

2 Segment information (continued)

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

Half-year 2013	Pilbara Ore \$	Iron Canegrass Magnetite \$	Other Minerals \$	Total \$
Adjusted EBITDA	-	(117,706)	(101,406)	(219,112)
Capital expenditure written off / impaired for the year 2013	-	(117,706)	(101,406)	(219,112)
Total segment assets	60,341,664	-	-	60,341,664
Segment movements for the year ended 30 June 2014:				
Capital expenditure	5,662,757	201,946	186,127	6,050,830
Impairment of assets	-	(201,946)	(186,127)	(388,073)
Total movement for the year	5,662,757	-	-	5,662,757
Segment assets				64,038,405
Unallocated assets				11,258,909
Total Assets				75,297,314

2 Segment information (continued)

(c) Other segment information

(i) Adjusted EBITDA

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

	Half-year	
	2014	2013
	\$	\$
Allocated:		
Adjusted EBITDA	(67,853)	(219,112)
Unallocated:		
Interest revenue	116,682	77,849
Loss on disposal of assets	(76,027)	(35,821)
Marketing expenses	(297,635)	(296,526)
Administrative expenses	(1,217,510)	(1,707,964)
Finance costs	(1,926)	(5,901)
(Loss) before income tax from continuing operations	(1,544,269)	(2,187,475)

3 Contingencies

Contingent liabilities

The Group had no known contingent liabilities at 31 December 2014 (30 June 2014: nil).

4 Commitments

Bank guarantees

The State Government departments responsible for mineral resources require performance bonds for the purposes of rehabilitation of areas disturbed by exploration activities. Financial institutions similarly require guarantees for credit card automatic payment facilities. At 31 December 2014, the Group had \$178,978 of bank guarantees in place for these purposes (30 June 2014: \$345,656).

5 Non-current assets - Exploration and evaluation

	31 December 2014	30 June 2014
	\$	\$
Exploration and evaluation assets		
Movement:		
Opening balance	64,038,405	58,375,649
Expenditure incurred	5,797,057	6,050,829
Less: expenditure written off / impaired	(67,853)	(388,073)
Closing balance	69,767,609	64,038,405
Closing balance comprises		
Exploration and evaluation - 100% owned	63,526,511	57,797,307
Exploration and evaluation phases - Joint Venture Operations	6,241,098	6,241,098
	69,767,609	64,038,405

6 Contributed equity

(a) Share capital

	31 December 2014	30 June 2014	31 December 2014	30 June 2014
	Shares	Shares	\$	\$
Ordinary shares				
Ordinary shares - fully paid	2,762,995,689	2,400,995,602	124,361,828	119,106,233

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$
1 July 2014	Opening balance	2,400,995,602		119,106,233
15 December 2014	Share issue - Proceeds received (net of costs)	362,000,087	\$0.015	5,255,595
31 December 2014	Balance	2,762,995,689		124,361,828

(c) Employee incentive rights plan

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

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

7 Other reserves and retained losses

(a) Reserves

	31 December 2014	30 June 2014
	\$	\$
Available-for-sale investments revaluation reserve	(293,048)	(293,047)
Share-based payments	476,385	311,627
	<u>183,337</u>	<u>18,580</u>
	31 December 2014	30 June 2014
	\$	\$
Movements:		
<i>Available-for-sale investments revaluation reserve</i>		
Opening balance	(293,048)	(288,149)
Revaluation	-	(4,900)
Balance at period end	<u>(293,048)</u>	<u>(293,049)</u>
<i>Share-based payments</i>		
Opening balance	311,628	1,545,670
Rights expensed during the period	164,757	-
Rights expired during the period	-	(1,234,041)
Balance at period end	<u>476,385</u>	<u>311,629</u>

(b) Retained losses

Movements in retained losses were as follows:

	31 December 2014	30 June 2014
	\$	\$
Opening balance	(45,371,255)	(40,722,508)
Net loss for the period	(1,544,269)	(4,648,747)
Closing balance	<u>(46,915,524)</u>	<u>(45,371,255)</u>

8 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group.

9 Fair value measurement of assets and liabilities

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

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

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

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

In the Directors' opinion:

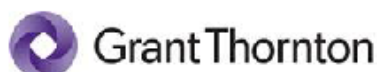
- (a) the interim financial statements and notes set out on pages 4 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Robert Michael Kennedy
Director

Adelaide
18 February 2015



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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 consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Flinders Mines Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Flinders Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S K Edwards
Partner – Audit & Assurance

Adelaide, 18 February 2015