Flinders Mines Limited

ABN 46 091 118 044

Financial Report
for the year ended 30 June 2016

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Financial Report - 30 June 2016

Contents

These Financial Statements are the consolidated Financial Statements of the consolidated entity consisting of Flinders Mines Limited and its subsidiaries. The Financial Statements are presented in the Australian currency.

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

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

Registered postal address is:

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

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

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group, or Flinders) consisting of Flinders Mines Limited (Parent or Company) and the entities it controlled at the end of or during, the year ended 30 June 2016.

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

Robert Michael Kennedy *(Non-executive Chairman)*

Ian James Gordon *(Managing Director)* (until 29 June 2016)

Kevin John Malaxos *(Non-executive Director)*

Ewan John Vickery *(Non-executive Director)*

Nicholas John Smart *(Alternate Director for RM Kennedy)*

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

Dividends
No dividends have been declared or paid during the financial year (2015: $nil).

Operating results and financial position
The net result of operations for the financial year was a loss of $4,057,012 (2015: $29,190,281).
The PIOP carrying value as at 30 June 2015 was $45,000,000. The carrying value was based on an independent expert report commissioned to report on whether the option agreement signed in May 2015 between Flinders Mines Limited and the Todd Corporation was fair and reasonable. The independent experts report had valued the PIOP project to be between $40-$50million and, allowed shareholders to make an informed decision relating to the option agreement. At a general meeting of the company held on 24 September 2015 shareholders decided to reject the offer by voting against it. A further impairment of $23,484,221 was made at 31/12/2015 "using a market value approach". By this time the share price had dropped to 1.3 cents per share as there was now no offer for the shares and the Alliance agreement had terminated. As a result the PIOP project carrying value as at 31 December 2015 was $22,345,329, impaired down from $45,000,000. On 17 March 2016, TIO (NZ) Limited (TIO), a wholly owned subsidiary of Todd Corporation provided an unconditional all-cash off-market takeover bid to acquire all Flinders Mines Limited shares, at an Offer Price of $0.013 per Share. On 9 May 2016 TIO increased the cash consideration to $0.025 per Share. Taking into account the increased market value of the company due to the TIO takeover, using a market value approach the impairment incurred as at 31 December 2015 was reversed and all expenditure for the year capitalised. The carrying value of PIOP as at 30 June 2016 is $46,517,562.

The net assets of the Group have decreased by $2,784,759 during the financial year from $50,121,444 at 30 June 2015 to $47,336,685 at 30 June 2016.

Review of operations

Corporate

On 9 May 2016 Flinders Mines Limited (ASX: FMS) (Flinders) announced that it had entered into a bid implementation agreement with TIO (NZ) Limited (TIO), a wholly owned subsidiary of Todd Corporation, under which TIO agreed to vary its offer, increasing the cash consideration initially offered on 17 March 2016 (Initial Offer) from $0.013 to $0.025 per Flinders' share (Improved Offer), 92% higher than the Initial Offer and a premium of 213% to the closing price and VWAP of Flinders shares before the Initial Offer was announced.

The Directors of Flinders have all accepted the Improved Offer in respect of the shares they owned or controlled and continue to recommend that shareholders accept the Improved Offer from TIO. The TIO offer ended 31 August 2016.

Pilbara Iron Ore Project

During the Financial year, the Company received approval from the Environment Minister in Western Australia (WA) for the expanded project. The Company also received approval from the Minister for Aboriginal Affairs (WA) in respect to heritage aspects of the project. A number of new ore optimisations were completed to assess the viability of the project at lower Fe prices. Further work to minimise ore to waste ratios were conducted, together with metallurgical test work, and economic assessment of the projects potential.

Canegrass and South Australia

During the year a small follow up air-core drilling program for gold was undertaken at Canegrass (WA). All assays from the current round of drilling have now been received and there were no significant intersections. There were no exploration and evaluation activities carried out on the Company's South Australian tenements during the year.

Significant changes in the state of affairs
Significant changes in the state of affairs of the Group during the financial year were as follows:

On 17 March 2016, TIO (NZ) Limited (TIO), a wholly owned subsidiary of Todd Corporation, announced a takeover bid for all of the shares it did not hold in Flinders for $0.013 per share. A Bidder's Statement was dispatched to Flinders' shareholders on 31 March 2016 and Flinders dispatched its Target's Statement to shareholders on 15 April 2016.

On 9 May 2016 Flinders announced that it had entered into a bid implementation agreement with TIO under which TIO agreed to vary its offer, increasing the cash consideration initially offered on 17 March 2016 from $0.013 to $0.025 per Flinders' share (Improved Offer).

The Directors of Flinders have all accepted the Improved Offer in respect of the shares they owned or controlled.

The Improved Offer closed on 31 August 2016, at which point TIO had a voting power in Flinders shares of 52.64 per cent.

Matters subsequent to the end of the financial year
The Company announced on 29 July 2016 that it has entered into a loan facility agreement with PIO Mines Pty Limited (a subsidiary of TIO (NZ) Limited) to assist Flinders to meet its short term capital requirements. The A$2,000,000 loan is available for drawing in a single lump sum from the Loan Agreement until 19 August 2016. The key terms of the loan include an interest rate equivalent to the 6-Month Bank Bill Swap Rate (BBSW) Mid-Rate plus 2% per annum with the repayment of the principal outstanding to occur on 31 December 2016.

On 5 August 2016 loan funds to the aggregate amount of A$2,000,000 were received by the Company from PIO Mines Pty Limited.

The Company proposes to undertake a pro rata rights issue, at an issue price and entitlement ratio yet to be determined, before the end of the 2016 calendar year. The proceeds of the Rights Issue will be used to, among other things, repay the amounts drawn under the Loan Agreement, pay annual tenement rents and rates, comply with minimum expenditure conditions for the tenements, provide working capital and meet administration expenses.

The funds raised under the Rights Issue will not exceed A$5,000,000.

Other than the above, no matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:
(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

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

Information on directors
Robert Michael Kennedy KSJ, ASAIT, Grad Dip (Systems Analysis), Dip Financial Planning, Dip Financial Services, FCA, AGIA, Life Member AIM, FAICD, FTI
Independent Non-executive Chairman

Experience and expertise
Mr Kennedy, a Chartered Accountant, has been non-executive chairman of Flinders Mines Limited since December 2001.

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

Apart from his attendance at Board and Committee meetings, Mr Kennedy leads the development of strategies for the development and future growth of the Company. Mr Kennedy leads the Board's external engagement of the Company meeting with Government, investors and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms. He conducts the review of the Board including the Managing Director in his executive role.

Other current directorships
Mr Kennedy is a director of ASX listed companies, Tychean Resources Limited (since 2006), Maximus Resources Limited (since 2004), Monax Mining Limited (since 2004), and Ramelius Resources Limited (since 2003).

Former directorships in last 3 years
Formerly he was a director of Crestal Petroleum Limited formerly Tellus Resources Limited (from December 2013 to February 2015) and Marmota Energy Limited (from April 2006 to April 2015).

Special responsibilities
Chairman of the Board.
Member of the Audit Committee.

Interests in shares and options
Nil.

Information on directors (continued)
Ian James Gordon, Bcom, MAICD. *Managing Director, (until 29 June 2016).*

Experience and expertise
A director since June 2014, Mr Gordon is a mining executive with experience in a variety of management positions and commodities. He has held management roles at Delta Gold Limited, Rio Tinto Exploration and Gold Fields. From 2007 until 2014 he was the COO and Managing Director of Ramelius Resources Limited, where he was responsible for the development of a number of mining operations. He has significant experience in project approvals, feasibility studies, capital raising and project finance.

Other current directorships
None.

Former directorships in last 3 years
Ramelius Resources Limited (until 31 August 2014).

Special responsibilities
Managing Director.

Interests in shares, options and rights
Nil

Information on directors (continued)
Kevin John Malaxos BEng, MAICD. *Non-executive Director.*

Experience and expertise
A director since December 2010, Mr Malaxos, a mining engineer, has over 27 years' experience in the resources sector in senior management and executive roles across a suite of commodities including gold, nickel, iron ore, silver, lead, zinc and chromium. He has managed large and small scale surface and underground mining operations and brings a wealth of experience in project evaluation and development, project approval and Government liaison.

Mr Malaxos' previous roles include CEO for Mt Gibson Mining (MGX) and COO of listed iron ore developer Centrex Metals Limited (CXM), where he was responsible for project development, project approvals and community and government consultation.

Other current directorships
Mr Malaxos is also the Managing Director of ASX listed company Maximus Resources Limited (since December 2010).

Former directorships in last 3 years
None.

Special responsibilities
Member of the Audit Committee & Risk Committee.
Member of the Corporate Governance Committee.

Interests in shares and options
Nil.

Ewan John Vickery LLB, *Non-executive Director.*

Experience and expertise
A director since June 2001, Mr Vickery is a corporate and business lawyer with over 40 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.

He is a 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 and Life Member of Australian Mining and Petroleum Law Association (AMPLA Limited).

Other current directorships
Mr Vickery is also a Non-Executive Director of ASX listed company Maximus Resources Limited (since 2004) and he re-joined the Board of Tychean Resources Limited (formerly ERO Mining Limited) in May 2013.

Former directorships in last 3 years
None.

Special responsibilities
Chairman of the Audit Committee & Risk Committee.
Member of Nominations & Remuneration Committee.
Member of the Corporate Governance Committee.

Interests in shares and options
Nil.

Information on directors (continued)
Nicholas John Smart *Alternate Director for R M Kennedy (Non-executive)*

Experience and expertise
An alternate director since December 2009, Mr Smart has held positions as a general manager in Australia and internationally. Previously a full Associate Member of the Sydney Futures Exchange and adviser with a national share broking firm, with over 25 years' experience in the corporate arena including capital raising for private and listed companies. Other experience includes startup companies in technology development including commercialisation of the Synroc process for safe storage of high level nuclear waste, controlled temperature and atmosphere transport systems and the beneficiation of low rank coals. Mr Smart currently consults to various public and private companies.

Other current directorships
Alternate director for Maximus Resources Limited (since 2005).

Former directorships in last 3 years
None.

Special responsibilities
None.

Interests in shares and options
Nil.

Company secretary
Justin Nelson, LLB, B.A.(Jur), GradDipACG

Experience and expertise
Mr Nelson is a Principal at DMAW Lawyers with expertise in the ASX Listing Rules and all other aspects of ASX-related matters. He was previously with the ASX in Adelaide, initially as Listings Advisor and then as South Australian State Manager, until the ASX offices were consolidated nationally. Mr Nelson has experience in relation to compliance issues in the resources and energy industries and is company secretary of three ASX-listed entities. He has been the Company Secretary since July 2014.

Meetings of directors
The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2016, and the numbers of meetings attended by each Director were:

	Full meetings of directors		Meetings of committees					
			Audit & Risk		Nominations & Remuneration		Corporate Governance	
	A	B	A	B	A	B	A	B
Robert Michael Kennedy	18	18	2	2	-	-	-	-
Ian James Gordon	18	18	-	-	-	-	-	-
Kevin John Malaxos	18	18	2	2	-	-	-	-
Ewan John Vickery	17	18	2	2				
Nicholas John Smart*	-	-	-	-	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year
** = Alternate Director*

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

Indemnification and insurance of officers
The Group is required to indemnify the directors and other officers of the Company and its Australian-based controlled entities against any liabilities incurred by the directors and officers that may arise from their position as directors and officers of the Group. No costs were incurred during the financial year pursuant to this indemnity.

The Parent Entity has entered into deeds of indemnity with each director whereby, to the extent permitted by the *Corporations Act 2001*, the Group 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 Group has paid insurance premiums of $78,189 to insure the directors and officers in respect of directors' and officers' liability and legal expenses insurance contracts.

Proceedings on behalf of the group
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services
The Board of Directors, in accordance with advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the external auditor's independence for the following reasons:

Non-audit services (continued)

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely impact 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 paid or payable for non-audit services provided by the auditor of the Parent, its related practices and non-related audit firms during the year ended 30 June 2016.

Remuneration report - audited
The Directors are pleased to present your Company's 2016 remuneration report which sets out remuneration information for Flinders Mines Limited's non-executive Directors, executive Directors and other key management personnel.

The remuneration report is set out under the following headings:

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

(a) *Directors and key management personnel disclosed in this report*

Non-executive and executive Directors - see pages 4 to 7 above	
Robert Michael Kennedy	
Ian James Gordon	(to 29 June 2016)
Kevin John Malaxos	
Ewan John Vickery	
Nicholas John Smart	
Other key management personnel	
Name	**Position**
Miro Rapaic	General Manager - Project Development (until 31 July 2015)
Jim Panagopoulos	Chief Financial Officer

(b) *Remuneration governance*
The Nominations & Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations and to assist the Board to:

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

The committee did not meet during the financial year as the full Board was able to deal efficiently and effectively with remuneration issues. Executive performance and remuneration packages are reviewed on a regular basis. The review process includes consideration of individual performance, as well as overall performance of the Group.

(c) *Use of remuneration consultants*
The Nominations and Remuneration Committee seeks external remuneration advice as required. No such advice was obtained during the financial year ending 30 June 2016.

Remuneration report - audited (continued)

(d) *Executive remuneration policy and framework*

The Group's policy for determining the nature and amounts of emoluments of senior executives is as follows:

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value.

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 employment conditions of the Managing Director were formalised in a contract of employment. The base salary as set out in the employment contract is reviewed regularly. The Managing Director's contract may be terminated by mutual agreement or by the Managing Director on three months written notice and by the Company on six months written notice. The Company may terminate the contract without notice in serious instances of misconduct. The remuneration of the other executive officers and 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 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.

Long-term incentives

The Company has an Employee Incentive Rights Plan (Plan) approved by shareholders at the 2010 Annual General Meeting that enables the Board to offer eligible employees rights to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, rights to acquire ordinary fully paid shares at no cost may be offered to the Company's eligible employees as 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 a long term incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The Employee Incentive Rights Plan is designed to focus executives and staff on delivering long-term shareholder returns. Under the Plan, participants are granted rights which vest only if positive performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan.

The issues have various vesting periods and are based on personal criteria.

22,796,000 performance and incentive rights were granted during the 2015 financial year, of which 15,576,000 were issued to key management personnel. During the 2016 financial year 19,866,000 performance and incentive rights vested and 2,930,000 did not vest and were forfeited.

(e) *Non-executive director remuneration policy*

Non-executive directors receive a Board fee and are eligible for fees for extra exertion or chairing or participating on Board Committees, at the discretion of the full Board. Fees provided to non-executive directors are inclusive of superannuation.

Fees are reviewed periodically by the Board's Nominations & Remunerations Committee taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed with effect from 1 January 2010 and have not been increased since that time.

Remuneration report - audited (continued)

(e) *Non-executive director remuneration policy (continued)*

Non-executive director fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $750,000 per annum and was approved by shareholders at the Annual General Meeting on 6 November 2009. 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 fee, statutory superannuation contributions and salary sacrifice. Non-executive directors do not participate in schemes designed for remuneration of executives, nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

(f) *Voting and comments made at the company's 2015 Annual General Meeting*

At the Company's last Annual General Meeting, there were no comments or queries on the remuneration report. However, 51.8 per cent of shareholders voted against the remuneration report, constituting a first strike. As there has been a significant change to the state of affairs of the Company during the financial year arising from the takeover bid by TIO (NZ) Limited, a wholly owned subsidiary of Todd Corporation, announced in March 2016, no action has been taken in response to first strike.

Remuneration report - audited (continued)

(g) *Details of remuneration*

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

2016	Short-term employee benefits		Post-employment benefits		Share based payments	
Name	Director's fees	Salary	Super-annuation	Termi-nation benefits	Rights	Total
	$	$	$	$	$	$
Non-executive Directors						
Robert Michael Kennedy	142,466	-	13,534	-	-	156,000
Kevin John Malaxos*	78,000	-	-	-	-	78,000
Ewan John Vickery	71,233	-	6,767	-	-	78,000
Sub-total non-executive directors	**291,699**	**-**	**20,301**	**-**	**-**	**312,000**
Executive Directors						
Ian James Gordon^#	-	384,931	38,220	237,634	89,932	750,717
Other key management personnel (Group)						
Miro Rapaic^#	-	27,523	11,062	189,085	-	227,670
Jim Panagopoulos^	-	195,722	18,593	-	19,566	233,881
Total key management personnel compensation (group)	**291,699**	**608,176**	**88,176**	**426,719**	**109,498**	**1,524,268**

2015	Short-term employee benefits		Post-employment benefits	Share based payments	
Name	Directors' fees	Salary	Super-annuation	Rights	Total
	$	$	$	$	$
Non-executive Directors					
Robert Michael Kennedy	164,384	-	15,616	-	180,000
Kevin John Malaxos*	90,000	-	-	-	90,000
Ewan John Vickery	82,192	-	7,808	-	90,000
Sub-total non-executive directors	**336,576**	**-**	**23,424**	**-**	**360,000**
Executive Directors					
Ian James Gordon^#	-	421,031	30,000	59,955	510,986
Other key management personnel (Group)					
Miro Rapaic^#	-	335,505	26,147	71,800	433,452
David Wayne Godfrey#	-	35,262	503	9,579	45,344
Jim Panagopoulos^	-	225,000	21,375	19,566	265,941
Total key management personnel compensation (group)	**336,576**	**1,016,798**	**101,449**	**160,900**	**1,615,723**

** Director's fees for Mr Malaxos were paid to a related party of the director.*

^ During the 2015 financial year selected executives were granted performance and incentive rights which have a three year vesting period and performance conditions. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the notional value of equity compensation granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The fair value of the rights as at the date of their grant has been determined in accordance with the Employee Incentive Rights Plan as set out in note 29.

 # Mr Rapaic was made redundant 31 July 2015. Mr Gordon was made redundant 29 June 2016. Mr Godfrey retired 15 July 2014.

Remuneration report - audited (continued)
(g) *Details of remuneration (continued)*

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - LTI *	
	2016	2015	**2016**	2015
	%	%	**%**	%
Other key management personnel of the group				
Ian Gordon	**88**	88	**12**	12
Miro Rapaic	**100**	83	**-**	17
David Wayne Godfrey	**-**	78	**-**	22
Jim Panagopoulos	**92**	92	**8**	8

** Long-term incentives (LTI) include equity grants issued via the Company's Employee Share Option and Incentive Rights Plans. These plans are designed to provide long-term incentives for executives to deliver long-term shareholder returns.*

(h) *Service agreements*
Mr Ian James Gordon, Managing Director, commenced on 17 June 2014 on a contract with no fixed term at a gross remuneration of $450,000 per annum inclusive of base salary and superannuation contributions, reviewable annually. Mr Gordon's contract was terminated 29 June 2016. Under Mr Gordon's employment contract, the Company may terminate the Employment at any time without cause by giving Employee not less than six months' notice in writing or payment in lieu.

Messrs Kennedy, Vickery and Malaxos are elected as non-executive directors, without formal employment agreements.

Remuneration and other terms of employment of group executives (Managing Director's direct reports) are formalised in service contracts. Each of the agreements is similar in nature and provides for the level of remuneration and other benefits relevant to each executive's role and responsibilities. Either party may terminate the agreement on the provision of an agreed notice period, or if terminated by the employer, a payment in lieu of notice. On termination, executives are entitled to receive statutory entitlements of accrued annual and long service leave plus superannuation benefits.

(i) *Share-based compensation*
Options
In past years, options over fully-paid ordinary shares in the capital of the Company were granted to employees under the Flinders Mines Limited Employee Share Option Plan (ESOP). The ESOP enabled the Board, at its discretion, to issue options to employees of the Company or its associated companies. Each option has a life of five years and was exercisable at a price determined by the Board. This price was not below the market price of a share at the time of issue. The options granted under the ESOP carry no voting or dividend rights. There were no options granted under the ESOP during the year ended 30 June 2016.

No option holder has any rights under the options to participate in any other share issue of the Company or any other entity.

Shares provided on exercise of remuneration options
No shares were issued to directors as a result of the exercise of remuneration options during the financial year (2015: Nil).

Options granted as remuneration
No options were granted to directors, key management personnel or employees of the Company during the financial year (2015: Nil).

Remuneration report - audited (continued)

(i) *Share-based compensation (continued)*

Employee Incentive Rights

The Company has an Employee Incentive Rights Plan that enables the Board to offer eligible employees rights to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, rights to acquire ordinary fully paid shares at no cost may be offered to the Company's eligible employees as determined by the Board in accordance with the terms and conditions of the Plan. 22.796,000 performance and incentive rights were granted during the 2015 financial year, of which 15,576,000 were issued to key management personnel. During the 2016 financial year 19,866,000 performance and incentive rights vested and 2,930,000 did not vest and were forfeited.

There were no rights issued to employees during the current financial year.

Remuneration report - audited (continued)

(j) Equity instrument disclosures relating to key management personnel

(i) Option holdings

There are no options over ordinary shares held by key management personnel.

(ii) Rights holdings
The numbers of rights to acquire ordinary shares in the Company held during the financial year by each Director of Flinders Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below.

Consolidated entity 2016 Name	Balance at start of the year	Granted as compensation	Exercised (option)/ Vested (rights)	Forfeited	Balance at the end of the year
I Gordon	10,000,000	-	(10,000,000)	-	-
M Rapaic	3,609,000	-	(3,609,000)	-	-
J Panagopoulos	1,967000	-	-	(1,967,000)	-

(iii) Share holdings
The numbers of shares in the Company held during the financial year by each Director of Flinders Mines Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Consolidated entity 2016 Name	Balance at start of the year	Granted as compen-sation	Exercised (option)/ Vested (rights)	Acquired/ (disposed)	Balance at the end of the year
R M Kennedy	44,000,000	-	-	(44,000,000)	-
I J Gordon	3,033,334	-	-	(3,033,334)	-
K J Malaxos	3,200,000	-	-	(3,200,000)	-
E J Vickery	7,000,000	-	-	(7,000,000)	-
N J Smart	838,095	-	-	(838,095)	-

There were no related party transactions with key management personnel related entities during the year.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

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

Adelaide
27 September 2016

Grant Thornton

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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 audit of Flinders Mines Limited for the year ended 30 June 2016, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 27 September 2016

Flinders Mines Limited ABN 46 091 118 044
Financial Statements - 30 June 2016

Contents

	Notes	Consolidated Year ended 30 June 2016 $	30 June 2015 $
Revenue from continuing operations			
Other revenue from ordinary activities	4	**84,990**	319,279
Other expenses from ordinary activities			
Loss on disposal of assets		**1,768**	(82,450)
Marketing expenses	5	**(1,452,131)**	(563,280)
Exploration expenditure written off	5	**(117,352)**	(128,579)
Impairment of exploration assets	5	**(392,691)**	(26,763,089)
Impairment of financial assets	5	**(292,847)**	-
Administrative expenses	5	**(2,633,115)**	(2,492,540)
Finance costs	5	**(4,795)**	(3,977)
(Loss) before income tax		**(4,806,173)**	(29,714,636)
Income tax benefit/(expense)	6	**749,161**	524,355
(Loss) for the year		**(4,057,012)**	(29,190,281)
Item that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	18(a)	**(500)**	700
Other comprehensive income for the year, net of tax		**(500)**	700
Total comprehensive income for the year		**(4,057,512)**	(29,189,581)
(Loss) is attributable to:			
Owners of Flinders Mines Limited		**(4,057,012)**	(29,190,281)
Total comprehensive income for the year is attributable to:			
Owners of Flinders Mines Limited		**(4,057,512)**	(29,189,581)
		Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	28	**(0.144)**	(1.117)
Diluted earnings per share	28	**(0.144)**	(1.117)

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

	Notes	Consolidated 30 June 2016 $	30 June 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**550,804**	3,770,160
Trade and other receivables	8	**851,320**	815,393
Other current assets	9	**296,667**	266,049
Total current assets		**1,698,791**	4,851,602
Non-current assets			
Available-for-sale financial assets	10	**4,500**	37,611
Plant and equipment	11	**216,372**	418,297
Exploration and evaluation	12	**46,517,562**	45,273,862
Other non-current assets	13	**7,000**	27,000
Total non-current assets		**46,745,434**	45,756,770
Total assets		**48,444,225**	50,608,372
LIABILITIES			
Current liabilities			
Trade and other payables	14	**1,070,999**	231,958
Provisions	15	**36,541**	204,685
Total current liabilities		**1,107,540**	436,643
Non-current liabilities			
Provisions	16	**-**	50,285
Total non-current liabilities		**-**	50,285
Total liabilities		**1,107,540**	486,928
Net assets		**47,336,685**	50,121,444
EQUITY			
Contributed equity	17	**125,239,150**	124,414,150
Reserves	18(a)	**-**	268,830
Retained losses		**(77,902,465)**	(74,561,536)
Total equity		**47,336,685**	50,121,444

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

		Attributable to owners of Flinders Mines Limited			
Consolidated entity	Notes	**Contributed equity $**	**Reserves $**	**Retained losses $**	**Total equity $**
Balance at 1 July 2014		119,106,233	18,580	(45,371,255)	73,753,558
Loss for the year		-	-	(29,190,281)	(29,190,281)
Revaluation of financial assets (net of tax)		-	700	-	700
Total comprehensive income for the year		**-**	**700**	**(29,190,281)**	**(29,189,581)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	17	5,307,917	-	-	5,307,917
Rights expensed during the year	18	-	249,550	-	249,550
		5,307,917	249,550	-	5,557,467
Balance at 30 June 2015		**124,414,150**	**268,830**	**(74,561,536)**	**50,121,444**
Balance at 1 July 2015		124,414,150	268,830	(74,561,536)	50,121,444
Loss for the year		-	-	(4,057,012)	(4,057,012)
Revaluation of financial assets (net of tax)		-	(500)	-	(500)
Total comprehensive income for the year		**-**	**(500)**	**(4,057,012)**	**(4,057,512)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	17	825,000	-	-	825,000
Rights expensed during the year	18	-	154,904	-	154,904
Transfer of expired rights	18	-	(716,083)	716,083	-
Transfer of available for sale reserve to impairment expense	18	-	292,849	-	292,849
		825,000	(268,330)	716,083	1,272,753
Balance at 30 June 2016		**125,239,150**	**-**	**(77,902,465)**	**47,336,685**

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

	Notes	Consolidated Year ended 30 June 2016 $	30 June 2015 $
Cash flows from operating activities			
Receipts from customers		**32,723**	112,052
Payments to suppliers and employees		**(3,107,078)**	(3,070,943)
		(3,074,355)	(2,958,891)
Research and Development tax incentive received		**578,100**	-
Interest received		**45,110**	289,466
Net cash (outflow) from operating activities	27	**(2,451,145)**	(2,669,425)
Cash flows from investing activities			
Payments for plant and equipment	11	**-**	(18,836)
Proceeds from sale of plant and equipment		**2,666**	-
Proceeds from sale of available-for-sale financial assets		**40,764**	-
Payments for exploration activities		**(1,636,641)**	(8,665,723)
Net cash (outflow) from investing activities		**(1,593,211)**	(8,684,559)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**825,000**	5,430,000
Transaction costs		**-**	(174,404)
Net cash inflow from financing activities		**825,000**	5,255,596
Net (decrease) in cash and cash equivalents		**(3,219,356)**	(6,098,388)
Cash and cash equivalents at the beginning of the financial year		**3,770,160**	9,868,548
Cash and cash equivalents at the end of the financial year	7	**550,804**	3,770,160

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

Contents of the notes to the consolidated financial statements

Contents of the summary of significant accounting policies

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Financial Statements are for the consolidated entity consisting of Flinders Mines Limited and its subsidiaries.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2016.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and The Corporations Act 2001. Flinders Mines Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS
The consolidated financial statements of the Flinders Mines Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group
A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standard(s) is presented below.

• AASB 2015-4 *Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent*
• AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in associates and joint ventures, if either the entity or the group is a reporting entity, or both the entity and group are reporting entities.
• AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

The adoption of this amendment has not had a material impact on the Group.

(b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1 Summary of significant accounting policies (continued)

(c) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquired entity, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

(d) Investments in associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

1 Summary of significant accounting policies (continued)

(f) Revenue recognition

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

Other income
Other income includes fees for services provided to external parties and fuel tax rebate.

(g) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1 Summary of significant accounting policies (continued)

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 12 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Any bank overdrafts the Group has are shown within borrowings in current liabilities in the consolidated statement of financial position.

(j) Trade receivables

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

(k) Research and development tax incentive fund

Refund amounts received or receivable under the Federal Government's Research and Development Tax Incentive are recognised on an accruals basis at the point the asset can be reliably measured. The research and development tax incentive fund is recognised as a tax expense credit.

(l) Investments and other financial assets

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. Details on how the fair value of financial instruments is determined are disclosed in note 2.

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(m) Plant and equipment

Each class of plant and equipment is carried at historical cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Plant and equipment
Plant and equipment is measured on a 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. 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 asset's carrying amounts 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 can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year 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 Group commencing from the time the asset is held ready for use. The depreciation rates used for plant and equipment range from 12.5 to 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

1 Summary of significant accounting policies (continued)

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for annual leave. All other short term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in non-current liabilities provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments
Share based compensation benefits are provided to employees via the Flinders Mines Limited Employee Incentive Rights Plan. Information relating to the scheme is set out in note 29.

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 or Binomial pricing model. The cost is recognised as an expense in the statement of comprehensive income with a corresponding increase in the share based payments reserve or issued capital when the options, rights or shares are issued.

(p) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1 Summary of significant accounting policies (continued)

(q) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the consolidated statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the end of each reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the asset relates.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Exploration and evaluation expenditure incurred subsequent to the acquisition in respect of an exploration asset acquired is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Comparative figures

Comparative figures are adjusted to conform to Accounting Standards when required.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Flinders Mines Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Flinders Mines Limited.

1 Summary of significant accounting policies (continued)

(u) Key estimates

The preparation of the consolidated financial statements requires management to make estimates and judgments. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated 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. The Group assesses key assets using a market value approach.

(ii) Exploration and evaluation
The Group's policy for exploration and evaluation is discussed in note 1 (q). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of profit or loss. The related carrying amounts are disclosed in note 3 and note 12.

(iii) Share-based payments
The Group measures share based payments at fair value at the grant date using the Black Scholes or Binomial formula taking into account the terms and conditions upon which the instrument was granted, as discussed in note 29.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
B 1057 Application of Australian Accounting Standards	None	In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.	1 January 2016	When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.
AASB 15 Revenue from Contracts with Customers	AASB 118 RevenueAASB 111 Construction ContractsInt. 13 Customer Loyalty Programmes Int. 15 Agreements for the Construction of Real EstateInt. 18 Transfer of Assets from Customers Int. 131 Revenue – Barter Transactions Involving Advertising Services Int. 1042 Subscriber Acquisition Costs in the Tele communications Industry	AASB 15: • replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: - establishes a new revenue recognition model - changes the basis for deciding whether revenue is to be recognised over time or at a point in time - provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) - expands and improves disclosures about revenueIn May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.	1 January 2018	The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 16 Leases	AASB 117 Leases Int. 4 Determining whether an Arrangement contains a Lease Int. 115 Operating Leases—Lease Incentives Int. 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease	AASB 16: • replaces AASB 117 Leases and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases	1 January 2019	The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes: • there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet • the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities • EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses • operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities
AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)	None	Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14.	1 January 2016	When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	None	AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.	1 January 2018	Refer to the section on AASB 15 above.
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	None	These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB. Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	None	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.The amendments: • clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information • clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated • add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position • clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order • remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy	1 January 2016	When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.
AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15	None	AASB 2015-8 amends the mandatory application date of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017	Refer to the section on AASB 15 above.

1 Summary of significant accounting policies (continued)

(v) New accounting standards and interpretations (continued)

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after...)	Likely impact on initial application
Clarifications to IFRS 15 Revenue from Contracts with Customers	None	The amendments clarify the application of IFRS 15 in three (3) specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies: 1 Identify performance obligations (by clarifying how to apply the concept of 'distinct'); 2 Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle); 3 Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).The amendments also create two (2) additional practical expedients available for use when implementing IFRS 15: 1 For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. 2 Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.The AASB is expected to publish the equivalent Australian amendments in quarter 2 of 2016.	1 January 2018	The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(w) Parent entity financial information

The financial information for the parent entity, Flinders Mines Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost less impairment, in the financial statements of Flinders Mines Limited.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of financial instruments and investment of excess liquidity where appropriate.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, available-for-sale investments and loans to associated companies.

The Group holds the following financial instruments:

	Consolidated	
	30 June 2016 $	30 June 2015 $
Financial assets		
Cash and cash equivalents	**550,804**	3,770,160
Trade and other receivables	**851,320**	815,393
Available-for-sale financial assets	**4,500**	37,611
	1,406,624	4,623,164
Financial liabilities		
Trade and other payables	**1,070,999**	231,958

(a) Market risk

(i) Foreign exchange risk
Foreign exchange risk is the risk that financial loss will be suffered due to adverse movements in exchange rates. The Group is not exposed to foreign exchange risk.

(ii) Price risk
Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange or interest rate risk). The Group is not exposed to any material price risk.

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group marks-to-market its listed investments twice yearly and writes down any losses through profit and loss.

All of the Group's equity investments are publicly traded on the ASX and are therefore readily converted into cash.

(iii) Cash flow and fair value interest rate risk
Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities. Interest rate risk is managed by the Group with the use of rolling short term deposits.

The Group has no long term financial liabilities upon which it pays interest.

2 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)
As at the end of the reporting period, the Group had the following variable rate cash and cash equivalent holdings:

Consolidated entity	30 June 2016 Weighted average interest rate %	Balance $	30 June 2015 Weighted average interest rate %	Balance $
Cash and cash equivalents	**2.46%**	**550,804**	3.12%	3,770,160
Net exposure to cash flow interest rate risk		**550,804**		3,770,160

Sensitivity
At 30 June 2016, if interest rates had increased by 200 or decreased by 200 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $11,016 higher/$11,016 lower (2015 changes of 200 bps/200 bps: $75,403 lower/$75,403 higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Other components of equity would have been $11,016 lower/$11,016 higher (2015: $75,403 lower/$75,403 higher) mainly as a result of an increase/decrease in the fair value of the cash and cash equivalents.

(b) Credit risk

Credit risk is the risk of default by borrowers and transactional counterparties as well as the loss of value of assets due to deterioration in credit quality. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations. The Group manages liquidity risk by monitoring cash flows and ensuring that adequate funds are available to meet cash demands. At the reporting date the Group held deposits at call of $150,000 (2015: $2,750,000) as disclosed in note 7.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement 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 (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2016 and 30 June 2015:

2 Financial risk management (continued)

(d) Fair value measurements (continued)

Consolidated entity - at 30 June 2016	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Available-for-sale financial assets				
Phoenix Copper Limited	**4,500**	**-**	**-**	**4,500**
Total assets	**4,500**	**-**	**-**	**4,500**

Consolidated entity - at 30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets				
Maximus Resources Limited	32,611	-	-	32,611
Phoenix Copper Limited	5,000	-	-	5,000
Total assets	37,611	-	-	37,611

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

3 Segment information

(a) Description of segments

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

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

- external regulatory requirements
- geographical and geological styles

Operations
The Group has exploration operations in two styles of iron mineralisation, gold and base metals. 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 the Group.

(b) Business segments

Consolidated entity 2016	Pilbara Iron Ore $	Canegrass Magnetite $	Other Minerals $	Total $
Revenue from	-	-	-	-
Segment Result / Adjusted EBITDA	-	(360,213)	(149,830)	(510,043)
Impairment of assets (note 5)	-	(360,213)	(149,830)	(510,043)
Capital expenditure	1,517,562	86,351	149,830	1,753,743
Total segment assets	46,517,562	-	-	46,517,562
Total segment liabilities	6,235	10,658	-	16,893

3 Segment information (continued)

(b) Business segments (continued)

Consolidated entity 2015	Pilbara Iron Ore $	Canegrass Magnetite $	Other Minerals $	Total $
Total segment revenue	61,132	-	-	61,132
Segment result / Adjusted EBITDA	**(26,701,957)**	**(6,914)**	**(121,665)**	**(26,830,536)**
Impairment of assets	(26,763,089)	(6,914)	(121,665)	(26,891,668)
Capital expenditure	7,724,684	280,776	121,665	8,127,125
Total segment assets	45,386,296	273,862	-	45,660,158
Total segment liabilities	22,094	343	100	22,537

(c) Other segment information

(i) Segment revenue
Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated Year ended 30 June 2016 $	30 June 2015 $
Total segment revenue	**-**	61,132
Interest revenue	**52,267**	207,228
Other revenue	**32,723**	50,919
Total revenue (note 4)	**84,990**	319,279

(ii) Adjusted EBITDA
A reconciliation of adjusted EBITDA to operating profit/loss before income tax is provided as follows:

	Consolidated Year ended 30 June 2016 $	30 June 2015 $
Adjusted EBITDA	**(510,043)**	(26,830,536)
Other revenue from ordinary activities	**84,990**	258,147
Loss on disposal of assets	**1,768**	(82,450)
Marketing expenses	**(1,452,131)**	(563,280)
Administrative expenses	**(2,633,115)**	(2,492,540)
Impairment of financial assets	**(292,847)**	-
Finance costs	**(4,795)**	(3,977)
Profit/loss before income tax	**(4,806,173)**	(29,714,636)

3 Segment information (continued)

(c) Other segment information (continued)

(iii) Segment assets
Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	30 June 2016 $	30 June 2015 $
Segment assets	**46,517,562**	45,660,158
Unallocated:		
Cash and cash equivalents	**550,804**	3,770,160
Trade and other receivables	**851,320**	754,261
Other current assets	**296,667**	266,049
Available-for-sale financial assets	**4,500**	37,611
Plant and equipment	**216,372**	93,133
Other non-current assets	**7,000**	27,000
Total assets as per the consolidated statement of financial position	48,444,225	50,608,372

(iv) Segment liabilities
Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	30 June 2016 $	30 June 2015 $
Segment liabilities	**16,893**	22,537
Unallocated:		
Trade and other payables	**1,054,106**	209,421
Provisions	**36,541**	254,970
Total liabilities as per the consolidated statement of financial position	1,107,540	486,928

4 Revenue

	Consolidated Year ended	
	30 June 2016 $	30 June 2015 $
From continuing operations		
Other revenue		
Interest received	**52,267**	207,228
Other revenue	**32,723**	112,051
	84,990	319,279

5 Expenses

	30 June 2016 $	30 June 2015 $
Loss before income tax includes the following specific expenses:		
Finance costs		
Bank fees	**4,795**	3,977
	4,795	3,977
Exploration expenses		
General exploration written off	**117,352**	128,579
Impairment of exploration assets*	**392,691**	26,763,089
	510,043	26,891,668

* *Impairment of exploration assets consists of the following projects: Gawler Ranges ($6,028); Curamona ($2,183); Jamestown ($1,325); Coonalpyn ($22,942) and Canegrass ($360,213).*

	30 June 2016 $	30 June 2015 $
Impairment of financial assets		
Available for sale financial assets	**292,847**	-
Marketing expenses		
Marketing and promotion	**1,452,131**	563,280
	1,452,131	563,280
Administrative expenses		
Compliance	**36,821**	181,014
Depreciation	**82,156**	127,042
Administration costs	**935,305**	778,149
Legal fees	**206,398**	157,714
Employment costs	**847,757**	608,720
Impairment of receivables	**89,245**	-
Share based payments	**154,907**	249,550
Superannuation	**125,979**	201,200
Rental	**154,547**	189,151
	2,633,115	2,492,540

6 Income tax expense

(a) Income tax expense

	Consolidated Year ended 30 June 2016 $	Consolidated Year ended 30 June 2015 $
Deferred tax	**-**	52,021
Adjustments for Research & Development Tax Concession	**(749,161)**	(576,376)
Income tax benefit for the year	**(749,161)**	(524,355)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated Year ended 30 June 2016 $	Consolidated Year ended 30 June 2015 $
Loss from continuing operations before income tax expense	**(4,806,173)**	(29,714,636)
Tax at the Australian tax rate of 30% (2015 - 30%)	**(1,441,852)**	(8,914,391)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-allowable items	**47,378**	78,885
Tax losses not brought to account	**1,306,770**	8,887,527
Transfer of available sale reserve to impairment expense	**87,704**	-
Adjustment for Research and Development tax offset	**(749,161)**	(576,376)
Income tax expense	**(749,161)**	(524,355)

A deferred tax asset (DTA) on the timing differences has not been recognised as they do not meet the recognition criteria as outlined in Note 1(e) of the financial statements. A DTA has not been recognised in respect of tax losses either as realisation of the benefit is not regarded as probable.

The Group has net DTAs arising in Australia of $22,611,288 (2015: $21,803,960) that are available for offset indefinitely against future taxable profits of the companies in which the losses arose.

The tax rates applicable to each potential tax benefit are as follows:

- timing differences 30%
- tax losses 30%

7 Current assets - Cash and cash equivalents

	Consolidated	
	30 June 2016 $	30 June 2015 $
Cash at bank and in hand	**400,804**	1,020,160
Term deposits	**150,000**	2,750,000
	550,804	3,770,160

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Cash weighted average interest rate

The cash at bank and term deposits are bearing a weighted average interest rate of 2.46% (2015: 3.12%). The term deposits have an average period to repricing of 65 days (2015: 65 days).

8 Current assets - Trade and other receivables

	Consolidated	
	30 June 2016 $	30 June 2015 $
Trade receivables	**152,544**	239,864
Provision for impairment of receivables	**(145,559)**	(56,314)
	6,985	183,550
GST clearing account	**95,174**	50,921
Income tax receivables	**749,161**	580,922
	844,335	631,843
	851,320	815,393

(a) Past due but not impaired

As at 30 June 2016 there were no material trade and other receivables that were considered to be past due and not impaired (2015: Nil).

9 Current assets - Other current assets

	Consolidated	
	30 June 2016 $	30 June 2015 $
Pre-paid rates and insurance	**296,667**	266,049

10 Non-current assets - Available-for-sale financial assets

Available-for-sale financial assets include the following classes of financial assets:

	Consolidated	
	30 June 2016 $	30 June 2015 $
Listed securities		
Shares in listed companies	**4,500**	37,611

(a) Listed securities

Available for sale financial assets comprise investments in the ordinary capital of PNX Metals Limited formerly (Phoenix Copper Limited). There are no fixed returns or fixed maturity dates attached to these investments. On occasion, the Company acquires shares in listed entities through consideration for commercial transactions. The shares are held as available for sale and their value is marked to market at financial year end.

(b) Investments in related parties

Available for sale financial assets do not include investments in related parties.

11 Non-current assets - Plant and equipment

Consolidated entity	Plant and equipment $	Furniture, fittings and equipment $	Machinery and vehicles $	Computer software $	Computer hardware $	Total $
At 1 July 2014						
Cost or fair value	971,833	325,717	382,695	520,168	481,884	2,682,297
Accumulated depreciation	(571,283)	(181,338)	(263,430)	(489,233)	(449,685)	(1,954,969)
Net book amount	400,550	144,379	119,265	30,935	32,199	727,328
Year ended 30 June 2015						
Opening net book amount	400,550	144,379	119,265	30,935	32,199	727,328
Additions	-	-	-	18,836	-	18,836
Disposals	-	(82,450)	-	-	-	(82,450)
Depreciation charge	(120,811)	(24,231)	(47,837)	(29,244)	(23,294)	(245,417)
Closing net book amount	279,739	37,698	71,428	20,527	8,905	418,297
At 30 June 2015						
Cost or fair value	971,833	179,706	382,695	539,004	481,884	2,555,122
Accumulated depreciation	(692,094)	(142,008)	(311,267)	(518,477)	(472,979)	(2,136,825)
Net book amount	279,739	37,698	71,428	20,527	8,905	418,297
Consolidated entity						
Year ended 30 June 2016						
Opening net book amount	279,739	37,698	71,428	20,527	8,905	418,297
Disposals	-	(1,643)	-	-	(1,023)	(2,666)
Depreciation charge	(119,218)	(12,798)	(45,581)	(15,534)	(6,128)	(199,259)
Closing net book amount	160,521	23,257	25,847	4,993	1,754	216,372
At 30 June 2016						
Cost	971,833	172,069	382,695	539,004	460,048	2,525,649
Accumulated depreciation	(811,312)	(148,812)	(356,848)	(534,011)	(458,294)	(2,309,277)
Net book amount	160,521	23,257	25,847	4,993	1,754	216,372

During the year $117,102 (2015 $118,375) of depreciation was included in the amount capitalised as exploration and evaluation.

12 Non-current assets - Exploration and evaluation

	Consolidated	
	30 June 2016 $	30 June 2015 $
Exploration and evaluation assets		
Movement:		
Opening balance	**45,273,862**	64,038,405
Expenditure incurred	**1,753,743**	8,127,125
Less: expenditure written off / impaired	**(510,043)**	(26,891,668)
Closing balance	**46,517,562**	45,273,862
Closing balance comprises		
Exploration and evaluation - 100% owned	**44,360,549**	43,155,863
Exploration and evaluation phases - Joint Venture Operations	**2,157,013**	2,117,999
	46,517,562	45,273,862

13 Non-current assets - Other non-current assets

	Consolidated	
	30 June 2016 $	30 June 2015 $
Security bonds	**7,000**	27,000

14 Current liabilities - Trade and other payables

	Consolidated 30 June 2016 $	30 June 2015 $
Trade payables	**386,676**	203,886
Accrued expenses	**684,323**	24,152
Credit cards	**-**	3,920
	1,070,999	231,958

15 Current liabilities - Provisions

	Consolidated 30 June 2016 $	30 June 2015 $
Employee entitlements	**36,541**	204,685

16 Non-current liabilities - Provisions

	Consolidated 30 June 2016 $	30 June 2015 $
Employee entitlements	**-**	50,285

17 Contributed equity

(a) Share capital

	30 June 2016 Shares	30 June 2015 Shares	**30 June 2016 $**	30 June 2015 $
Ordinary shares				
Ordinary shares - fully paid	**2,947,152,568**	2,762,995,689	**125,239,150**	124,414,150

17 Contributed equity (continued)

(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
25 November 2014	Share issue - Proceeds received	313,333,334	.015	4,700,000
19 December 2014	Share issue - Proceeds received	48,666,753	.015	730,000
30 June 2015	Balance	2,762,995,689		124,536,233
	Transaction costs arising on share issue	-		(174,404)
	Deferred tax credit recognised directly in equity	-		52,321
30 June 2015	Balance	2,762,995,689		124,414,150
7 August 2015	Conversion of employee rights	6,063,430		-
14 December 2015	Conversion of employee rights	589,635		-
2 March 2016	Share issue - Proceeds received	165,000,000	.005	825,000
29 April 2016	Conversion of employee rights	2,503,814		-
29 June 2016	Conversion of employee rights	10,000,000		-
30 June 2016	Balance	2,947,152,568		125,239,150
	Transaction costs arising on share issue	-		-
	Deferred tax credit recognised directly in equity	-		-
30 June 2016	Balance	2,947,152,568		125,239,150

(c) Ordinary shares

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

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

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

(d) Options and rights

Information relating to the Flinders Mines Limited Employee Option and Incentive Rights Plans, including details of options and rights issued, exercised and lapsed during the financial year and options and rights outstanding at the end of the financial year, is set out in note 29.

(e) Capital risk management

The Group's debt and capital includes ordinary share capital supported by financial assets. There are no externally imposed capital requirements.

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

17 Contributed equity (continued)

(e) Capital risk management (continued)

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

18 Reserves

(a) Other reserves

	Consolidated	
	30 June 2016 $	30 June 2015 $
Available-for-sale investments revaluation reserve	-	(292,349)
Share-based payments	-	561,179
	-	268,830

Movements:

Available-for-sale financial assets		
Opening balance	**(292,349)**	(293,049)
Revaluation	**(500)**	700
Transfer of available for sale reserve to impairment expense	**292,849**	-
Balance 30 June	-	(292,349)
Share-based payments		
Opening balance	**561,179**	311,629
Rights expired during the year	**(716,083)**	-
Rights issued during the year	**154,904**	249,550
Balance 30 June	-	561,179

(b) Nature and purpose of other reserves

(i) Available-for-sale financial assets
Changes in the fair value of instruments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1(l) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Share-based payments
The share based payments reserve records items recognised as expenses on valuation of employee options, employee rights and options issued to external parties in consideration for goods and services rendered.

19 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated Year ended 30 June 2016 $	Consolidated Year ended 30 June 2015 $
Short-term employee benefits	**899,875**	1,353,374
Post-employment benefits	**88,176**	101,449
Termination benefits	**426,719**	-
Share-based payments	**109,498**	160,900
	1,524,268	1,615,723

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 16.

20 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

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	Consolidated Year ended 2016 $	Consolidated Year ended 2015 $
Audit and other assurance services		
Audit and review of financial statements	**32,500**	32,000
Total remuneration for audit and other assurance services	**32,500**	32,000
Total remuneration for other services	**-**	-

There were no other services provided.

21 Contingencies

Contingent liabilities

The Group had no contingent liabilities at 30 June 2016 (2015: nil).

22 Commitments

(a) Lease commitments: group as lessee

Non-cancellable operating leases
On 1 July 2014 the Group leased one office under a non-cancellable operating lease. This lease is due to expire within one year of the end of the 2016 financial year. On renewal, the terms of the lease will be renegotiated.

22 Commitments (continued)

(a) Lease commitments: group as lessee (continued)

Non-cancellable operating leases (continued)

	Consolidated	
	30 June 2016 $	30 June 2015 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**116,600**	139,920
Later than one year but not later than five years	**-**	116,600
	116,600	256,520

(b) Commitments for exploration and joint venture expenditure

In order to maintain current rights of tenure to exploration tenements the Group will be required to outlay amounts totaling approximately $2,658,237 during the year ending 30 June 2017 (2016: $1,433,690) to meet minimum expenditure requirements.

(c) 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 30 June 2016, the Group had $178,978 of bank guarantees in place for these purposes (2015: $178,978).

23 Related party transactions

(a) Parent entity

The Parent Entity within the Group is Flinders Mines Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 19.

(d) Transactions with other related parties

There were no transactions with related parties other than those listed above during the year ended 30 June 2016.

24 Subsidiaries

Significant investments in subsidiaries

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

24 Subsidiaries (continued)

Significant investments in subsidiaries (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding * 2016 %	2015 %
FME Exploration Services Pty Ltd	Australia	Ordinary	**100**	100
Flinders Canegrass Pty Ltd	Australia	Ordinary	**100**	100
Flinders Diamonds Pty Ltd	Australia	Ordinary	**100**	100
Flinders Iron Pty Ltd	Australia	Ordinary	**100**	100

** The proportion of ownership interest is equal to the proportion of voting power held.*

25 Interests in joint venture operations

The Group has the following interests in unincorporated joint venture operations:

State	Agreement name	Parties	Summary	Consideration
SA	Copper Range Agreement	FMS and Copper Range Ltd	Copper Range holds a 100% interest in the metal rights for EL4368.	
SA	Phoenix Agreement	FMS and PNX Metals Ltd formerly (Phoenix Copper Ltd)	FMS sold most of its mineral rights in EL4370 to Phoenix but has retained the right to explore for and, if warranted, develop mining operations on the tenement for diamonds, barium, talc and phosphate.	FMS received a cash payment and shares in Phoenix for sale of its other mineral rights in EL4370. FMS to receive a production royalty from Phoenix.
SA	Tarcowie Agreement	FMS and Tarcowie Phosphate Pty Ltd	Tarcowie phosphate has the right to peg mining leases for phosphate on nominated small parcels of land within EL4368.	If Tarcowie Phosphate proceeds to mine phosphate from the nominated areas Tarcowie Phosphate will pay FMS a 1% gross sales royalty.
WA	Prenti Settlement Deed	FMS and Prenti Exploration Pty Ltd	FMS has earned a 100% interest in the tenements. Prenti retain the rights over non-iron ore minerals.	

26 Events occurring after the reporting period

The Company announced on 29 July 2016 that it has entered into a loan facility agreement with PIO Mines Pty Limited (a subsidiary of TIO (NZ) Limited) to assist Flinders to meet its short term capital requirements. The A$2,000,000 loan is available for drawing in a single lump sum from the Loan Agreement until 19 August 2016. The key terms of the loan include an interest rate equivalent to the 6-Month Bank Bill Swap Rate (BBSW) Mid-Rate plus 2% per annum with the repayment of the principal outstanding to occur on 31 December 2016.

On 5 August 2016 loan funds to the aggregate amount of A$2,000,000 were received by the Company from PIO Mines Pty Limited.

The Company proposes to undertake a pro rata rights issue, at an issue price and entitlement ratio yet to be determined, before the end of the 2016 calendar year. The proceeds of the Rights Issue will be used to, among other things, repay the amounts drawn under the Loan Agreement, pay annual tenement rents and rates, comply with minimum expenditure conditions for the tenements, provide working capital and meet administration expenses.

The funds raised under the Rights Issue will not exceed A$5,000,000.

27 Reconciliation of loss for the year to net cash inflow from operating activities

	Consolidated Year ended 30 June 2016 $	Consolidated Year ended 30 June 2015 $
Loss for the year	**(4,057,012)**	(29,190,281)
Depreciation	**82,156**	127,042
Exploration expenditure written off	**117,352**	128,579
Non-cash employee benefits expense - share-based payments	**154,904**	249,250
Impairment of exploration expenditure	**392,691**	26,771,104
Impairment of financial assets	**292,849**	-
Net loss on disposal of non-current assets	**(1,768)**	82,450
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**(35,926)**	(478,247)
(Increase) / decrease in other current assets	**(30,618)**	(3,773)
Increase / (decrease) in trade payables and accruals	**852,656**	(349,685)
Increase / (decrease) in provisions	**(218,429)**	(5,864)
Net cash inflow (outflow) from operating activities	**(2,451,145)**	(2,669,425)

28 Earnings per share

(a) Basic earnings per share

	Consolidated Year ended 30 June 2016 Cents	Consolidated Year ended 30 June 2015 Cents
From continuing operations attributable to the ordinary equity holders of the company	**(0.144)**	(1.117)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(0.144)**	(1.117)

(b) Reconciliation of earnings used in calculating earnings per share

	Consolidated Year ended 30 June 2016 $	Consolidated Year ended 30 June 2015 $
Basic earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(4,057,012)**	(29,190,281)

(c) Weighted average number of shares used as denominator

	Consolidated Year ended 2016 Shares	Consolidated Year ended 2015 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**2,823,300,003**	2,613,012,086

(d) Information on the classification of securities

Options and Rights granted to employees under Flinders Mines Limited Employee Share Option and Rights Plan are considered to be potential ordinary shares. These have a dilutive effect on the weighted average number of ordinary shares. As Flinders Mines Limited has reported a loss of $4,057,012 this financial year (2015: $29,190,281), the options have not been included in the determination of earnings per share. Details relating to the options and rights are set out in note 29.

29 Share-based payments

(a) Employee Option Plan

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. The options granted under the plan are un-listed and carry no voting or dividend rights.

Set out below is a summary of options granted under the plan:

	Number of options	Weighted average exercise price
2015		
Outstanding at beginning of the year	120,000	$0.085
Granted	-	-
Exercised	-	$0.00
Expired	(120,000)	$0.085
Outstanding at the end of the year	-	-
2016		
Outstanding at beginning of the year	-	-
Granted	-	-
Exercised	-	-
Expired	-	-
Outstanding at the end of the year	-	-

There are no options outstanding at 30 June 2016.

There were no options granted during the year ended 30 June 2016.

29 Share-based payments (continued)

(b) 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 22,796,000 rights were issued to nine Company employees under the Company's Employee Incentive Rights Plan. The rights expire on 30 June 2016.

Set out below is a summary of incentive rights granted under the plan:

	Number of rights
2015	
Outstanding at beginning of the year	-
Granted	22,796,000
Outstanding at the end of the year	22,796,000
2016	
Outstanding at beginning of the year	22,796,000
Exercised / expired	(22,796,000)
Outstanding at the end of the year	-

30 Parent entity financial information

(a) Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	30 June 2016 $	30 June 2015 $
Balance sheet		
Current assets	**2,527,402**	5,355,601
Non-current assets	**46,147,819**	45,427,378
Total assets	**48,675,221**	50,782,979
Current liabilities	**1,338,536**	661,535
Total liabilities	**1,338,536**	661,535
Net assets	**47,336,685**	50,121,444
Shareholders' equity		
Issued capital	**125,239,150**	124,414,150
Reserves		
Available-for-sale financial assets	**-**	(292,347)
Share-based payments	**-**	561,177
Retained losses	**(77,902,465)**	(74,561,536)
	47,336,685	50,121,444
Profit or loss for the year	**(4,057,512)**	(28,186,050)
Total comprehensive income	**(4,057,512)**	(28,185,350)

(b) Guarantees entered into by the parent entity

The Parent Entity did not provide any guarantees during the year ended 30 June 2016 (2015: Nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2016 (2015: Nil).

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2016, the Parent Entity had no contractual commitments for the acquisition of property, plant or equipment (2015: Nil).

31 Going concern

This financial report has been prepared on the basis of going concern.

The Group incurred a loss of $4,057,012 and net cash outflow from operating and investing activities of $4,044,356 for the year ended 30 June 2016. The Group expects to undertake a pro-rata rights issue before the end of the 2016 calendar year. In this regard, TIO (NZ) Limited and Flinders Mines Limited have entered into a subscription agreement dated 29 July 2016 under which TIO has agreed to subscribe for the number of Flinders shares equal to its pro rata entitlement under the Rights Issue.

The Group's ability to continue as a going concern is contingent upon obtaining additional capital. If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 19 to 63 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) the financial statements comply with International Financial Reporting Standards as confirmed in note 1(a).

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Adelaide
27 September 2016

Grant Thornton

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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 (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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. Those standards require us to 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. 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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 opinion.

Independence

In conducting our audit, we have complied with the 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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 31 in the financial report which indicates that the consolidated entity incurred a net loss of $4,057,012 and a net cash outflow from operating activities of $4,044,356 during the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 31, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Flinders Mines Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Sheenagh Edwards
Partner - Audit & Assurance

Adelaide, 27 September 2016