



## **Flinders Mines Limited**

ABN 46 091 118 044

### **Financial report for the half-year ended 31 December 2010**

# Flinders Mines Limited ABN 46 091 118 044

## Financial report - 31 December 2010

### Contents

	Page
Directors' report	1
Auditor's Independence Declaration	2
Financial statements	
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7
Directors' declaration	12

These financial statements cover Flinders Mines Limited as an individual entity. The financial statements are presented in the Australian currency.

Flinders Mines Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Flinders Mines Limited  
62 Beulah Road  
Norwood SA 5067

Registered postal address is:

Flinders Mines Limited  
PO Box 3126  
Norwood SA 5067

The financial statements were authorised for issue by the directors on 11 March 2011. The directors have the power to amend and reissue the financial statements.

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

## Directors report

### Directors

The following persons were directors of Flinders Mines Limited during the whole of the half-year and up to the date of this report:

Robert Michael Kennedy (Chairman)  
John David Cooper (Non-Executive Director, since 13 September 2010)  
Nicholas John Smart (Non-Executive Director from 1 September 2010, until 30 September 2010. Alternate for R M Kennedy since 7 December 2009)  
Ewan John Vickery (Non-Executive Director)  
Kevin John Malaxos (Non-Executive Director since 21 December 2010)  
Gregory Mornington May (Alternate for E J Vickery)  
Kevin John Anson Wills (Managing Director, ceased 31 August 2010)  
Nicholas John Corlis (Alternate for K J A Wills, ceased 31 August 2010)

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

### Review of operations

In the second half of 2010, Flinders Mines Limited (FMS) successfully completed the prefeasibility study for the Pilbara Iron Ore Project (PIOP). The study, completed by WorleyParsons, confirmed a long life large scale mining operation that is both technically and economically feasible.

Early in the half the Phase 1 drilling program for 2010 was completed and in October 2010 FMS announced a 14% increase in the Global resource to 748Mt @ 55.4% Fe, including a higher quality Indicated and Inferred Resource of 362Mt @ 57.8% Fe. The drilling program also yielded significant intersections in new exploration zones, yielding maiden resources in the Paragon and Badger targets.

A second phase of drilling was also completed on the PIOP with some 14.7km of Reverse Circulation (RC) drilling being completed. Whilst this program focused largely on the further conversion of Inferred Resource to Indicated Resource (infill drilling), it also targeted Brockman Iron Deposit material on the flanks of the Delta deposit. Initial assays received for those targets have provided confirmation of the presence of high quality surface mineralisation.

The Company also embarked on its maiden drilling program on its Canegrass prospect in the Midwest of WA. Some 39 holes totalling 9km were drilled during this program, the results of which are yet to be received. Metallurgical testwork also commenced in the half.

From a Corporate perspective FMS shareholders approved the divestment of the non-iron ore assets, including diamonds and phosphates, into a Joint Venture with Flinders Exploration Limited (FEX).

The Company remained in a strong cash position, with \$45.2M cash in hand at 31 December 2010.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 31 December 2010 has been received and can be found on page 2.

Dated at Adelaide this 11th day of March 2011 and signed in accordance with a resolution of the Directors.



Robert M Kennedy  
Director

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Flinders Mines Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



S J Gray  
Partner

Adelaide, 11 March 2011

**Flinders Mines Limited**  
**Statement of comprehensive income**  
**For the half-year ended 31 December 2010**

	Half-year	
	2010	2009
	\$	\$
<b>Revenue from continuing operations</b>	<b>1,552,769</b>	623,809
Loss on disposal of assets	(265)	-
Marketing expense	(482,067)	(124,640)
Administrative expense	(1,906,059)	(1,484,628)
Finance costs	(9,123)	(3,943)
Exploration expenditure written off	<u>(233,285)</u>	<u>(205,427)</u>
<b>(Loss) before income tax</b>	<b>(1,078,030)</b>	(1,194,829)
Income tax expense	<u>2,122</u>	<u>(848,316)</u>
<b>(Loss) for the half-year</b>	<b><u>(1,075,908)</u></b>	<b><u>(2,043,145)</u></b>
<b>Other comprehensive income</b>		
Revaluation of available for sale assets	<u>183,445</u>	<u>96,167</u>
<b>Total comprehensive income for the half-year</b>	<b><u>(892,463)</u></b>	<b><u>(1,946,978)</u></b>
(Loss) is attributable to:		
Owners of Flinders Mines Limited	<u>(892,463)</u>	<u>(1,946,978)</u>
	<b><u>(892,463)</u></b>	<b><u>(1,946,978)</u></b>
<b>Earnings per share for (loss) from continuing operations attributable to the ordinary equity holders of the parent entity:</b>		
Basic earnings per share	<b>(0.049)</b>	(0.135)
Diluted earnings per share	<b>(0.049)</b>	(0.135)

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Flinders Mines Limited**  
**Statement of financial position**  
**As at 31 December 2010**

	Notes	31 December 2010 \$	30 June 2010 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		45,157,754	54,807,269
Trade and other receivables		<u>1,638,768</u>	<u>2,261,253</u>
Total current assets		<u>46,796,522</u>	<u>57,068,522</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method		1	1
Available-for-sale financial assets		457,417	273,972
Property, plant and equipment		1,544,639	1,630,287
Exploration and evaluation		39,710,704	32,102,683
Other non-current assets		<u>27,000</u>	<u>27,000</u>
Total non-current assets		<u>41,739,761</u>	<u>34,033,943</u>
<b>Total assets</b>		<u>88,536,283</u>	<u>91,102,465</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		544,025	2,201,946
Provisions		<u>113,472</u>	<u>135,495</u>
Total current liabilities		<u>657,497</u>	<u>2,337,441</u>
<b>Non-current liabilities</b>			
Provisions		<u>22,550</u>	<u>27,958</u>
Total non-current liabilities		<u>22,550</u>	<u>27,958</u>
<b>Total liabilities</b>		<u>680,047</u>	<u>2,365,399</u>
<b>Net assets</b>		<u>87,856,236</u>	<u>88,737,066</u>
<b>EQUITY</b>			
Contributed equity	4	105,238,915	105,227,282
Reserves	5(a)	322,584	139,139
Retained earnings/ (losses)	5(b)	<u>(17,705,263)</u>	<u>(16,629,355)</u>
<b>Total equity</b>		<u>87,856,236</u>	<u>88,737,066</u>

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

**Flinders Mines Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2010**

Notes	Ordinary shares \$	Available-for- sale financial assets reserve \$	Option reserve \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2009</b>	<u>54,663,777</u>	<u>-</u>	<u>202,763</u>	<u>(7,900,440)</u>	<u>46,966,100</u>
<b>Total comprehensive income for the half-year</b>					
Profit/ (loss) for the period	-	96,167	-	(2,043,145)	(1,946,978)
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity	52,800,550	-	-	-	52,800,550
Options issued during the period	-	-	22,923	-	22,923
Transaction costs (net of tax)	<u>(1,979,403)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,979,403)</u>
<b>Subtotal</b>	<u>50,821,147</u>	<u>-</u>	<u>22,923</u>	<u>-</u>	<u>50,844,070</u>
<b>Balance at 31 December 2009</b>	<u>105,484,924</u>	<u>96,167</u>	<u>225,686</u>	<u>(9,943,585)</u>	<u>95,863,192</u>
Notes	Ordinary shares \$	Available-for- sale financial assets reserve \$	Option reserve \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2010</b>	<u>105,227,282</u>	<u>(126,895)</u>	<u>266,034</u>	<u>(16,629,355)</u>	<u>88,737,066</u>
<b>Total comprehensive income for the half-year</b>					
Profit/ (loss) for the period	5(b) -	-	-	(1,075,908)	(1,075,908)
Revaluation of financial assets (net of tax)	5(a) -	183,445	-	-	183,445
<b>Transactions with owners in their capacity as owners:</b>					
Contributions of equity	4 15,000	-	-	-	15,000
Transaction costs (net of tax)	4 <u>(3,367)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,367)</u>
<b>Subtotal</b>	<u>11,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,633</u>
<b>Balance at 31 December 2010</b>	<u>105,238,915</u>	<u>56,550</u>	<u>266,034</u>	<u>(17,705,263)</u>	<u>87,856,236</u>

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

**Flinders Mines Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2010**

	Half-year	
	2010	2009
	\$	\$
<b>Cash flows from operating activities</b>		
Interest received	2,273,178	378,804
Tax receipts received	106,616	162,645
Payments to suppliers and employees	<u>(3,017,247)</u>	<u>(1,779,197)</u>
<b>Net cash (outflow) inflow from operating activities</b>	<u><b>(637,453)</b></u>	<u><b>(1,237,748)</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(67,242)	(744,512)
Loans to related parties	(150,000)	(15,000)
Payment of exploration activities	<u>(8,806,453)</u>	<u>(7,474,720)</u>
<b>Net cash (outflow) inflow from investing activities</b>	<u><b>(9,023,695)</b></u>	<u><b>(8,234,232)</b></u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	15,000	52,800,550
Transaction costs	<u>(3,367)</u>	<u>(2,827,719)</u>
<b>Net cash (outflow) inflow from financing activities</b>	<u><b>11,633</b></u>	<u><b>49,972,831</b></u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u><b>(9,649,515)</b></u>	<u><b>40,500,851</b></u>
Cash and cash equivalents at the beginning of the half-year	<u><b>54,807,269</b></u>	<u><b>20,522,605</b></u>
<b>Cash and cash equivalents at end of the half-year</b>	<u><b>45,157,754</b></u>	<u><b>61,023,456</b></u>

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



## 1 Summary of significant accounting policies

### Basis of preparation of half-year financial report

#### Reporting entity

Flinders Mines Limited (the "Company") is a company domiciled in Australia. The financial report of the Company is as at and for the half year ended 31 December 2010.

The annual financial report of the Company as at and for the year ended 30 June 2010 is available upon request from the Company's registered office at 62 Beulah Road, Norwood SA or at [www.flindersmines.com.au](http://www.flindersmines.com.au).

#### Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Flinders Mines Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies applied by the entity in this half-year report are consistent with those in the 30 June 2010 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

#### Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

## 2 Segment information

### (a) Description of segments

#### Identification of reportable segments

Flinders Mines Limited has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

#### Operations

Flinders Mines Limited has exploration operations in diamonds, phosphate and two styles of iron mineralisation. The costs associated with these operations are reported on in this segment.

#### Accounting policies developed

Unless stated otherwise, all amounts reported to the Board of Directors as chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of Flinders Mines Limited.

## 2 Segment information (continued)

### (b) Business segments

Period ending 31 December 2010	Pilbara Iron Ore \$	Canegrass Magnetite \$	Diamonds and Phosphate \$	Other \$	Total \$
Segment revenue	-	-	-	-	-
Adjusted EBITDA	-	-	-	(400)	(400)
Impairment	-	-	-	(400)	(400)
<b>Segment assets for period ending 31 December 2010</b>	<b><u>28,627,497</u></b>	<b><u>3,232,499</u></b>	<b><u>7,155,129</u></b>	<b><u>695,579</u></b>	<b><u>39,710,704</u></b>
<b>Segment asset movements for the period</b>					
Capital expenditure	5,930,071	1,300,771	364,892	12,687	7,608,421
Impairment	-	-	-	(400)	(400)
<b>Total movement for the period</b>	<b><u>5,930,071</u></b>	<b><u>1,300,771</u></b>	<b><u>364,892</u></b>	<b><u>12,287</u></b>	<b><u>7,608,021</u></b>
<b>Total segment assets</b>	-	-	-	-	<b>39,710,704</b>
Unallocated assets					48,825,579
<b>Total assets</b>					<b><u>88,536,283</u></b>
<b>Total segment liabilities</b>	<b>388,824</b>	-	-	-	<b>388,824</b>
Unallocated liabilities					291,223
<b>Total liabilities</b>					<b><u>680,047</u></b>

## 2 Segment information (continued)

Period ending 31 December 2009	Pilbara Iron Ore \$	Canegrass Magnetite \$	Diamonds and Phosphate \$	Other \$	Total \$
Segment revenue	-	-	-	-	-
Adjusted EBITDA	-	-	-	-	-
Impairment	-	-	-	-	-
<b>Segment assets for the period ending 30 June 2010</b>	<b><u>22,697,425</u></b>	<b><u>1,931,728</u></b>	<b><u>6,790,238</u></b>	<b><u>683,292</u></b>	<b><u>32,102,683</u></b>
<b>Segment asset movements for the period</b>					
Capital expenditure	11,551,495	610,568	1,364,104	518,337	14,044,504
Impairment	-	-	(5,748,987)	(660,021)	(6,409,008)
<b>Total movement for the period</b>	<b><u>11,551,495</u></b>	<b><u>610,568</u></b>	<b><u>(4,384,883)</u></b>	<b><u>(141,684)</u></b>	<b><u>7,635,496</u></b>
<b>Total segment assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,102,683</b>
Unallocated assets					58,999,782
<b>Total assets</b>					<b><u>91,102,465</u></b>
<b>Total segment liabilities</b>	<b>814,000</b>	<b>156,000</b>	<b>112,000</b>	<b>-</b>	<b>1,082,000</b>
Unallocated liabilities					1,283,399
<b>Total liabilities</b>					<b><u>2,365,399</u></b>
<b>Half-year</b>					
			<b>2010</b>	<b>2009</b>	
			\$	\$	
<b>Adjusted EBITDA</b>					
Allocated adjusted EBITDA			<b>(400)</b>	-	
<b>Unallocated:</b>					
Interest revenue			<b>1,552,769</b>	623,809	
Loss on disposal of assets			<b>(265)</b>	-	
Marketing expense			<b>(482,067)</b>	(124,640)	
Administrative expense			<b>(1,906,059)</b>	(1,484,628)	
Finance costs			<b>(9,123)</b>	(3,943)	
Exploration general written off			<b>(232,885)</b>	(205,427)	
<b>Profit before income tax from continuing operations</b>			<b><u>(1,078,030)</u></b>	<b><u>(1,194,829)</u></b>	

### 3 Contingencies

#### Contingent liabilities

There have been no changes in contingent liabilities since the last reporting date.

### 4 Contributed equity

	31 December 2010 Shares	30 June 2010 Shares	31 December 2010 \$	30 June 2010 \$
<b>(a) Share capital</b>				
Ordinary shares Fully paid	<u>1,820,329,571</u>	<u>1,819,849,571</u>	<u>105,238,915</u>	<u>105,227,282</u>

#### (b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
1 July 2009	Opening balance	1,430,989,208		54,663,777
	Shares issued during the year	388,860,363		52,811,850
	Less: Transaction costs arising on share issue	-		(2,248,345)
<b>30 June 2010</b>	<b>Balance</b>	<b><u>1,819,849,571</u></b>		<b><u>105,227,282</u></b>
1 July 2010	Opening balance	1,819,849,571		105,227,282
19 July 2010	Exercise of employee options Proceeds received	300,000		5,100
22 December 2010	Exercise of employee options Proceeds received	180,000	\$0.017	9,900
			\$0.055	<u>105,242,282</u>
	Less: Transaction costs arising on share issue			(3,367)
<b>31 December 2010</b>	<b>Balance</b>	<b><u>1,820,329,571</u></b>		<b><u>105,238,915</u></b>

## 5 Reserves and retained earnings

	31 December 2010 \$	30 June 2010 \$
<b>(a) Reserves</b>		
Available-for-sale investments revaluation reserve	56,550	(126,895)
Share-based payments	<u>266,034</u>	<u>266,034</u>
	<u><b>322,584</b></u>	<u><b>139,139</b></u>
<b>(b) Retained earnings</b>		
Movements in retained earnings were as follows:		
Balance at beginning of period	(16,629,355)	(7,900,440)
Net profit/ (loss) for the year	<u>(1,075,908)</u>	<u>(8,728,915)</u>
Balance at end of period	<u><b>(17,705,263)</b></u>	<u><b>(16,629,355)</b></u>

## 6 Events occurring after the reporting period

There has not arisen in the interval between 31 December 2010 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 3 to 11 are in accordance with the *Corporations Act 2001*, including
  - (i) complying with Accounting Standard AASB 134: Interim Financial Reportings, and
  - (ii) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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



Robert M Kennedy  
Director

Adelaide  
11th March 2011

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

We have reviewed the accompanying half-year financial report of Flinders Mines Limited (“Company”), which comprises the financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors’ declaration of the Company.

### **Directors’ responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

### **Auditor’s responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the entity’s financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Flinders Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

**Conclusion**

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

- a giving a true and fair view of the Company's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP  
Chartered Accountants



S J Gray  
Partner

Adelaide, 11 March 2011