

For personal use only

Flinders Mines Limited

ABN 46 091 118 044

Financial Report

for the half-year ended 31 December 2018

Flinders Mines Limited Half-Year Report 31 December 2018

Contents Page

Corporate Directory	3
Directors' Report	4
Auditors Independence Report	6
Financial Statements	7
Directors' Declaration	15
Independent Auditor's Report to the Members	16

For personal use only

Corporate Directory

Board of Directors

Neil Warburton	Independent Non-Executive Chairman
David McAdam	Executive Director
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
Shannon Coates	Independent Non-Executive Director

Company Secretary

Sarah Wilson

Registered Office

45 Ventnor Avenue

West Perth WA 6005

Telephone: 08 9389 4483

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 2018.

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	Executive Director
Michael Wolley	Non-Executive Director
Evan Davies	Non-Executive Director
Shannon Coates	Independent Non-Executive Director

Company Secretary

Sarah Wilson was appointed as Company Secretary on 20 November 2018 replacing Shannon Coates.

Operating Results and Financial Position

The net loss after income tax for the half-year was \$3.409m (2017: \$0.967m).

Review of Operations

Corporate

Intention to De-list from the ASX

Following a strategic review conducted by the Company with the assistance of an independent corporate advisory firm and as announced on 13 December 2018, the Company applied to the ASX for the removal of the Company from the official list of the ASX under ASX Listing Rule 17.11.

The ASX formally resolved to remove the Company from the official list on 24 December 2018 subject to, among other things, shareholder approval by ordinary resolution. A Notice of Extraordinary General Meeting and Proxy Form was dispatched to Shareholders on 21 December 2018, with the Extraordinary General Meeting ("EGM") scheduled for 22 January 2019.

Refer to the Company's announcements made on the ASX entitled "Flinders announces intention to de-list from ASX" on 13 December 2018, "De-listing Clarification" on 14 December 2018 and "ASX Approval to De-List" on 24 December 2018.

Subsequent to year end, applications were made to the Takeovers Panel ("Panel") and on 20 February 2019, the Company released to the ASX the conclusion of the Panel proceedings. The Company and its major shareholder, TIO (NZ) Limited, agreed to a set of undertakings in order to proceed with the proposed delisting, subject to formal ASX approval ("Revised Delisting"). The EGM scheduled for 22 January 2019, has also been cancelled as a result of undertakings given by the Company.

The Group continues to progress delisting from the ASX and believes that the delisting is in the best interest of all shareholders at this time, due to lack of capital support from public markets, low levels of trading liquidity of Company shares, concentrated shareholdings, greater potential access to future funding alternatives as an unlisted company and the Group's material future capital requirements and costs associated with maintaining the ASX listing.

In the event the delisting does not proceed, the Directors are of the view that securing additional significant funding will be significantly more difficult. While the Directors are of the view that funding will be able to be secured to meet its minimum operating expenditure and exploration commitments, securing funding for any prospective development of PIOP would be materially challenged.

Capital raising and Debt Repayment

In August 2018, the Company completed a rights issue raising \$8.275m (before costs) by issuing 118,218,635 fully paid ordinary shares at \$0.07 per share. These proceeds have been used to repay the PIO Mines Pty Ltd loan facility in entirety, \$5.131m including accrued interest.

Going Concern

The Independent Auditor's Report contains an emphasis of matter paragraph in relation to going concern. Refer to Note 2(e) of the Financial Statements.

Pilbara Iron Ore Project, Western Australia

The Company continued with the analysis of results of the asset maturation works. The market discounts and penalties associated with lower than 62% Fe product and high alumina and silica impurities appear to be of a structural nature throughout the period. Subsequent events associated with the recent shift in global iron ore supply dynamics have resulted in a reduction of this discount and penalties in the short to medium term but such shifts are considered unlikely to affect the long term viability of the PIOP. It is the view of the Company that such discounts and penalties could have a material effect on the pricing of the probable PIOP Fe product. Due to this concern, the Company has started preliminary work on options to upgrade the potential PIOP product Fe grade and to add to the existing JORC resources available for mining. This work and its progress will be subject to the availability of funding in CY 2019 and beyond.

Canegrass, Western Australia

The Company engaged CSA Global Pty Ltd to design and execute an exploration work programme at the Canegrass Project and update the Mineral Resource in accordance with JORC Code 2012 Edition.

Activities targeted both extensions to the Vanadium Inferred Mineral Resource and potential gold mineralisation at the Honeygot prospect. Refer to the "Canegrass Project Exploration Update" announcement made on the ASX on 22 January 2019.

Events Subsequent to the End of the Reporting Period

In January 2019, applications were made to the Takeovers Panel ("Panel") and on 20 February 2019, the Company released to the ASX the conclusion of the Panel proceedings. The Company and its major shareholder, TIO (NZ) Limited, agreed to a set of undertakings in order to proceed with the proposed delisting, subject to formal ASX approval ("Revised Delisting"). The EGM scheduled for 22 January 2019, was cancelled as a result of the undertakings given by the Company.

On 13 March 2019, the Company announced it had received notices under section 249D of the Corporations Act 2001 (Cth) requesting that the Company convene a general meeting of shareholders to consider the following resolutions:

- Removal of Messrs Neil Warburton, Michael Wolley and Evan Davies as Directors;
- Removal of any Director appointed from 9 March 2019 to the date of the general meeting; and
- Appointment of Mr Brendan Dunstan as a Director.

The Company is considering the s249D Notices and will take appropriate action in relation to them.

On 15 March 2019, the Company announced that it had executed a Variation to the Loan Agreement previously announced on 20 February 2019, with a subsidiary of its major shareholder, TIO (NZ) Limited. The significant terms of this loan are as follows:

- Unsecured loan amount of up to \$32.9m, with use of proceeds being to fund a proposed Buy-Back at \$0.075/ share (up to \$25.3m), plus working capital (\$3.0m) and potential Company tax associated with the Buy-Back (up to \$4.6m);
- Capitalised interest at a rate of BBSW plus a 2% margin; and
- Term: 30 June 2022.

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 Instrument 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 the following page.

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



David McAdam
Executive Director

Perth, Western Australia
15 March 2019



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 2018 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

R Gambitta
Partner

Perth

15 March 2019

For personal use only

Flinders Mines Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2018

	Notes	31 Dec 18 \$'000	31 Dec 17 \$'000
Revenue from continuing operations			
Finance income		36	65
Other income		5	35
Administrative expenses	4	(3,416)	(957)
Other expenses		(13)	(92)
Finance costs		(21)	(18)
Loss before income tax		(3,409)	(967)
Income tax (expense)/benefit		-	-
Loss for the period		(3,409)	(967)
<i>Items that may be reclassified to profit or loss:</i>			
Other comprehensive income		-	-
Other comprehensive loss for the period attributable to owners of the Company		(3,409)	(967)
Loss per share attributable to ordinary equity holders:			
		Cents	Cents
Basic and diluted loss per share		(0.099)	(0.031)

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

For personal use only

Flinders Mines Limited
Consolidated Statement of Financial Position
As at 31 December 2018

	Notes	31 Dec 18 \$'000	30 Jun 18 \$'000
Current assets			
Cash and cash equivalents		2,819	3,301
Trade and other receivables		60	84
Other current assets		645	468
Total current assets		3,524	3,853
Non-current assets			
Exploration and evaluation		60,294	58,461
Plant and equipment		2	4
Total non-current assets		60,296	58,465
Total assets		63,820	62,318
Current liabilities			
Trade and other payables		2,155	436
Loans and borrowings	5	-	5,000
Total current liabilities		2,155	5,436
Total liabilities		2,155	5,436
Net assets		61,665	56,882
Equity			
Contributed equity	6	147,051	138,859
Accumulated losses		(85,386)	(81,977)
Total equity		61,665	56,882

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

For personal use only

Flinders Mines Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2018

	Contributed equity \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 Jul 17	138,859	(80,167)	58,692
Loss for the period	-	(967)	(967)
Total comprehensive loss for the period	-	(967)	(967)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs and tax	(16)	-	-
Balance as at 31 Dec 17	138,843	(81,134)	57,709
Balance at 1 Jul 18	138,859	(81,977)	56,882
Loss for the period	-	(3,409)	(3,409)
Total comprehensive loss for the period	-	(3,409)	(3,409)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of costs and tax	8,192	-	8,192
Balance as at 31 Dec 18	147,051	(85,386)	61,665

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

For personal use only

Flinders Mines Limited
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2018

Notes	31 Dec 18 \$'000	31 Dec 17 \$'000
Cash flows from operating activities		
Payments to suppliers and employees	(1,664)	(891)
Interest expense	(131)	-
Interest received	36	65
Net cash outflow from operating activities	(1,759)	(826)
Cash flows from investing activities		
Proceeds from sale of available-for-sale financial assets	-	73
Payments for exploration activities	(1,953)	(7,678)
Net cash outflow from investing activities	(1,953)	(7,605)
Cash flows from financing activities		
Proceeds from issues of shares	8,275	-
Transaction costs	(45)	(16)
Proceeds from borrowings	-	3,000
Repayment of borrowings	(5,000)	-
Net cash inflow from financing activities	3,230	2,984
Net (decrease)/increase in cash and cash equivalents	(482)	(5,447)
Cash and cash equivalents at the beginning of the year	3,301	10,067
Cash and cash equivalents at the end of the year	2,819	4,620

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 "the Group") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 15 March 2019.

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 Instrument 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 2018.

b) Comparatives

When required by Australian Accounting Standards, comparative figures have been adjusted to confirm to changes in presentation for the current half-year ended 31 December 2018.

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 2018, 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 2018 and have been adopted by the Group. These included:

- AASB 9 Financial Instruments;
- AASB 15 Revenue from Contracts with Customers; and
- AASB 2016-5 Amendments to Australian Accounting Standards – Clarification and Measurement of Share-based Payment Transactions

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

The Group continues to progress delisting from the ASX and intends to access future funding alternatives as an unlisted company to meet the Group's material future capital requirements.

A twelve-month cash flow forecast shows that the Group will need to raise additional funds to meet its minimum operating expenditure and exploration commitments.

The Group currently has a working capital surplus of \$1.369m and incurred a net loss for the half year to 31 December 2018 of \$3.409m, with net operating cash outflows of \$1.759m.

As announced to the ASX on 15 March 2019, the Group has negotiated an unsecured loan agreement with a subsidiary of its major shareholder, (TIO (NZ) Limited), of up to \$32.9m, with the proceeds being to fund a planned proposed share buy-back (of up to \$25.3m) working capital of \$3m and potential tax expense of the Group associated with the Buy-Back of up to \$4.6m. The terms of this loan include, loan period to 30 June 2022 with capitalised interest of BBSW plus a 2% margin.

Notwithstanding this loan, the Group will need to raise additional funds in the next 12 months. The Directors are of the view that funding will be able to be secured to meet going concern obligations. At this stage, these additional funding requirements have not been arranged. If additional funds cannot be secured, there exists a material uncertainty that the Company will continue as a going concern.

If the Company is unable to continue as a going concern, it may be required to realise its assets and/or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in this financial report.

3 Segment Reporting

31 Dec 18	Pilbara Iron Ore	Canegrass	Other	Total
	\$'000	\$'000	\$'000	\$'000
Segment result	-	-	(13)	(13)
Impairment of assets	-	-	(13)	(13)
Capital expenditure	1,362	455	13	1,830
Total segment assets	59,295	999	-	60,294
Unallocated assets				3,526
Total assets				63,820

31 Dec 17	Pilbara Iron Ore	Canegrass	Other	Total
	\$'000	\$'000	\$'000	\$'000
Segment result	-	-	(49)	(49)
Impairment of assets	-	-	(49)	(49)
Capital expenditure	6,813	391	49	7,253
Total segment assets	55,633	461	-	56,094
Unallocated assets				5,339
Total assets				61,433

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

	31 Dec 18	31 Dec 17
	\$'000	\$'000
Total segment loss	(13)	(49)
Finance income	36	65
Profit on sale of available for sale financial assets	-	42
Profit/(loss) on disposal of assets	1	(7)
Other income	4	-
Administrative expenses	(3,416)	(957)
Exploration site rehabilitation	-	(43)
Finance costs	(21)	(18)
Loss before income tax	(3,409)	(967)

4 Revenue and Expenses

	31 Dec 18	31 Dec 17
	\$'000	\$'000
Administrative expenses		
Compliance	115	112
Depreciation	-	22
Insurance	167	88
Consultants ¹	2,387	121
Administration costs	67	124
Salary and wages	462	428
Legal fees	199	38
Occupancy costs	19	24
	3,416	957

¹ Includes services relating to strategic review.

5 Borrowings

On 7 August 2018, the Company repaid \$5.131m including capitalised interest to PIO Mines Pty Limited, a subsidiary of its major shareholder TIO (NZ) Limited in relation to the unsecured short-term loan facility provided in November 2017.

6 Contributed Equity

	Number of shares	\$'000
Issued shares:		
At 1 Jul 17	3,336,951,446	138,859
As at 30 Jun 18	<u>3,336,951,446</u>	<u>138,859</u>
Shares issued pursuant to a non-renounceable rights issue	118,218,635	8,275
Share issue costs	-	(83)
As at 31 Dec 18	<u>3,485,170,081</u>	<u>147,051</u>

7 Contingent Assets and Liabilities

The Directors are not aware of any contingent assets or liabilities as at 31 December 2018.

8 Commitments

Exploration 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 2019 for the Group is approximately \$1.401m. These obligations are expected to be fulfilled in the normal course of operations.

9 Related party transactions

Other transactions with related parties

For the period ended 31 December 2018, the Group utilised the tenement management services and exploration field services of BBI Group Pty Ltd, a subsidiary of its major shareholder. The total value of these services was \$78,400 (HY 2018: \$104,226).

For the period ended 31 December 2018, the Group paid Director Fees to TIO (NZ) Limited, its major shareholder, for Director services provided by Mr M Wolley and Mr E Davies. The total value of these services was \$119,000 (HY 2018: \$119,000).

For the period ended 31 December 2018, the Group received Company Secretarial services from Evolution Corporate Services, a company of which Ms Coates is a Director of. The total value of these services was \$38,540 (HY 2018: nil).

The above transactions are all entered into under arm's length terms and conditions and in the normal course of business.

Refer to Note 5 for details of the loan repayment to PIO Mines Pty Ltd, a subsidiary of the major shareholder, TIO (NZ) Limited.

10 Events Occurring after the Reporting Period

In January 2019, applications were made to the Takeovers Panel ("Panel") and on 20 February 2019, the Company released to the ASX the conclusion of the Panel proceedings. The Company and its major shareholder, TIO (NZ) Limited, agreed to a set of undertakings in order to proceed with the proposed delisting, subject to formal ASX approval ("Revised Delisting"). The EGM scheduled for 22 January 2019, has also been cancelled as a result of undertakings given by the Company.

On 13 March 2019, the Company announced it had received notices under section 249D of the Corporations Act 2001 (Cth) requesting that the Company convene a general meeting of shareholders to consider the following resolutions:

- Removal of Messrs Neil Warburton, Michael Wolley and Evan Davies as Directors;
- Removal of any Director appointed from 9 March 2019 to the date of the general meeting; and
- Appointment of Mr Brendan Dunstan as a Director.

The Company is considering the s249D Notices and will take appropriate action in relation to them.

10 Events Occurring after the Reporting Period (continued)

On 15 March 2019, the Company announced that it had executed a Variation to the Loan Agreement previously announced on 20 February 2019, with a subsidiary of its major shareholder, TIO (NZ) Limited. The terms of this loan are as follows:

- Unsecured loan amount of up to \$32.9m, with use of proceeds being to fund a proposed Buy-Back (up to \$25.3m), plus working capital (\$3.0m) and potential Company tax associated with the Buy-Back (up to \$4.6m);
- Capitalised interest at a rate of BBSW plus a 2% margin; and
- Term: 30 June 2022.

For personal use only

Directors' Declaration

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 2018 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2018 and performance;
 - (ii) complying with Accounting Standards AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.
 - b) With reference to note 2(e), 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
15 March 2019

For personal use only



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 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year** comprises:

- Consolidated statement of financial position as at 31 December 2018
- Consolidated statement of profit or loss and other 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 10 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2 (e), "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 2 (e), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

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*
- 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.

For personal use only



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 Group's financial position as at 31 December 2018 and its performance for the half-year 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

15 March 2019

For personal use only