008.

Financial Position

The net assets of the Company have increased by \$15,377,551 during the financial year from \$13,943,580 at 30 June 2007 to \$29,321,131 at 30 June 2008. This increase has largely resulted from the proceeds from share issues raising \$18,062,241. The Company has been actively undertaking exploration activities and has capitalised \$3,063,305 in exploration expenditure during the current financial year.

The directors believe the Company is in a strong and stable financial position to continue its exploration activities.

After Balance Date Events

In the period 1 July 2008 to 22 September 2008 the Maximus Resources share price fell from 20.5 cents to 11 cents reducing the value of the shares held by Flinders by \$997,500.

Future Developments, Prospects and Business Strategies

The main focus of the Company's activities will continue to be the outlining of iron ore resources on the Hamersley tenement E47/882. Once an Inferred Resource is outlined, if it is of sufficient size and grade, a scoping study followed by a pre-

feasibility study will be undertaken. This will involve further drilling to Indicated Resource and then Probable Reserve status. Metallurgical, mining and marketing studies will also form part of the pre-feasibility study.

The Company announced on 29 August that, due to recent rises in the price of phosphate, it intended to carry out an exploration program for phosphate mineralisation in its Flinders Ranges and Adelaide Hills exploration tenure where it owns 100% of the industrial mineral rights. Recent investigations have identified a number of old phosphate mines and occurrences and as far as is known a systematic exploration program has never been carried out. A program of reconnaissance exploration followed by soil sampling and drilling will be undertaken.

Environmental Issues

The Company's operations are subject to significant environmental regulation under both Commonwealth and relevant State legislation in relation to discharge of hazardous waste and materials arising from any exploration or mining activities and development conducted by the Company on any of its tenements. The Company believes it is not in breach of any environmental obligation.

Information on Directors

Robert Michael Kennedy

Non-Executive Chairman – ASAIT, Grad, Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD

A Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. Mr Kennedy has been a director since 14 December 2001. Mr Kennedy is the Chairman of Beach Petroleum Limited (Director since 1991, Chairman since 1995), Ramelius Resources Limited (since 2004), Maximus Resources Limited (since 2004), Eromanga Uranium Limited (since 2006), Monax Mining Limited (since 2004) and Marmota Energy (since 2007).

Mr Kennedy brings to the Board his expertise in finance and management consultancy and extensive experience as chairman and non-executive director of a range of listed public companies.

Mr Kennedy is a member of the Audit Committee.

Kevin John Anson Wills

Managing Director – ARSM, PhD, FAusIMM

A director since 11 January 2000. Dr Kevin Wills is a geologist with 31 years experience in multi commodity mineral exploration including uranium exploration, feasibility studies and mine operations in Australasia. Dr Wills spent seven years with CRA Exploration Pty Ltd, the highlight of which was involvement with the location and evaluation of the Argyle Diamond Deposit. Later, with Penarroya Australia Pty Ltd, his work led to an expansion of reserves at Thalanga and the discovery of the Waterloo base metals deposit.

In the late 1980s, Dr Wills was exploration manager with Metana Minerals NL. He built up a successful exploration team which extended known gold ore bodies and made new discoveries. In the early 1990s Dr Wills was regional exploration manager with Dominion Mining Ltd, based in Adelaide. His

work on the Gawler Craton led to the development of a calcrete sampling technique which, later on, was instrumental in the Challenger gold discovery.

Dr Wills is currently managing director of Maximus Resources Limited (since 2004) and a Non Executive Director of Eromanga Uranium Limited (since 2006). He is a past chairman of the Adelaide Branch of the AusIMM and the Exploration Committee at the South Australian Chamber of Mines and Energy.

Ewan John Vickery

Non-Executive Director – L.LB

A director since 16 June 2001. Mr Vickery is a corporate and business lawyer with over 30 years experience in private practice in Adelaide. He has acted as an advisor to companies on a variety of corporate and business issues including capital and corporate restructuring, native title and land access issues, and as lead native title advisor and negotiator for numerous mining and petroleum companies.

Mr Vickery is a Director of Eromanga Uranium Limited (since 2006), Maximus Resources Limited (since 2004) and member of the Exploration Committee of the South Australian Chamber of Mines and Energy Inc, the International Bar Association Energy and Resources Law Section, the Australian Institute of Company Directors and is a past national president of Australian Mining and Petroleum Law Association (AMPLA Limited).

Mr Vickery is the Chairman of the audit committee.

Michael R Billing

Alternate Director for K J A Wills (Non-Executive) resigned 15 August 2007 – ASA

Mr Billing joined the board in June 2003 as the alternate director for Dr Wills. He is an accountant with in excess of 30 years of mining industry experience in Company Secretarial and Chief Financial Officer roles. He has had experience with mining operation administration, debt and equity raising, and project evaluation and feasibility studies in Australia and overseas. He is also a Director of Southern Gold Limited (since 2004), and Australasia Gold Limited (since 2005).

Gregory M May

Alternate Director for E J Vickery (Non-Executive) – L.LB

A director since April 2005. Mr May has been a corporate lawyer for over 20 years. He is the Chief Operating Partner of the Adelaide and Darwin partnership of Minter Ellison, and practices predominantly in the areas of corporate law, revenue law, trusts and superannuation. In particular, Mr May has acted for many years for both vendors and purchasers in the acquisition and disposal of businesses and companies. He advises on all aspects of those transactions, including taxation (and structuring issues), stamp duty and superannuation.

Richard W C Willson

Alternate Director for K J A Wills (Executive) appointed 15 August 2007 – B.Ac., CPA, GAICD.

Mr Willson has had more than 14 years experience. He has worked in public practice and in various financial management and company secretarial roles within the Provimi Australia

group, BHP Billiton and the Jumbuck Pastoral group. He is Chief Financial Officer and Company Secretary of Flinders Mines Limited, Maximus Resources Limited and Eromanga Uranium Limited.

Remuneration Report (Audited)

Remuneration of Directors and key management personnel

This report details the nature and amount of remuneration for each key management person of the Company and for the executives receiving the highest remuneration.

(a) Directors and key management personnel

The names and positions held by Directors and key management personnel of the Company during the financial year are:

Name	Position
Mr R M Kennedy	Chairman - Non-executive
Mr E J Vickery	Director - Non-executive
Dr K J A Wills	Managing Director - Executive
Mr R W C Willson	Alternate Director / Chief Financial Officer / Company Secretary
Mr M R Billing	Alternate Director
Mr G M May	Alternate Director

The Directors conclude that there are no other executives requiring disclosure other than those listed.

(c) Service agreements

During the financial year, the Company reviewed the employment agreement of Dr Wills in respect of his services as Managing Director. The salary was set at \$125,000 per annum inclusive of superannuation guarantee contributions to be reviewed periodically. There were neither post employment retirement benefits previously approved by members of the Company in a general meeting nor any paid to Directors of the Company. There were no post employment retirement benefits paid or payable to key management personnel.

Employee Share Option Plan

The Company has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. During the year 1,232,500 options with a fair value of \$91,325 were issued to employees at no cost. No employee share options were issued to the Directors during the year.

(b) Directors and key management personnel remuneration

2008 Primary Benefits							
Directors	Directors fees	Salary	Non cash items	Cash bonus	Super contributions	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Mr R M Kennedy	77,981	-	-	-	7,019	-	85,000
Mr E J Vickery*	50,000	-	-	-	-	-	50,000
Dr K J A Wills	-	124,231	-	-	11,181	-	135,412
Mr R W C Willson***	-	197,432	-	-	16,325	-	213,757
Mr M R Billing	-	-	-	-	-	-	-
Mr G M May	-	-	-	-	-	-	-
	127,981	321,663	-	-	34,525	-	484,169

2007 Primary Benefits							
Directors	Directors fees	Salary	Non cash items	Cash bonus	Super contributions	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Mr R M Kennedy	73,395	-	-	-	6,605	-	80,000
Mr E J Vickery*	45,000	-	-	-	-	-	45,000
Dr K J A Wills**	-	143,875	-	-	-	-	143,875
Mr R W C Willson***	-	155,768	-	-	14,019	700	170,487
Mr M R Billing	-	-	-	-	-	-	-
Mr G M May	-	-	-	-	-	-	-
	118,395	299,643	-	-	20,624	700	439,362

* Director's fees for Mr Vickery are paid to a related entity of the Director

** Dr Wills 2007 remuneration was paid to a related entity of the Director

*** Mr Willson is employed by FME Exploration Services Pty Ltd. His services are provided as part of the services agreement in place between FME Exploration Services Pty Ltd and Flinders Mines Ltd. The management fees paid by Flinders Mines Ltd are outlined in Note 23. This agreement was formalised 3 August 2006.

Remuneration practices

The Company's policy for determining the nature and amounts of emoluments of board members and senior executive officers of the Company is as follows.

The Company's Constitution specifies that the total amount of remuneration of Non-executive Directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of Non-executive Directors has been set at \$300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the Non-executive Directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as Directors. The remuneration of the Managing 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 remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive Director remuneration is by way of fees and statutory superannuation contributions. 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.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a junior listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options for ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The employment conditions of the Managing Director, Dr Wills are formalised in a contract of employment. The base salary set out in the employment contract is reviewed annually. The Managing Directors' contract may be terminated at any time by mutual agreement. The Company may terminate this contract without notice in serious instances of misconduct.

Options granted as remuneration

Apart from the options granted under the Company's Employee Share Option Plan as detailed above, no other options were granted to Directors or key management personnel of the Company during the financial year.

Shares issued on exercise of remuneration options

No shares were issued to Directors as a result of the exercise of remuneration options during the financial year.

Directors' interests in shares and options

Directors' relevant interests in shares and options of the Company are disclosed in note 5 to the accounts.

Indemnification and insurance of officers

Indemnification

The Company is required to indemnify the Directors and other officers of the company against any liabilities incurred by the Directors and officers that may arise from their position as Directors and officers of the Company. No costs were incurred during the year pursuant to this indemnity.

The Company has entered into deeds of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each Director against all loss and liability incurred as an officer of the Company, including all liability in defending any relevant proceedings.

Insurance premiums

Since the end of the previous year the Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses' insurance contracts.

Meetings of Directors

During the financial year, 21 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R M Kennedy	19	19	2	2
K J A Wills	19	19	1	1
E J Vickery	19	19	2	2
M R Billing	-	-	-	-
G M May	1	1	-	-
R W C Willson	19	18	2	1

Options

Since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows. There were no amounts unpaid on shares issued.

Date	Number of Shares	Exercise Price
2/07/2008	197,087	10 cents
9/07/2008	1,101,000	10 cents
17/07/2008	27,000	10 cents
18/07/2008	150,000	10 cents
1/08/2008	50,000	10 cents
1/08/2008	50,000	8.4 cents
14/08/2008	2,016,500	10 cents
27/08/2008	41,031	10 cents
8/09/2008	1,848,566	10 cents

At the date of this report, the unissued ordinary shares of Flinders Mines Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
20 August 2003	29 September 2008	\$0.10	2,849,000
3 November 2005	29 September 2008	\$0.10	63,904,978
11 May 2005	29 September 2008	\$0.10	19,100,000
12 December 2005	29 September 2008	\$0.10	14,000,000
6 March 2006	29 September 2008	\$0.10	39,247,380
24 April 2006	29 September 2008	\$0.10	216,417,272
14 March 2004	14 March 2009	\$0.036	150,000
10 April 2007	20 March 2012	\$0.017	2,800,000
6 March 2008	5 March 2013	\$0.084	782,500
			<u>359,251,130</u>

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the financial year.

Non-Audit Services

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

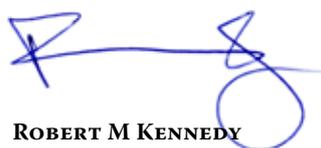
- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services paid/payable to the external auditors during the year ended 30 June 2008.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 12 of the directors' report.

Dated at Adelaide this 23rd day of September 2008 and signed in accordance with a resolution of the directors.



ROBERT M KENNEDY
Chairman

Auditors Independence Declaration



Grant Thornton South Australian Partnership
ABN 27 244 906 724

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
DX 275 Adelaide

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

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Flinders Mines Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON
South Australian Partnership
Chartered Accountants

A handwritten signature in blue ink, appearing to read "S J Gray", written over a light blue horizontal line.

S J Gray
Partner

Signed in Adelaide on this 23rd day of September 2008

An independent South Australian partnership entitled to trade under the international name Grant Thornton. Grant Thornton is a trademark owned by Grant Thornton International and used under license by independent firms and entities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation

Income Statement

For the year ended 30 June 2008

	Note	2008	2007
		\$	\$
Revenue	2	550,667	594,782
Marketing expenses	3	155,012	112,599
Administrative expense	3	993,844	355,110
Finance costs		1,441	802
Exploration expenses		355,519	131,174
Profit/(Loss) before income tax		(955,149)	(4,903)
Income tax expense	4	262,280	4,646
Loss for the period attributable to shareholders of the company		(1,217,429)	(9,549)
Basic earnings/(loss) per share (cents)	7	(0.126)	(0.002)
Diluted earnings/(loss) per share (cents)	7	(0.126)	(0.002)

The accompanying notes form part of these financial statements.

Balance Sheet

As at 30 June 2008

	Note	2008	2007
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	13,925,018	1,735,659
Trade and other receivables	9	493,671	139,979
Other current assets	10	27,000	27,000
TOTAL CURRENT ASSETS		14,445,689	1,902,638
NON-CURRENT ASSETS			
Plant and equipment	14	551,647	136,283
Investments accounted for using the equity method	11	1	1
Financial assets	13	2,372,500	2,748,909
Exploration and evaluation expenditure	15	12,337,383	9,274,078
TOTAL NON-CURRENT ASSETS		15,261,531	12,159,271
TOTAL ASSETS		29,707,220	14,061,909
CURRENT LIABILITIES			
Trade and other payables	16	366,476	117,280
Short-term provisions	17	19,613	1,049
TOTAL CURRENT LIABILITIES		386,089	118,329
TOTAL LIABILITIES		386,089	118,329
NET ASSETS		29,321,131	13,943,580
EQUITY			
Issued capital	18	33,068,413	15,488,349
Reserves	19	217,850	1,202,934
Retained earnings		(3,965,132)	(2,747,703)
TOTAL EQUITY		29,321,131	13,943,580

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2008

	Issued Capital	Financial assets	Option reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2006	14,186,187	(268,875)	-	(2,738,154)	11,179,158
Loss for the period	-	-	-	(9,549)	(9,549)
Shares issued during the period	1,302,162	-	-	-	1,302,162
Revaluation of financial assets	-	1,467,784	-	-	1,467,784
Options issued during the period	-	-	4,025	-	4,025
Balance at 30 June 2007	15,488,349	1,198,909	4,025	(2,747,703)	13,943,580
Loss for the period	-	-	-	(1,217,429)	(1,217,429)
Shares issued during the period	17,580,064	-	-	-	17,450,255
Revaluation of financial assets	-	(1,076,409)	-	-	(1,076,409)
Options issued during the period	-	-	91,325	-	91,325
Balance at 30 June 2008	33,068,413	122,500	95,350	(3,965,132)	29,321,131

The accompanying notes form part of these financial statements.

Cash Flow Statement

For the year ended 30 June 2008

	Note	2008	2007
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		363,096	92,628
Payments to suppliers and employees		(781,557)	(635,953)
Finance costs		-	(802)
Net cash provided by (used in) operating activities	22	(418,461)	(544,127)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	100,000
Payments for investments		(700,000)	-
Disposal/(Purchase) of plant and equipment		(458,830)	(73,028)
Payments of security bonds		-	(3,000)
Payment for exploration activities		(3,418,824)	(2,069,508)
Loans to related entities		(132,310)	102,688
Net cash provided by (used in) investing activities		(4,709,964)	(1,942,848)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		18,192,049	1,308,941
Transaction costs		(874,265)	(26,725)
Net cash provided by (used in) financing activities		17,317,784	1,282,216
Net increase/(decrease) in cash held		12,189,359	(1,204,759)
Cash at beginning of financial year		1,735,659	2,940,418
Cash at end of financial year	8	13,925,018	1,735,659

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Flinders Mines Limited as an individual entity and the consolidated entity consisting of Flinders Mines Limited and its subsidiaries.

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting standards board, Urgent Issues group Interpretations and corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Flinders Mines Limited complies with International Financial Reporting Standards. (IFRS).

Historical cost convention

This financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting policies

a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets' carrying amount or recognised as separate assets' as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of non current asset	Depreciation rate	Basis of depreciation
Plant and equipment	12.5–40%	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Gains and losses on disposals are determined in comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

c) Exploration expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

d) Financial instruments*Recognition and initial measurement*

Financial instruments, incorporation financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related

obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement**(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

f) Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised Company's share of post-acquisition reserves of its associates.

g) Interests in joint ventures

The Company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the financial statements. Details of the Company's interests are shown at Note 12.

The Company's interests in joint venture entities are brought to account using the equity method of accounting in the financial statements. The Company's interests in joint venture entities are brought to account using the cost method.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**h) Employee benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The cost of equity-settled transactions is measured by the fair value at the date at which the equity instruments are granted. The fair value is determined using the Black-Scholes pricing model. The cost is recognised as an expense in the income statement with a corresponding increase in the share option reserve or issued capital when the options or shares are issued.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

j) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l) Comparative figures

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

Critical accounting estimates and judgements

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

2. REVENUE

	2008 \$	2007 \$
Operating activities		
- Interest received from other persons	550,667	94,782
- Profit or disposal of assets	-	500,000
	<u>550,667</u>	<u>594,782</u>

3. LOSS FOR THE YEAR

	2008 \$	2007 \$
Marketing		
Company promotion	9,591	13,424
Sponsorship	15,045	-
Corporate consulting	75,774	75,158
Public relations	7,719	3,473
Subscriptions	2,475	1,741
Conferences	21,140	8,435
Shareholder reports	4,104	5,903
Travel and accommodation	16,219	3,916
Other	2,945	549
Total	<u>155,012</u>	<u>112,599</u>
Administration		
Accounting	3,459	1,220
ASX fees	82,891	14,066
Audit fees	20,500	22,300
Depreciation	-	10,220
Depreciation capitalised – exploration and evaluation	-	(7,870)
Insurance	22,577	16,764
Legal fees	25,625	4,834
Management services	235,889	168,995
Office expenses	1,004	2,168
Employee benefits expense	162,570	6,227
Staff recruitment	173,590	7,809
Share registry	153,710	25,831
Other	112,029	82,546
Total	<u>993,844</u>	<u>355,110</u>

4. INCOME TAX EXPENSE		
	2008 \$	2007 \$
a. The components of tax expense comprise:		
Current tax	262,280	4,646
Deferred tax	-	-
	262,280	4,646
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)	(286,545)	(1,471)
Add:		
Tax effect of:		
– Non-allowable items	25,213	82,089
– Share options expensed during year	27,398	1,208
– Share placement issue costs	262,280	4,646
Deferred tax assets not brought to account	233,934	-
Recoupment of prior year tax losses not brought to account	-	(81,826)
Income tax attributable to entity	262,280	4,646

Deferred tax assets on the timing differences and tax losses of \$1,089,876 have not been recognised as they do not meet the recognition criteria as outlined in Note 1(a) in the financial statements.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of key management personnel in office at any time during the financial year are:

Key management person Position

R M Kennedy	Non-Executive Chairman
K J A Wills	Managing Director
E J Vickery	Non-Executive Director
M R Billing	Alternate Director for K J A Wills (resigned 15 August 2007)
G M May	Alternate Director for E J Vickery
R W C Willson	Chief Financial Officer & Company Secretary, alternate Director for K J A Wills (since 15 August 2007)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

b. Options and Rights Holdings

Number of options held by key management personnel.

	Balance 1.7.2007	Issued as remuneration	Net change other	Balance 30.6.2008	Total vested 30.6.2008	Total exercisable 30.6.2008	Total unexercisable 30.6.2008
R M Kennedy*	5,154,958	-	11,325,000	16,479,958	16,479,958	16,479,958	-
K J A Wills	2,950,000	-	-	2,950,000	2,950,000	2,950,000	-
E J Vickery*	438,370	-	-	438,370	438,370	438,370	-
G M May	85,674	-	-	85,674	85,674	85,674	-
R W C Willson*	700,000	-	300,000	1,000,000	1,000,000	1,000,000	-
	9,329,002	-	11,625,000	20,954,002	20,954,002	20,954,002	-

c. Share Holdings

Number of shares held by key management personnel.

	Balance 1.7.2007	Received as compensation	Net change other*	Balance 30.6.2008
R M Kennedy*	16,200,000	-	(5,860,000)	10,340,000
K J A Wills	12,000,000	-	20,000	12,020,000
E J Vickery*	2,726,598	-	60,000	2,786,598
G M May*	685,392	-	(65,392)	620,000
R W C Willson	-	-	-	-
	31,611,990	-	(5,845,392)	25,766,598

* Held by Director's and entities in which Directors have a relevant interest.

6. AUDITORS REMUNERATION

	2008 \$	2007 \$
Remuneration of the auditor of the company for:		
- Auditing or reviewing the financial report	20,500	22,300
	20,500	22,300

7. EARNINGS PER SHARE

	2008	2007
Earnings used to calculate basic & dilutive EPS	(\$1,217,429)	(\$9,549)
Weighted average number of ordinary shares outstanding during the year used to calculate basic EPS	969,068,285	488,765,080
Weighted average number of options outstanding during the year used to calculate dilutive EPS	-	-
Weighted average number of ordinary shares outstanding during the year used to calculate dilutive EPS	969,068,285	488,765,080

The weighted average number of options on issue at 30 June 2008 was 384,550,491 (2007: 383,547,197). Options have an anti dilutive effect and therefore have not been included in the calculation of earnings per share.

8. CASH AND CASH EQUIVALENTS

	2008 \$	2007 \$
Cash at bank and in hand	1,990,018	1,235,659
Short-term bank deposits	11,935,000	500,000
	<u>13,925,018</u>	<u>1,735,659</u>

The effective interest rate on short-term bank deposits was 7.8% (2007: 6.4%) These deposits have an average maturity of 120 days.

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	<u>13,925,018</u>	<u>1,735,659</u>
---------------------------	-------------------	------------------

9. TRADE AND OTHER RECEIVABLES

	2008 \$	2007 \$
Current		
Interest receivable	191,291	3,720
Receivable from FME Exploration Services Pty Ltd*	250,000	117,690
Trade and other receivables	52,380	18,569
	<u>493,671</u>	<u>139,979</u>

* *The Company advanced this amount to assist in the funding of working capital. The entity provides support to the associated company to ensure it can pay its debts as and when they fall due and payable.*

This receivable from the associated company is repayable at call and interest at market rates can be charged at the discretion of the Directors of Flinders. The Company will not seek repayment where such repayments would prejudice the associated company's ability to meet any obligations as and when they fall due.

10. OTHER CURRENT ASSETS

	2008 \$	2007 \$
Security Bonds	27,000	27,000
	<u>27,000</u>	<u>27,000</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests are held in the following associated companies.

Name	Principal activities	Country of incorporation	Shares	Ownership interest		Carrying amount of investment	
				2008 %	2007 %	2008 \$	2007 \$

Unlisted:

FME Exploration Services Pty Ltd	Administration Services	Australia	Ord	33.3	33.3%	1	1
----------------------------------	-------------------------	-----------	-----	------	-------	---	---

a. Summarised presentation of aggregate assets, liabilities and performance of associate.

	2008	2007
Current assets	366,430	114,142
Non current assets	478,183	321,184
Total assets	844,613	435,326
Current liabilities	844,610	435,323
Total liabilities	844,610	435,323
Net assets	3	3
Share of associate's profit after tax	-	-

12. JOINT VENTURES

The Company has the following interests in Joint Ventures:

State	Agreement Name	Parties	Summary	Consideration
WA	Prenti Agreement	Flinders Mines Limited (FMS) and Prenti Exploration Pty Ltd (Prenti)	FMS has earned a further 25% interest in exploration licences E47/882, E47/1011, E47/1016 and E47/1306 by spending a further \$1 million on exploration and can earn up to a 100% interest in increments of 1% for each additional \$40,000 of exploration expenditure.	
SA	Nackara Diamond Project Extension of Option Agreement	FMS and Amona Mining and Exploration Pty Ltd, Novac Pty Ltd and J J Simnovec	FMS can exercise the purchase of 100% of the diamond rights in exploration licences EL2977, EL3225 and EL3434 for a cash purchase price of \$1 million.	Three annual payments of \$50,000 for a total of \$150,000.
WA	Hamersley Reciprocal Diamond / Iron Ore Rights Agreement	FMS and Prenti and FMG Pilbara Pty Ltd (FMG)	FMS/Prenti and FMG have agreed to grant reciprocal rights to explore and mine iron ore on the FMS Tenements and to explore and mine diamonds on the FMG Tenements in the Hamersley Ranges.	If FMG proceeds to mining iron ore on the FMS Tenements FMG shall pay FMS/Prenti a 1% royalty on iron ore production for the first 8 Mt mined.
SA	Filsell Grainger Diamond Project Letter of Offer	FMS and Ian Robert Filsell, Mark Andrew Filsell and William John Filsell (Filsell Group)	FMS can earn 100% of the diamond rights in exploration licences EL2864 and EL3378 by expenditure of \$250,000.	If FMS proceeds to mining diamonds on the project area, FMS will pay the Filsell Group a 5% net profit royalty on diamond production.
SA	Base and precious metal rights FMS Springfield and Jamestown Projects - Purchase Agreement	FMS and Copper Range Ltd (CRL)	CRL can earn a 50% interest in the base and precious metal rights in the Flinders Ranges Project area by expenditure of \$1 million and a 90% interest once it has spent \$2.25 million.	CRL paid FMS \$100,000 and issued 1 million ordinary CRL shares to FMS.
SA	Central Gawler Craton Joint Venture	FMS and Tasman Resources NL	FMS can earn a 70% interest in the project area diamond rights only by expenditure of \$750,000 over a 4 year period.	
SA	Flinders Island / Venus Bay Joint Venture	FMS and Tawana Resources NL and Orogenic Exploration Pty Ltd	FMS can earn a 50% interest in the project by exploration expenditure of \$1 million and a further 20% by expenditure of a further \$1 million.	
SA	Nackara/Methuen Hill Joint Venture	FMS and Colonial Copper Company Ptd Ltd (CCC) and Primary Resources Limited	FMS earns full diamonds rights in two ELs by flying helimag survey and by spending a total of \$120,000 over a 4 year period.	CCC will receive a 2.5% net profit royalty on any future diamond production.
SA	Springfield Project Diamond Rights	FMS and International Metals Pty Ltd	FMS can earn 100% of the diamond rights in exploration licences EL4003 by expenditure of \$100,000 over a 2 year period.	If FMS proceeds to mining diamonds on the project area, FMS will pay International Metals Pty Ltd a 1.5% net sales royalty on diamond production.

13 FINANCIAL ASSETS

	2008 \$	2007 \$
Available for sale financial assets	2,372,500	2,748,909
Available for sale financial assets comprise		
Listed investments at fair value		
- Shares in listed corporations	2,372,500	2,748,909
Total available for sale financial assets	2,372,500	2,748,909

At 22nd September 2008 the market value of the listed investments is:

Maximus Resources Ltd \$0.11 per share

Copper Range Ltd \$0.04 per share

14. PLANT AND EQUIPMENT

	2008 \$	2007 \$
Plant and equipment at cost	625,913	167,083
Accumulated depreciation	(74,266)	(30,800)
Total plant and equipment	551,647	136,283

Movements in carrying amounts:

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Plant and equipment	Total
Balance at 1 July 2007	136,283	136,283
Additions	458,830	458,830
Disposals	-	-
Depreciation	(43,466)	(43,466)
Balance at 30 June 2008	551,647	551,647

15. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	2008 \$	2007 \$
Exploration and evaluation - 100% owned	7,404,782	6,814,976
Exploration and evaluation phases - Joint Ventures	4,932,601	2,459,102
Total exploration and evaluation expenditure	12,337,383	9,274,078

Movements in carrying amounts:**Exploration and evaluation**

Balance at the beginning of the year	9,274,078	7,222,187
Amounts capitalised during the year	3,063,305	2,051,891
Carrying amount at the end of year	12,337,383	9,274,078

The ultimate recoupment of costs carried forward for exploration phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

16. TRADE AND OTHER PAYABLES

	2008 \$	2007 \$
Unsecured		
Trade payables	22,303	35,429
Sundry payables and accrued expenses	344,173	81,851
	366,476	117,280

17. SHORT-TERM PROVISIONS

	2008 \$	2007 \$
Employee entitlements	19,613	1,049
Opening balance at 1 July 2007	1,049	-
Additional provisions	18,564	1,049
Amounts used	-	-
Balance at 30 June 2008	19,613	1,049

18. ISSUED CAPITAL

	2008 \$	2007 \$
1,109,678,754 (2007: 595,540,919) fully paid ordinary shares	33,068,413	15,488,349

	Number	Number
Ordinary Shares		
At the beginning of the reporting period	595,540,919	485,549,708
Shares issued during the year		
29 November 2006		900,000
21 June 2007		109,091,211
2 August 2007	291,978,993	
31 August 2007	56,333,333	
10 September 2007	29,036,170	
28 November 2007	800,000	
11 December 2007	245,000	
1 February 2008	125,000	
6 February 2008	10,079	
6 March 2008	110,022,260	
21 April 2008	7,810,000	
12 May 2008	350,000	
29 May 2008	120,000	
2 June 2008	2,500,000	
5 June 2008	5,754,500	
10 June 2008	4,560,000	
17 June 2008	4,439,500	
24 June 2008	53,000	
At reporting date	1,109,678,754	595,540,919

- (i) On 2 August 2007 291,978,933 shares were issued at 1.2 cents as shortfall of a rights issue
- (iii) On 31 August 2007 56,333,333 shares were issued at 1.2 cents as shortfall of a rights issue
- (iii) On 10 September 2007 29,036,170 shares were issued at 1.2 cents as shortfall of a rights issue
- (iv) On 28 November 2007 800,000 shares were issued at 1.7 cents as a result of the exercise of employee options
- (v) On 11 December 2007 225,000 shares were issued at 1.7 cents as a result of the exercise of employee options and 20,000 shares were issued at 10 cents as a result of the exercise of options
- (vi) On 1 February 2008 125,000 shares were issued at 3.6 cents as a result of the exercise of employee options
- (vii) On 6 February 2008 10,079 shares were issued at 10 cents as a result of the exercise of options
- (viii) On 6 March 2008 110,000,000 shares were issued at 10 cents through a share placement and 22,260 shares were issued at 10 cents as a result of the exercise of options
- (ix) On 21 April 2008 7,810,000 shares were issued at 10 cents as a result of a share purchase plan
- (x) On 12 May 2008 350,000 shares were issued at 1.7 cents as a result of the exercise of employee options
- (xi) On 29 May 2008 120,000 shares were issued at 10 cents as a result of the exercise of options
- (xii) On 2 June 2008 250,000 shares were issued at 1.7 cents as a result of the exercise of employee options and 2,250,000 shares were issued at 10 cents as a result of the exercise of options
- (xiii) On 5 June 2008 5,754,500 shares were issued at 10 cents as a result of the exercise of options
- (xiv) On 10 June 2008 4,560,000 shares were issued at 10 cents as a result of the exercise of options
- (xv) On 17 June 2008 4,439,500 shares were issued at 10 cents as a result of the exercise of options
- (xvi) On 24 June 2008 53,000 shares were issued at 10 cents as a result of the exercise of options

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Options

For information relating to the Flinders Mines Limited Employee option plan including details of options issued and exercised during the financial year and the options outstanding at year end refer to Note 22 Share Based Payments.

19. RESERVES**Share Option Reserve**

The Share Option Reserve records items recognised as expenses on valuation of employee options and options issued to external parties in consideration for goods and services rendered.

Financial assets reserve

The financial assets reserve records revaluation of financial assets.

20. COMMITMENTS FOR EXPENDITURE**Exploration Licences**

In order to maintain current rights of tenure to exploration tenements the Company will be required to outlay in the year ending 30 June 2009 amounts of approximately \$1,890,000 in respect of tenement lease rentals and to meet minimum expenditure requirements pursuant to various joint venture requirements.

21. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss after income tax.

	2008	2007
Profit/(Loss) after tax	(1,217,429)	(9,549)
Non-cash flows in profit		
Depreciation	43,466	17,609
Issue of options to employees	91,325	4,025
Deferred tax asset written off	262,280	4,646
Exploration expenditure written off	355,519	-
Cash flows excluded from profit attributable to operating activities		
Loans to associated entities	-	(102,688)
Sale of tenement rights	-	(500,000)
Changes in operating assets & liabilities		
(Increase)/decrease in trade and other receivables	(221,382)	105,801
Increase/(decrease) in trade payables and accruals	249,196	(65,020)
Increase/(decrease) in provisions	18,564	1,049
Cash flow from operations	<u>(418,461)</u>	<u>(544,127)</u>

22. SHARE-BASED PAYMENTS

The following share-based payment arrangement existed at 30 June 2008:

The Flinders Mines Limited Employee Share Option Plan enables the board, at its discretion, to issue options to employees of the Company or its associated companies. Each option will have a life of five years and be exercisable at a price determined by the board. This price will not be below the market price of a share at the time of issue.

On 6 March 2008 400,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 1.7 cents on or before 30 March 2012. The options hold no voting or dividend rights.

On 6 March 2008 835,500 options were issued to employees under the Company's employee option plan. The options are exercisable at 8.4 cents on or before 5 March 2013. The options hold no voting or dividend rights.

	2008		2007	
	Number of Options	Weighted average Exercise Price \$	Number of Options	Weighted average Exercise Price \$
Outstanding at the beginning of the year	385,828,978	0.100	381,803,978	0.100
Granted	1,232,500	0.062	4,025,000	0.017
Exercised	(18,854,339)	0.093	-	-
Expired	-	-	-	-
Outstanding at the end of the year	368,207,139	0.100	385,828,978	0.100
Exercisable at year end	368,207,139	0.100	385,828,978	0.100

The options outstanding at 30 June 2008 had a weighted average exercise price of \$0.10 and a weighted average remaining contractual life of 3 months. Exercise prices range from \$0.017 to \$0.10 in respect of options outstanding at 30 June 2008.

The weighted average fair value of the options granted during the year was \$0.109.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.062
Weighted average life of the option	5.0 years
Underlying share price	\$0.11
Expected share price volatility	257%
Risk free interest rate	7.00%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on the historical exercise patterns, which may not eventuate in the future. Included under "Administrative Expense" in the income statement is \$91,325 (2007: \$4,025) which relates to share-based payments in accordance with the Company Employee Share Option Plan.

23. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Associated companies

- Administrative services were provided by FME Exploration Services Pty Ltd to Flinders Mines Limited for \$327,336.
- Flinders Mines Limited advanced FME Exploration Services Pty Ltd \$132,310 to fund working capital.

24. SEGMENT INFORMATION

The entity operates predominately in the mining industry in Australia and as such has no material reportable segments.

25. FINANCIAL INSTRUMENTS

a. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and loans to subsidiaries.

i Treasury risk management

The senior executives of the Company regularly analyse interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii Financial risks

The main risk the company is exposed to through its financial instruments is liquidity risk.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are available to meet the cash demands.

25. FINANCIAL INSTRUMENTS continued

b. Financial instruments

i) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
2008				
Financial assets:				
Cash and cash equivalents	7.80	13,925,018	-	13,925,018
Receivables	-	-	493,671	493,671
Total financial assets		13,925,018	493,671	14,418,689
Financial liabilities:				
Payables	-	-	366,476	366,476
Total financial liabilities		-	366,476	366,476
Net financial assets		13,925,018	127,195	14,052,213
2007				
Financial assets:				
Cash and cash equivalents	6.50	1,735,659	-	1,735,659
Receivables	-	-	139,979	139,979
Total financial assets		1,735,659	139,979	1,875,638
Financial liabilities:				
Payables	-	-	117,280	117,280
Total financial liabilities		-	117,280	117,280
Net financial assets		1,735,659	22,699	1,758,358

ii) Net fair values

The Company's financial assets and liabilities are included in the balance sheet at amounts that approximate net fair value.

iii) Sensitivity analysis

Interest rate risk

The company has performed a sensitivity analysis relating to its exposure to interest rate risk, at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2008 \$	2007 \$
Change in profit		
Increase in interest rate by 2%	278,500	34,713
Decrease in interest rate by 2%	(278,500)	(34,713)
Change in equity		
Increase in interest rate by 2%	278,500	34,713
Decrease in interest rate by 2%	(278,500)	(34,713)

26. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following Australian Accounting Standards have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 6	Exploration for and Evaluation of Mineral	1.1.2009	1.7.2009
	AASB 107	Cash Flow Statements		
	AASB 119	Employee Benefits		
	AASB 134	Interim Financial Reporting		
	AASB 136	Impairment of Assets		
AASB 8 Operating Segments	AASB 114	Segment Reporting	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	1.1.2009	1.1.2009
	AASB 107	Cash Flow Statements		
	AASB 116	Property, Plant and Equipment		
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	1.1.2009	1.7.2009

27. COMPANY DETAILS

The principal place of business and registered office is:

Flinders Mines Limited
62 Beulah Road
Norwood
South Australia 5067

Directors Declaration

The directors of the Company declare that :

- 1 the financial statements and notes, as set out on pages 13 to 30 are in accordance with the Corporation Act 2001 and:
 - a comply with Accounting Standards and the Corporations Regulations 2001; and
 - b give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company;
- 2 the Managing Director and Chief Finance Officer have each declared that:
 - a the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c the financial statements and notes for the financial year give a true and fair view
- 3 In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



ROBERT M KENNEDY
Director

Dated this 23rd day of September 2008

Independent Audit Report



Grant Thornton South Australian Partnership
ABN 27 244 906 724

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
DX 275 Adelaide

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

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

Report on the Financial Report

We have audited the accompanying financial report of Flinders Mines Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

An independent South Australian partnership entitled to trade under the international name Grant Thornton. Grant Thornton is a trademark owned by Grant Thornton International and used under license by independent firms and entities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation



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

Auditor's Responsibility Cont

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's Opinion

In our opinion:

- a the financial report of Flinders Mines Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

Auditor's Opinion

In our opinion the Remuneration Report of Flinders Mines Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J Gray
Partner

Signed at Adelaide on this 23rd day of September 2008