

Flinders Mines Limited

ABN 46 091 118 044

Financial Report for the half-year ended 31 December 2017

Flinders Mines Limited

Half-Year Report

31 December 2017

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Corporate Directory

Board of Directors

Neil Warburton	Independent Non-Executive Chairman
David McAdam	Interim Executive Director
Robert Kennedy	Independent Non-Executive Director
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director

Company Secretary

Shannon Coates

Registered Office

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West Perth WA 6005

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Email: info@flindersmines.com

Website: www.flindersmines.com

Share Registry

Computershare Investor Services Pty Ltd

Level 11, 172 St Georges Terrace

Perth WA 6000

Telephone: 08 9323 2000

Website: www.computershare.com.au

Auditors

KPMG

235 St Georges Terrace

Perth WA 6000

Securities Exchange Listing

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

Directors' Report

Your Directors present their report on the Consolidated Entity comprising Flinders Mines Limited (the "Company" or "Flinders") and its controlled entities ("the Group") for the half-year ended 31 December 2017.

Directors

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

Neil Warburton	Independent Non-Executive Chairman
David McAdam	Interim Executive Director
Robert Kennedy	Independent Non-Executive Director
Michael Wolley	Non-Independent Non-Executive Director
Evan Davies	Non-Independent Non-Executive Director

Operating Results and Financial Position

The net loss after income tax for the half-year was \$0.967m (2016: \$1.165m).

Review of Operations

Corporate

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

The short term loan facility is for a total of A\$5m, available in two tranches. As at 31 December 2017, Flinders has drawn down A\$3m of this loan facility. Subsequent to period end, Flinders drew down the remaining A\$2m of this loan facility.

The loan facility is unsecured and requires repayment on or before 30 June 2018. Interest is payable at the repayment date at a rate of 3.885% per annum.

The funds must be used to complete all work programmes associated with the maturation work currently being undertaken at the Pilbara Iron Ore Project ("PIOP").

Pilbara Iron Ore Project, Western Australia

During the half-year ended 31 December 2017, the Company made significant progress with the maturation work activities being undertaken at the PIOP.

All site based activities were completed by late November 2017, including metallurgical drilling, geotechnical drilling and hydrogeological drilling and related sampling as well as downhole geophysical testing.

As at 31 December 2017, all samples had been despatched to the laboratory, logged and head assayed, with laboratory analysis work underway. Wet testing and pilot plant work commenced early 2018. The Company anticipates that the analysis work will be completed during the March 2018 quarter.

Water modelling was completed during the period and the requirements updated for the potential production capacity of circa 45M dry tonnes per year. This analysis and associated water balance was submitted for regulatory review and assessment by the Department of Water and Environmental Regulation. Subsequent to period end, the Company received confirmation of the requested revised water allocation.

In the March 2018 quarter, the Company plans to progress resource assessment, preliminary mine planning and processing studies. On 1 March 2018, the Company released a revised JORC Code 2012 Resource Statement based on the results of the maturation activities.

As announced on 12 December 2017, the Railway (BBI Rail Aus Pty Ltd) Agreement Bill received Royal Assent and became an Act of Parliament. Whilst FMS has no existing commercial agreement in place with BBI Group Pty Ltd (BBIG), or any other potential provider, around infrastructure, the Company sees this progress by BBIG as a positive and encouraging step in unlocking one of the potential infrastructure options for the PIOP. The Company will consider all viable infrastructure options, including BBIG if available, following the completion of the maturation work.

Canegrass, Western Australia

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

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

The Company continues to assess the next stages of development of the Canegrass tenements.

Events Subsequent to the End of the Reporting Period

On 19 January 2018, the Company drew the remaining A\$2m of the A\$5m loan facility provided by PIO Mines Pty Limited.

Rounding

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



David McAdam
Executive Director

Perth, Western Australia
13 March 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Flinders Mines Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Flinders Mines Limited for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a stylized flourish at the end.

R Gambitta
Partner
Perth
13 March 2018

Flinders Mines Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2017

	Notes	31-Dec-17 \$'000	31-Dec-16 \$'000
Revenue from continuing operations			
Other revenue	4	65	20
Other income	4	35	-
Administrative expenses	4	(957)	(1,102)
Other expenses	4	(92)	(58)
Finance costs	4	(18)	(25)
(Loss) before income tax		(967)	(1,165)
Income tax (expense)/benefit		-	-
(Loss) for the half-year		(967)	(1,165)
 <i>Item that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		-	2
Other comprehensive income for the half-year, net of tax		-	2
 Total comprehensive income for the year			
		(967)	(1,163)
 (Loss) is attributable to:			
Owners of Flinders Mines Limited		(967)	(1,165)
 Total comprehensive income for the half-year is attributable to:			
Owners of Flinders Mines Limited		(967)	(1,163)
		Cents	Cents
 Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings per share		(0.031)	(0.039)

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

Flinders Mines Limited
Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	31-Dec-17 \$'000	30-Jun-17 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,620	10,067
Trade and other receivables		208	127
Other current assets		496	467
Total current assets		5,324	10,661
Non-current assets			
Available-for-sale financial assets		-	3
Exploration and evaluation		56,094	48,890
Plant and equipment		8	72
Other non-current assets		7	7
Total non-current assets		56,109	48,972
Total assets		61,433	59,633
LIABILITIES			
Current liabilities			
Trade and other payables		681	941
Loans and borrowings	5	3,000	-
Provisions		43	-
Total current liabilities		3,724	941
Total liabilities		3,724	941
Net assets		57,709	58,692
EQUITY			
Contributed equity	6	138,843	138,859
Retained losses		(81,134)	(80,167)
Total equity		57,709	58,692

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

Flinders Mines Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2017

	Contributed equity	Available for sale asset reserve	Retained losses	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	125,239	-	(77,903)	47,336
Loss for the half-year	-	-	(1,165)	(1,165)
Revaluation of financial assets (net of tax)	-	2	-	2
Total comprehensive income for the year	<u>125,239</u>	<u>2</u>	<u>(79,068)</u>	<u>46,173</u>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	4,148	-	-	4,148
Balance at 31 December 2017	<u>129,387</u>	<u>2</u>	<u>(79,068)</u>	<u>50,321</u>
Balance at 1 July 2017	138,859	-	(80,167)	58,692
Loss for the half-year	-	-	(967)	(967)
Total comprehensive income for the year	<u>138,859</u>	<u>-</u>	<u>(81,134)</u>	<u>57,725</u>
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	(16)	-	-	(16)
Balance at 31 December 2017	<u>138,843</u>	<u>-</u>	<u>(81,134)</u>	<u>57,709</u>

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

Flinders Mines Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2017

	31-Dec-17	31-Dec-16
Notes	\$'000	\$'000
Cash flows from operating activities		
Payments to suppliers and employees	(891)	(1,230)
Interest received	65	20
Net cash (outflow) from operating activities	(826)	(1,210)
Cash flows from investing activities		
Proceeds from sale of available-for-sale financial assets	73	-
Payments for exploration activities	(7,678)	(323)
Net cash (outflow) from investing activities	(7,605)	(323)
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	4,196
Transaction costs	(16)	(48)
Proceeds from borrowings	3,000	-
Net cash inflow from financing activities	2,984	4,148
Net (decrease)/increase in cash and cash equivalents	(5,447)	2,615
Cash and cash equivalents at the beginning of the financial year	10,067	551
Cash and cash equivalents at the end of the half-year	4,620	3,166

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

1 Corporate information

The consolidated financial report of Flinders Mines Limited and its subsidiaries (together referred to as the "Consolidated Entity" or the "Group") for the half-year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 13 March 2018.

The Board of Directors has the power to amend the consolidated financial statements after issue.

Flinders Mines Limited (the "Company" or "Flinders") is a for-profit company limited by shares whose shares are publicly traded on the Australian Securities Exchange. The Company and its subsidiaries were incorporated and domiciled in Australia. The registered office and principal place of business of the Company is 45 Ventnor Avenue, West Perth, WA 6005.

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

2 Summary of significant accounting policies

a) Basis of preparation

These condensed consolidated interim financial statements are a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Consolidated Entity as at and for the year ended 30 June 2017.

b) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half-year ended 31 December 2017.

c) Adoption of new and revised Accounting Standards

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2017, except for the adoption of new standards and interpretations below.

d) Changes in Accounting Policy

All relevant new and amended Accounting Standards and Interpretations which became applicable on 1 July 2017 and have been adopted by the Group. These included:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]; and
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

e) Going Concern

Per Note 5, the Company is required to repay the unsecured short term loan facility with PIO Mines Pty Limited, subsidiary of its major shareholder, TIO (NZ) Limited ("TIO"), by 30 June 2018. The Company intends to complete a rights issue prior to 30 June 2018 to repay this facility.

Further as announced on 6 November 2017, the Company and TIO have entered into a subscription agreement under which TIO has agreed to subscribe for the number of Company shares under the rights issue equal to the lesser of its pro-rata entitlement and any amount of the loan facility principal outstanding divided by the subscription price subject to (amongst other things):

- Final TIO board approval once the terms of the rights issue are determined; and
- Launch of the intended rights issue no later than 30 June 2018.

The Directors have a reasonable expectation that funding would be available to repay or extend the unsecured loan and to fund ongoing exploration and evaluation programs. On this basis, the financial statements have been prepared on a going concern basis.

3 Segment Reporting

31-Dec-17	Pilbara Iron Ore \$'000	Canegrass \$'000	Other Minerals \$'000	Total \$'000
Segment result	-	-	(49)	(49)
Capital expenditure written off/impaired	-	-	(49)	(49)
Total segment assets	55,633	461	-	56,094
Unallocated assets				5,339
Total Assets				61,433
Segment assets movement:				
Capital expenditure	6,813	391	49	7,253
Impairment of assets	-	-	(49)	(49)
Total movement for the half-year ended 31 Dec 2017	6,813	391	-	7,204
31-Dec-16	Pilbara Iron Ore \$'000	Canegrass \$'000	Other Minerals \$'000	Total \$'000
Segment result	-	-	(58)	(58)
Capital expenditure written off/impaired	-	-	(58)	(58)
Total segment assets	46,802	16	22	46,840
Unallocated assets				3,663
Total Assets				50,503
Segment assets movement:				
Capital expenditure	285	16	80	381
Impairment of assets	-	-	(58)	(58)
Total movement for the half-year ended 31 Dec 2016	285	16	22	323
		31-Dec-17	31-Dec-16	
		\$'000	\$'000	
Segement Result		(49)	(58)	
Other revenue		65	20	
Profit on sale of available for sale financial assets		42	-	
Loss on disposal of assets		(7)	-	
Administrative expenses		(957)	(1,102)	
Rehabilitation of non operating mine sites		(43)	-	
Finance costs		(18)	(25)	
Profit/loss before income tax		(967)	(1,165)	

4 Revenue and Expenses

	31-Dec-17 \$'000	31-Dec-16 \$'000
Other revenue		
Interest received	65	20
	65	20

	31-Dec-17 \$'000	31-Dec-16 \$'000
Other income		
Profit on sale of available for sale financial assets	42	-
Loss on sale of assets	(7)	-
	35	-

	31-Dec-17 \$'000	31-Dec-16 \$'000
Administrative expenses		
Compliance	112	188
Depreciation	22	21
Administration costs	470	195
Salary and wages	291	406
Legal fees	38	70
Occupancy costs	24	101
Marketing and promotion	-	121
	957	1,102

	31-Dec-17 \$'000	31-Dec-16 \$'000
Other expense		
Exploration expenditure written off	49	58
Rehabilitation of non operating mine sites	43	-
	92	58

	31-Dec-17 \$'000	31-Dec-16 \$'000
Finance costs		
Interest expense	17	24
Bank fees	1	1
	18	25

5 Borrowings

	31-Dec-17 \$'000	30-Jun-17 \$'000
Current		
Loan	3,000	-
	3,000	-

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

The key terms are as follows:

- A\$5m, available in two tranches, A\$3m immediately and A\$2m between 15 January 2018 and 15 February 2018;
- Repayable on or before 30 June 2018;
- Interest payable on repayment date at a rate of 3.885% per annum; and
- Funds must be used to complete the PIOP maturation work programmes.

As at 31 December 2017, A\$2m remained undrawn of this loan facility. Refer to Note 8 for subsequent draw down.

6 Contributed Equity

	No. of Shares	\$'000
Issued shares:		
At 1 July 2016	2,947,152,568	125,239
Shares issued pursuant to non-renounceable rights issues	419,798,878	13,717
Share issue costs	-	(97)
As at 30 June 2017	<u>3,366,951,446</u>	<u>138,859</u>
At 1 July 2017	3,366,951,446	138,859
Share issue costs	-	(16)
As at 31 December 2017	<u>3,366,951,446</u>	<u>138,843</u>

7 Contingent Assets and Liabilities

The Directors are not aware of any contingent assets or liabilities as at 31 December 2017.

8 Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements specified by various States and Territory Governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in this financial report.

The minimum level of exploration expenditure expected in the year ending 30 June 2018 for the Group is approximately \$1.400m. These obligations are expected to be fulfilled in the normal course of operations.

8 Events Occurring after the Reporting Period

On 19 January 2018, the Company drew the remaining A\$2m available on the A\$5m loan facility with PIO Mines Pty Limited.

**Flinders Mines Limited
Directors' Declaration
For the half-year ended 31 December 2017**

In accordance with a resolution of the Directors of Flinders Mines Limited, I state that:

1. In the opinion of the Directors:
 - a) The financial statements and notes of Flinders Mines Limited for the half-year ended 31 December 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2017 and performance;
 - (ii) complying with Accounting Standards AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
 - b) With reference to Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



David McAdam
Executive Director

Perth, Western Australia
13 March 2018



Independent Auditor's Review Report

To the shareholders of Flinders Mines Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Flinders Mines Limited.

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year period ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Flinders Mines Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year period.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and its performance for the half-year period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Flinders Mines Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG.

KPMG



R Gambitta
Partner
Perth
13 March 2018