Flinders MINES

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20 October 2011

The Manager
Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2011 Annual Report

Please find attached for release to the market, the 2011 Annual Report for Flinders Mines Limited (ASX: FMS).

The 2011 Annual Report will also be sent by post to those shareholders who have previously elected to receive a hard copy Annual Report.

An electronic copy of the 2011 Annual Report is available on the Company's website at: www.flindersmines.com/reports/2011/fms_ar2011.pdf.

Yours faithfully

David W Godfrey
Company Secretary

An emerging Australian iron ore mining company

Annual Report 2011

Flinders Mines Limited

ABN 46 091 118 044

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Disclaimer

This report contains forward looking statements that are subject to risk factors associated with the exploration and mining industry.

It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially.

Competent Persons

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr N Corlis (who is a member of the Australian Institute of Geoscientists) and Dr G McDonald (who is a member of the Australasian Institute of Mining and Metallurgy). Mr Corlis and Dr McDonald are employees of Flinders Mines Limited. Both have sufficient experience that is relevant to the style of mineralisation and types of deposit under consideration and consent to inclusion of the information in this report in the form and context in which it appears. Mr Corlis and Dr McDonald qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

CORPORATE DIRECTORY

Directors

Robert M Kennedy *(Non-executive Chairman)*
Gary D Sutherland *(Managing Director)*
John D Cooper *(Non-executive Director)*
Kevin J Malaxos *(Non-executive Director)*
Ewan J Vickery *(Non-executive Director)*
Gregory M May *(Alternate for Mr Vickery)*
Nicholas J Smart *(Alternate for Mr Kennedy)*

Company Secretary

David W Godfrey

Registered and Principal Office

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Solicitor

DMAW Lawyers
Level 3, 80 King William Street
Adelaide, South Australia 5000
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Share Registry

Computershare Investor Services
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
Telephone +61 8 8236 2300
Facsimile +61 8 8236 2305

Auditor

Grant Thornton
67 Greenhill Road
Wayville, South Australia 5034

Banker

National Australia Bank
161-167 Glynburn Road, Firle 5070

Stock Exchange Listing

Australia Securities Exchange (Adelaide)

Flinders Mines Limited shares are listed on the Australian Securities Exchange.

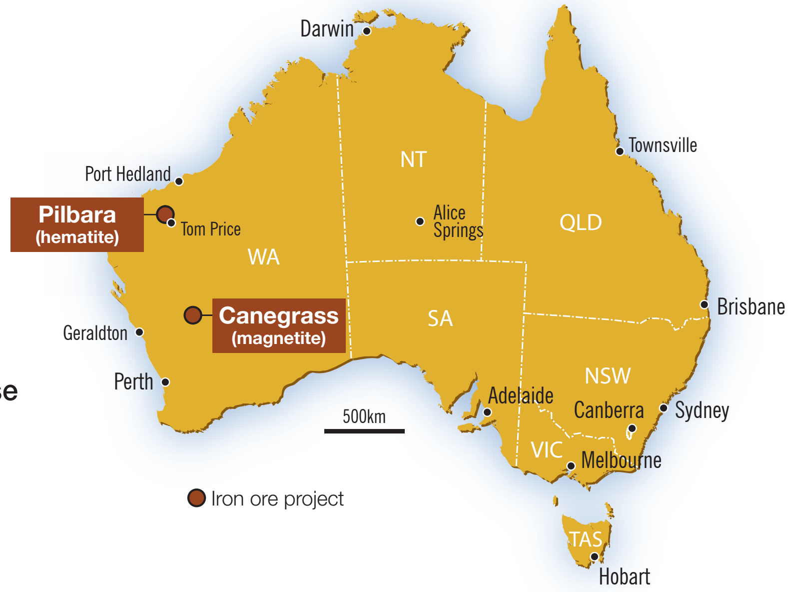
ASX code - FMS

Website

www.flindersmines.com

The website includes information about the Company, its strategies, projects, reports and ASX announcements.

Highlights



CORPORATE

- The engagement of Citi Global Banking by the Board to determine all options open to the Company is a significant milestone. The aim is to maximise shareholder value through the assessment of interest from external parties in all forms.

PILBARA IRON ORE PROJECT

- Flinders Mines announced the findings of the Pilbara Iron Ore Project Pre-Feasibility Study in January. The announcement was a turning point for the Company and underpins Flinders Mines' evolution from explorer to Iron Ore Developer.
- The Definitive Feasibility Study has commenced and is well advanced. The study is due for completion during Q2 2012 and will drive the final investment decision for the Pilbara Iron Ore Project.

EXPLORATION

- A maiden resource was announced for the Canegrass Magnetite Project which shows significant high grade vanadium mineralisation. With only 5% of prospective stratigraphy explored, there is significant upside potential.

Chairman's Report

Dear fellow shareholders,

As I write this report the financial markets are again in turmoil due to the European debt crisis and yet Australia with 80% of its exports to the Asian region is largely exempt from the ructions in European markets.

Leadership in Australia is lacking as, assuming the contagion does not reach our major trading partners, there is no need for the decline in markets we see in Australia.

Since my last report, not only has the Gillard Government re-affirmed its intention to implement a Mineral Resources Rent Tax but it is proceeding with a Carbon Tax which will make us more uncompetitive with the rest of the world. These taxes put at risk the investment we need to ensure the growth for the future of Australia and Australians.

All of these factors mitigate against our market value despite the quality of our resources and the stage we have reached with our Pilbara Iron Ore Project ("PIOP") and to a lesser extent our Canegrass Magnetite Project ("Canegrass").

We have announced that we have engaged the Global Banking division of Citi ("Citi") to undertake an in-depth review of the strategic options open to the Company both locally and internationally in finalising the company's future partners for the Company's Pilbara Iron Ore Project in Western Australia.

The objective is to maximise the value for all of the Company's shareholders by assessing those expressions of interest from third parties, as well as reviewing other value enhancing business strategies on behalf of the Flinders' Board. In assessing expressions of interest your Board is open to any form of expression that will enhance shareholder value.

Whilst progressing PIOP and Canegrass significantly in the last year we have retained a substantial part of the capital raised in late 2009 to put us in a position where we are able to determine our options under the above process before committing to large expenditures.

I repeat what I said last year "the focus of Flinders Mines remains on creating shareholder wealth" and we can best achieve that by defining a path to market for the PIOP. The Western Australian Government has approved Anketell Point as the next port for the export of iron ore in the Pilbara Region but as yet has not determined who will develop it. There are a number of options for this alternative port and we are keeping close to the possible users as we believe our proposed tonnage of 15 million tonnes per annum will add significantly to the viability of the required infrastructure.

Canegrass has progressed significantly with a maiden inferred resource of 107 million tonnes of vanadium and a 216 million tonne inferred resource of magnetite iron mineralisation. Your Company is now investigating opportunities to maximise the return from both the iron and vanadium mineralisation before any additional exploration takes place, given that the project tonnages are already substantial.

Robert Kennedy
Chairman

We are also conducting additional marketing work with a view to commencing discussions with third parties to gauge the demand of potential products. We are working diligently to ensure that these discussions lead to possible offtake and joint venture opportunities.

I welcome the recent appointment of non-executive Director Mr Kevin Malaxos to the Board of Flinders Mines Limited. Kevin is a Mining Engineer with over 25 years' experience in the resources sector in senior management and executive roles across a suite of commodities and brings a wealth of experience in project evaluation and development, project approval and Government liaison.

During the year Gary Sutherland was appointed as Managing Director. I express my thanks to shareholders, staff, contractors and my fellow Directors, who have again contributed in a committed fashion to our Company over the past year. Thank you for your continued support.

Robert Kennedy
Chairman

Managing Director's Report

Dear fellow shareholders,

It is pleasing to note, on your behalf and that of our dedicated employees, that the year to June 30, 2011, has been underpinned by one outstanding factor.

Your Company has achieved every objective for our flagship Pilbara Iron Ore Project (PIOP) on time, on budget and with no compromise on high levels of safety and performance.

This is a great outcome.

It is the momentum and project attitude your management team is taking with vigor into 2011-2012 as we tackle the crucial but nonetheless exciting stages now of firming infrastructure solutions on rail and port access, maiden customer off-take agreements, project approvals and financing, commencement of mine construction, and finally, mine commissioning.

The achievements of your employees in 2010-2011 take on even greater value when anchored against the relentless investment and economic impacts and reshaping of attitudes and commodity demand dynamics that emerged over the period under review from unprecedented political and financial turmoil at both domestic and international levels.

While this environment is unlikely to resuscitate itself any time soon, Flinders Mines' success in delivering project milestones within these broader market distractions, has set your Company firmly on a growth path to achieve the now nearer-term transition from iron ore developer to iron ore miner.

We ended the year with a large, well defined and growing JORC resource of 748 million tonnes (Mt) at 55% Fe – a 14% gain from 12 months earlier. Significantly, the resource proven to date is contained within only a small envelope of our much broader but compact and highly prospective Pilbara footprint.

Gary Sutherland
Managing Director

The exploration upside therefore remains significant and open-ended with recent drilling continuing to identify some of the thickest and highest grades of hematite encountered since our original drilling activities commenced in July 2008.

To date, we have drilled a total of 135,657m of holes across the tenement.

Our highly successful Pre-Feasibility Study, in partnership with WorleyParsons, defined a minimum economic mine life of 20 years with a low strip ratio.

It delivered the confidence that has now authorised and seen the commencement of, the Definitive Feasibility Study at the optional higher level start-up of 15Mt per annum.

This is three times our earlier envisaged start-up rate and is designed to deliver a project on current costs of around A$1.13 billion, and a life of mine revenue of around A$25 billion, to feed into well sounded, strong, long-term global demand for iron ore.

Managing Director's Report *(cont.)*

We do not take lightly the challenges ahead, and have in place a number of both confidential and co-operative agreements with a range of domestic and international organisations likely to influence our final haulage, port access and offtake considerations.

That your Board and management has not rushed to "do a deal" in a hurry is a major and compelling value-add that continues to set Flinders Mines apart from its peers, particularly as our Pilbara deposits are so strategically located and have proven potential for large-scale operations.

The disintegration in 2011 of some of the previously orchestrated iron ore dealings in Western Australia particularly, further firms our resolve not to move away from the strength and purpose of this negotiating position.

As such, this strategy has now brought to the negotiating table in real terms in 2011, a much higher calibre of senior potential overseas customers, primarily from China, Korea, Japan and India, compared to the earlier approaches.

These entities, seeking independent supply routes, have the depth of steel mill capacity, financial muscle, long-term product demand curves and high integrity sovereign risk profiles, that will ensure the PIOP evolves into a mature, multi-decade partnership delivering mutual benefits to our customers, our infrastructure providers, and most importantly, our shareholders.

Equally, it delivers Flinders Mines significant depth of choice as to how those partnerships are finally assembled – including options for direct involvement with any level of the project (financing, construction, mining, rail, ore train supply, wharf infrastructure etc) through to direct equity interest in the Company.

Fundamental to the success of these negotiations and project progress is the fact Flinders Mines has attracted to it, mining personnel with substantial experience in designing mines, constructing mines, commissioning mines and operating mines.

This "hands on" expertise continues to be a major and positive point of difference against our peers. It will be elemental in helping manage and deliver efficiently, the cost and operating parameters associated with now building a new Australian iron ore mine, given the blowout in costs and shortfalls in experienced personnel now confronting major Australian resources and energy projects.

Our focus remains firmly on commencing design and construction in the opening months of next year to deliver first production early in 2014.

In closing, I thank with deepest appreciation, the support, guidance and expertise provided by your Company's strong Board, our executive team and all of our dedicated and enthusiastic employees.

They are the energy that will ensure, on your behalf, that Flinders Mines emerges as a major Australian iron ore producer.

Gary Sutherland
Managing Director

Pilbara Iron Ore Project

Flinders Mines (FMS) achieved a significant milestone this financial year when it completed the Pilbara Iron Ore Project (PIOP) Prefeasibility Study (PFS) on time and on budget in December 2010. The study was completed by WorleyParsons with key aspects being critically peer reviewed by subject matter experts prior to the release of its findings. The study shows a strong case for investment with key aspects being the following:

- Large scale, long life high quality mine that is economically robust and technically viable
- 5 Mtpa operation expandable to 15 Mtpa in year 6
- 229 Mt of total product
- Low capex entry at A$488 million with further expansion cost of A$641 million
- Project NPV of A$2.2 billion at 10% discount rate
- Life of mine cashflow of A$25 billion

On completion of the PFS, the project team embarked on a number of Value Improvement Studies (VIS) that were identified during the PFS. These studies had the potential to improve the project economics further than the base case PFS. Key aspects evaluated during the VIS period included the following:

- Planning for a 15Mtpa project from commencement including the removal of some existing mining constraints
- Capital reduction opportunities
- Direct on line beneficiation options for the DID product
- CID testwork program
- Sintering testwork
- Value in use (marketing) study
- Commencement of Phase 3 testwork program

The results of these studies provided a significant uplift in value to FMS shareholders, increasing the project NPV to A$3.1 billion from the previous A$2.2 billion, largely through commencement at a higher production rate and as a result of additional product tonnages being identified through the mining study and CID testwork.

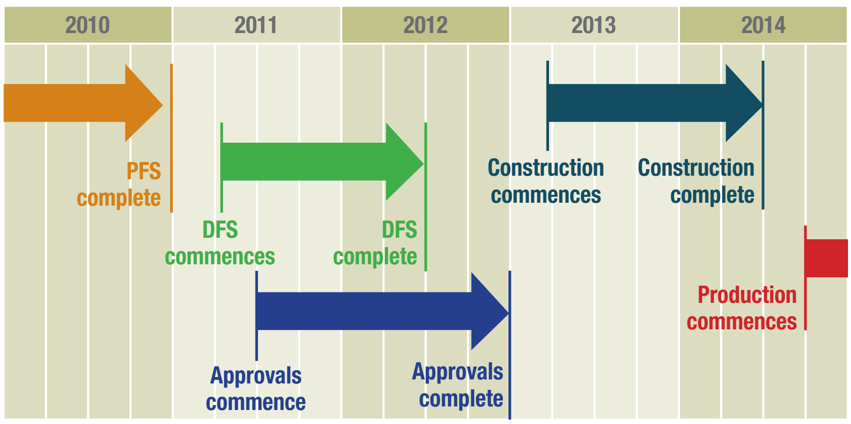
In addition to this, sinter testwork and value in use study results supported product pricing assumptions used as a basis of the PFS. FMS sinter test results shows the Flinders products have similar properties to a base Pilbara blend – one that is typically used by South East Asian customers. The value in use study underpinned the pricing assumptions used in the PFS and, in fact, showed that price assumptions were somewhat conservative.

Miro Rapaic
General Manager
Project Development

A second major milestone was reached in May 2011 with the Flinders Mines Board approving the PIOP move to a Definitive Feasibility Study (DFS) and re-appointing WorleyParsons as the project management contractor.

The DFS is using the findings of the PFS and additional value gained from the VIS to complete a detailed study that will be the basis for a final investment decision by the Flinders Mines Board. The DFS is well under way and scheduled for completion during Q2 2012. This timeframe remains on track, subject to approvals, for Flinders Mines to be producing during late in 2014.

FMS DEVELOPMENT SCHEDULE



Pilbara Iron Ore Project *(cont.)*

ENVIRONMENTAL STUDIES SUMMARY

Level 2 flora and fauna assessments have been completed for on-tenement areas in three field campaigns conducted in 2010 and 2011. Subterranean fauna studies were expanded to include the Eagle, Champion and Blackjack pit areas. All stygofauna field work has been completed and troglofauna field work will be completed during September 2011. The geochemical characterisation of waste rock lithologies and tailings has been significantly progressed and will be completed by October 2011 when the kinetic testwork programme is finalised. Groundwater investigations continued with the geophysical interpretation of aquifers and the drilling of exploration, production and observation wells. Groundwater models of the Delta, Eagle and Champion pits are planned to be completed in Q4 2011.

APPROVALS

The engagement of Local, State and Commonwealth governments continued, culminating in the submission of referrals to the Office of the Environmental Protection Authority (OEPA) and Department of Sustainability, Environment, Water, Population and Communities (DSEWPAC). The OEPA have set a level of assessment for on-tenement activities as Assessment on Proponent Information - Category A. This type of assessment requires FMS to provide additional information to the EPA on which they will base their assessment of the project. DSEWPAC have yet to advise their level of assessment for the project.

NATIVE TITLE

On 22 September 2010, Flinders applied for a mining lease over its Blacksmith exploration tenement E47/882. The mining lease application is designated as M47/1451.

Native Title negotiations with the Eastern Guruma people are scheduled to be completed in Q4 2011.

The resultant Land Access Agreement will provide for:

- Tenure for mining operations and associated mining infrastructure;
- Access to the project area for detailed archaeological and ethnographic surveys; and
- Support for any Aboriginal Heritage Act 1972 (WA) and Section 18 applications for consent to disturb heritage sites.

The Agreement will also provide a range of benefits and compensation for the Native Title holders.

Once an agreement is reached between the parties, a State Deed between the Department of Mines and Petroleum (on behalf of the State of Western Australia), the Eastern Guruma and Flinders can be signed and, provided all other Mining Act obligations have been met, the mining lease will be granted.

MAJOR MILESTONES

The development schedule is on track and dependant on both project based and external (government) milestones. Key upcoming milestones include the following:

- Q4 2011
  Native Title agreement in place
- Q4 2011
  DFS level resource model in place
- Q2 2012
  Completion of DFS
- Q4 2012
  State and Commonwealth approvals completed
- Q1 2013
  Commencement of Construction
- Q4 2014
  Commencement of Production

Did you know…?

The names of our Pilbara tenements and project areas are based on the theme of historical brands of blacksmithing anvils.

The tenements of Blacksmith and Anvil set the theme, with project areas of Ajax, Blackjack, Champion, Delta, Eagle, Paragon and Badger all being historical brand names.

Exploration - Pilbara Iron Ore Project

Nick Corlis
General Manager
Business Development

PILBARA IRON ORE PROJECT

Flinders Mines' Pilbara Iron Ore Project (PIOP) is located in the Hamersley Ranges approximately 70km northwest of Tom Price in the Pilbara region (Figure 1). The project comprises two 100% owned tenements, E47/882 (Blacksmith) and E47/1560 (Anvil). The key tenement (E47/882) is located approximately 20km west of Rio Tinto's Paraburdoo to Dampier rail track. Iron mineralisation on the main project tenement is laterally associated with both Rio Tinto's Caliwingina North deposit and Fortescue Metals' Serenity deposit (Figure 2).

Drilling on the project commenced in July 2008 and the maiden Inferred Resource of 476Mt at 55.4% Fe was announced on 1 April 2009.

Further drilling during subsequent years has defined a current Indicated and Inferred Resource of 748Mt @ 55.4% Fe.

Geology

Geological Survey of Western Australia (GSWA) mapping of the project area shows the bedrock geology in the region to be the upper parts of the Hamersley Group, a Precambrian sequence dominated by Banded Iron Formation (BIF), shales and chert. In particular the outcropping geology is dominated by members of the Brockman Iron Formation, namely the Whaleback Shale Member, and the Dales Gorge and Joffre Banded Iron Formation (BIF) Members. This stratigraphy is ubiquitous in the Pilbara and hosts many of the region's world class iron ore bodies.

Within the Blacksmith tenement there are seven major valleys, or channels, incised into the bedrock geology; Ajax, Blackjack, Champion, Delta, Eagle, Paragon and Badger. Exploration by Flinders has focussed on exploring these channel systems for Channel Iron Deposit (CID) mineralisation and the Brockman Iron Formation for Brockman Iron Deposits (BID), both beneath and on the margins of the channels. Drilling results showed the mineralisation to be dominated by BID and Detrital Iron Deposits (DID) similar to that identified at Rio Tinto's Brockman 2. These DIDs are found where weathering has eroded BID and deposited the fragments in natural traps formed by topography.

The relationship between these different mineralisation styles is shown schematically in Figure 3. In general, the four DID units form a stratigraphic sequence, passing from DID1 to DID4, with the iron grade increasing and the contaminant concentrations decreasing with depth, i.e. higher quality mature DID underlying immature lower quality DID. CID mineralisation is present but restricted to the deeper and more distal regions of the larger channels in Eagle, Delta and Champion (Figure 4).

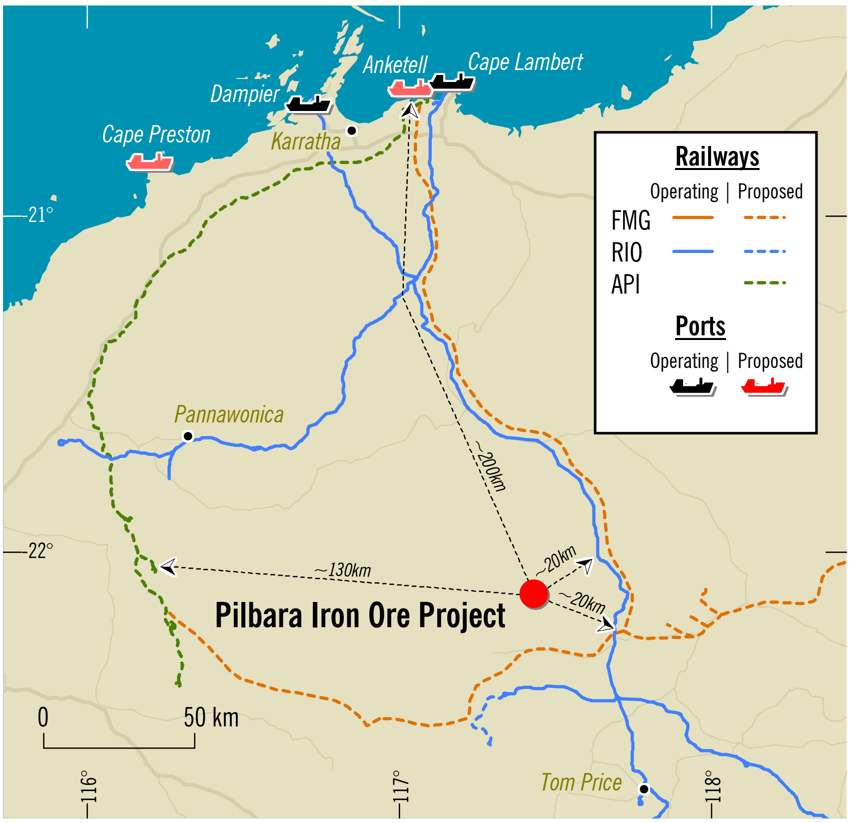


Figure 1 : *Regional location of the Pilbara Iron Ore Project, relative to infrastructure.*

Exploration - Pilbara Iron Ore Project *(cont.)*

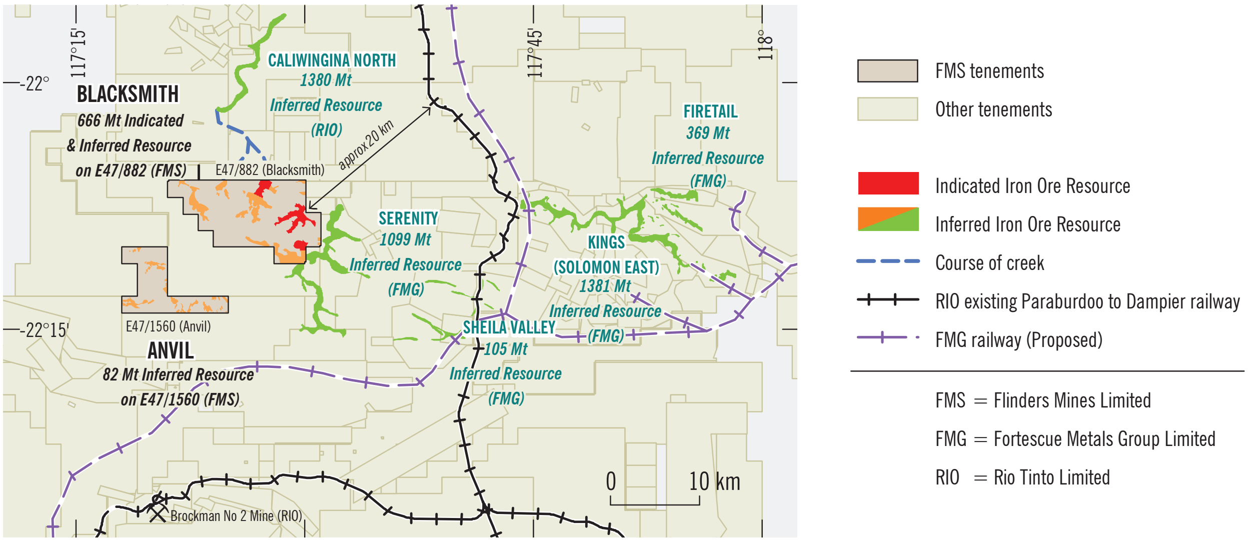


Figure 2 : *Local precinct of the Pilbara Iron Ore Project.*

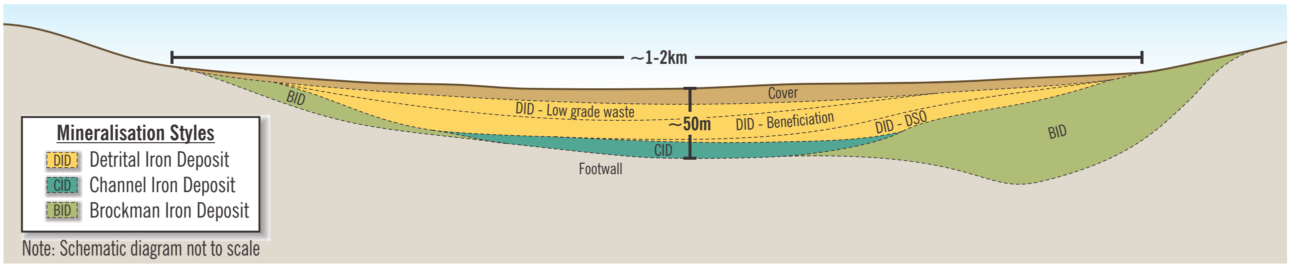


Figure 3 : *Schematic diagram of exploration model depicting typical mineralisation styles within channels.*

High quality BID has been identified both beneath and on the margins of all channels and more recently outcropping on the slopes and hills between the channels. An increased geological knowledge of the controls on this style of mineralisation together with detailed mapping is assisting with targeting further occurrences.

Drilling Campaigns

Flinders successfully completed the second phase of its planned 2010 drilling program at its flagship Pilbara Iron Ore Project (PIOP), on schedule, in early December (Figure 4).

Drilling of the 'Phase Two' program commenced in late September, with one Reverse Circulation (RC) rig working continuously over the period, completing 232 drill holes for 14,738m.

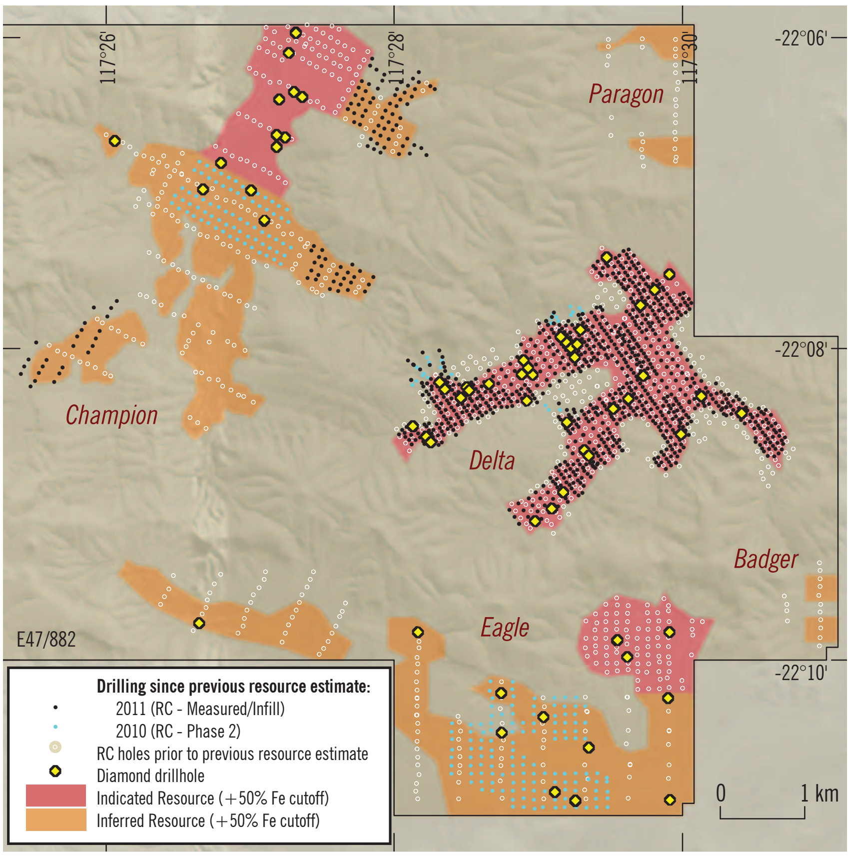


Figure 4 : *Plan of Blacksmith showing RC and DD drilling highlighting holes completed since July 2010.*

Table 1: *Significant intersections of mineralisation from Pilbara Iron Ore Project.*

Hole	Area	From metres	To metres	Interval metres	Fe %	CaFe* %	SiO_2 %	Al_2O_3 %	P %	LOI %
HPRC3245	Delta	4	28	24	57.5	63.6	4.8	2.7	0.11	9.6
HPRC3184	Delta	12	40	28	58.2	62.9	5.9	2.8	0.09	7.3
HPRC3185	Delta	18	42	24	58.7	62.6	5.8	3.1	0.09	6.2
HPRC3189	Delta	26	50	24	60.0	64.7	3.5	2.2	0.16	7.3
HPRC3190	Delta	6	56	50	59.6	63.8	4.8	2.4	0.13	6.5
HPRC3221	Delta	0	58	58	58.0	63.5	5.4	2.1	0.14	8.7
HPRC3210	Delta	6	54	48	59.8	64.3	3.8	2.6	0.12	7.0
HPRC3191	Delta	8	70	62	59.8	65.3	3.2	2.0	0.01	8.1
HPRC3192	Delta	4	74	70	59.9	65.4	3.1	2.1	0.15	8.6
HPRC3193	Delta	2	32	30	59.5	65.0	4.2	1.5	0.12	8.4
HPRC3211	Delta	4	56	52	60.6	64.8	3.6	2.4	0.11	6.5
HPRC3212	Delta	6	66	60	60.6	65.8	2.5	2.1	0.15	7.8
HPRC3213	Delta	6	64	58	60.5	66.3	2.1	1.9	0.14	8.9
HPRC3179	Delta	14	54	40	60.0	65.1	3.1	2.3	0.14	7.8
HPRC3180	Delta	4	30	26	59.1	64.1	4.5	2.5	0.09	7.8
HPRC3209	Delta	10	46	36	60.2	64.2	4.4	2.4	0.10	6.3
HPRC3198	Delta	8	54	46	60.7	64.4	4.3	2.2	0.13	5.8
HPRC3199	Delta	8	74	66	59.7	64.8	3.8	2.3	0.14	7.8
HPRC3171	Delta	6	54	48	58.0	63.4	5.0	2.8	0.12	8.5
HPRC3159	Delta	8	38	30	58.0	63.3	5.1	2.7	0.11	8.5
HPRC3162	Delta	10	54	44	59.5	64.3	3.9	2.9	0.12	7.6
HPRC3156	Delta	12	60	48	60.1	65.5	3.1	2.3	0.10	8.1
HPRC3296	Delta	16	48	32	60.0	65.4	2.3	2.8	0.12	8.3
HPRC3297	Delta	4	28	24	59.1	64.9	3.1	2.6	0.09	8.8
HPRC3310	Delta	38	60	22	61.2	65.2	2.9	2.2	0.13	6.2
HPRC5306	Delta	48	58	30	60.2	64.6	3.4	2.9	0.16	6.8
HPRC3332	Delta	30	56	26	60.6	64.8	3.2	2.6	0.13	6.6
HPRC5231	Delta	24	48	24	57.6	62.9	5.7	2.7	0.10	8.5
HPRC3214	Delta	0	40	40	61.7	66.7	2.6	1.2	0.12	7.4
HPRC5232	Delta	16	54	38	59.3	63.9	3.5	3.4	0.13	7.2
HPRC5222	Delta	12	42	30	58.5	63.1	5.1	3.3	0.08	7.3
HPRC5264	Delta	24	54	30	58.7	63.4	4.7	3.1	0.11	7.3
HPRC3431	Delta	2	36	34	57.8	64.8	3.5	2.3	0.08	10.9
HPRC3432	Delta	0	34	34	57.3	64.9	3.8	2.0	0.07	11.7
HPRC3392	Delta	12	34	22	60.0	64.2	4.3	2.5	0.09	6.6
HPRC5441	Delta	12	34	22	60.6	64.3	4.9	1.8	0.10	5.8
HPRC3387	Delta	0	28	28	60.7	65.4	2.9	2.5	0.09	7.1
HPRC3456	Delta	10	42	32	59.1	65.5	2.7	2.4	0.11	9.7
HPRC3475	Delta	10	36	26	58.9	64.9	3.4	2.6	0.11	9.2
HPRC3398	Delta	12	36	24	59.8	63.1	5.3	2.9	0.08	5.3
HPRC5235	Delta	20	50	30	59.1	64.2	4.0	2.9	0.08	8.0
HPRC5286	Delta	12	42	30	61.5	65.9	2.4	2.2	0.10	6.8
HPRC5287	Delta	18	48	30	58.7	64.3	3.7	2.8	0.10	8.7
HPRC5355	Delta	8	34	26	59.9	64.7	3.3	2.7	0.10	7.5
HPRC3055	Delta Hills	0	34	34	54.8	60.6	7.7	3.7	0.12	9.5
HPRC3056	Delta Hills	0	54	54	57.2	62.7	5.5	3.4	0.11	8.7
HPRC3058	Delta Hills	0	30	30	59.5	65.7	2.4	2.4	0.11	9.3
HPRC3060	Delta Hills	0	28	28	56.9	63.2	5.0	2.9	0.11	10.0
HPRC3065	Delta Hills	0	30	30	59.7	65.5	3.5	1.6	0.11	8.8
HPRC3066	Delta Hills	0	38	38	59.0	64.0	4.9	2.1	0.10	7.8
HPRC3069	Delta Hills	0	34	34	60.2	64.8	3.7	2.5	0.11	7.1
HPRC4137	Eagle	78	104	26	58.2	62.3	6.9	2.5	0.12	6.6
HPRC4142	Eagle	26	60	34	58.9	65.2	2.8	2.8	0.10	9.6
HPRC4153	Eagle	38	80	42	58.5	63.4	4.5	3.4	0.11	7.8
HPRC4154	Eagle	46	104	58	56.2	60.7	7.8	3.7	0.10	7.4
HPRC4148	Eagle	36	64	28	58.1	63.2	4.7	3.2	0.10	8.1
HPRC4222	Eagle	16	40	24	58.2	61.7	5.4	3.9	0.10	5.6

* *Calcined iron, estimated on an LOI free basis, CaFe=Fe%/(100 LOI) x 100*

Exploration - Pilbara Iron Ore Project *(cont.)*

Table 2: *Global Indicated and Inferred resource, Pilbara Iron Ore Project.*

JORC Classification	Fe Cut-off %	Tonnage Mt	Fe %	SiO_2 %	Al_2O_3 %	P %	LOI %
Total Inferred	50%	475.1	54.9	10.5	5.1	0.06	5.1
Total Indicated	50%	272.5	56.2	9.2	4.6	0.07	4.7
Total Indicated & Inferred	**50%**	**747.6**	**55.3**	**10.0**	**4.9**	**0.07**	**5.0**
Total Inferred	57%	106.1	59.1	6.0	3.8	0.07	4.6
Total Indicated	57%	118.4	59.3	5.4	3.7	0.09	5.2
Total Indicated & Inferred	**57%**	**224.5**	**59.2**	**5.7**	**3.8**	**0.08**	**4.9**

The updated resource estimates were prepared by independent geological consultants, Golder Associates Pty Ltd (Golder), based on data collated and interpreted by FMS staff. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004). The Pilbara Iron Ore Project Resource Models have been constructed using Ordinary Kriging within geological constraint domains. The resource estimate is based on the results of 1,545 reverse circulation (RC) holes drilled at the project between July 2008 and June 2010. Drillhole spacing for an Inferred Resource is 500 m between the lines and 100 m between holes and decreased to 125m between lines and 100m between holes for an Indicated Resource. Average in situ densities were derived via direct measurement from the diamond holes drilled in 2009 for geometallurgical test work. In the absence of adequate information an average density of 2.7 was used.

The two primary objectives of the 'Phase Two' drilling program were to:

1. Convert the resource from Inferred to Indicated status in the Eagle Central and Champion Central deposits through higher density infill drilling.
2. Test potential Bedded Iron Deposit (BID) targets on the flanks of the known detrital/channel (DID/CID) mineralisation in the Delta Deposit.

Infill drilling has confirmed the Inferred Resources at both Eagle Central and Champion Central (Table 1). In particular, Eagle Central has returned some excellent thicknesses of mineralisation.

Results for drilling in late 2010 designed to test BID targets in the hills adjacent to areas of significant BID mineralisation were very encouraging. Significant thicknesses and grades of BID mineralisation were intersected, such as 54m @ 57.2% Fe in HPRC3056 and 34m @ 60.2% Fe in HPRC3069 (Table 1). The majority of these intersections are also low in deleterious elements and occur from, or very near surface.

During the first half of 2011, two reverse circulation (RC) rigs were drilling, focussed on the drill out of the Delta deposit, to convert the Indicated Resource to Measured status to provide sufficient resource for the Definitive Feasibility Study (DFS). By the end of June the Measured Resource drill out was completed, with a total of 876 RC holes drilled for 44,191m (Figure 4). Indications are that the infill drilling to Measured status is consistent with the distribution of known mineralisation, confirming the robust nature of the geological and resource models.

In addition to the RC drilling program, there was a single diamond core drill rig on site that was dedicated to a separate program aimed at sourcing additional material for the Phase 3 geometallurgical test work. This rig commenced early in March and completed 64 holes in the Eagle, Delta and Champion deposits (Figure 4) for a total of 2,472m.

Since Flinders first commenced exploration drilling for iron ore at the PIOP in August 2008, it has completed a total of 2,705 drillholes (combined RC and diamond core), for a total of 135,657m, across its Blacksmith and Anvil tenements.

Resource Estimate

In October 2010, there was an update of the Global Resource Estimate for the Pilbara Iron Ore Project. The current combined Inferred and Indicated Resource Estimate of 748 Mt @ 55.4% (Table 2) is a 14% increase to the Global Resource Estimate announced in May 2010. The Mineral Resource, based on a +50% iron cut-off, now consists of an Indicated Resource of 272.5 Mt @ 56.2% Fe and an Inferred Resource of 475.1 Mt @ 54.9% Fe.

The updated resource estimate was prepared by independent geological consultancy Golder Associates, and was based on geological information obtained from all drilling completed across the Anvil and Blacksmith tenements, up to the end of July 2010.

Planned Activities

More than 57,000m of additional drilling has been carried out on the project since the last Global Resource Estimate in October 2010. Almost three quarters of this drilling is attributed to Measured Resource infill in Delta. However, there is a significant amount of additional Indicated Resource drilling from Eagle and Champion and BID extensional drilling in Delta that will be included in the updated resource estimate. The Company expects to provide an updated Global Resource for the project in Q4 2011, in line with the timing of the DFS.

Since the discovery hole was drilled at the project late in 2008, drilling on the tenements has focussed on the iron mineralisation in the channels (these channels cover only 30% of the tenement area). In 2010, Flinders recognised BID on the flanks of the channels and has been investigating the potential for BID Direct Shipping Ore (DSO) mineralisation over the remaining 70% of unexplored ground. Late in 2010, several holes were drilled on the flanks of the valleys targeting high quality BID mineralisation and the results were outstanding, intersecting thick, near-surface BID mineralisation.

Based on the success and significance of the BID drilling undertaken late last year, Flinders Mines is currently investigating a range of potential targets on the flanks of the known mineralisation (Figure 5). These targets are based on proximity to known BID mineralisation beneath the valleys, relationship with known structural zones and anomalous geophysical signatures.

A mapping program in the hills has been implemented, not only in Delta but across the whole tenement, in the areas that may be prospective for high quality BID mineralisation. This mapping has identified areas of BID mineralisation in the hills in addition to that already tested in Delta in late 2010. Work is underway to prioritise these targets for drilling to test the extent and quality of this mineralisation as soon as necessary approvals and clearances can been obtained. The mineralisation identified on the flanks of the hills last year remains open and will be the focus of further investigation and drilling during the second half of 2011 and into 2012.

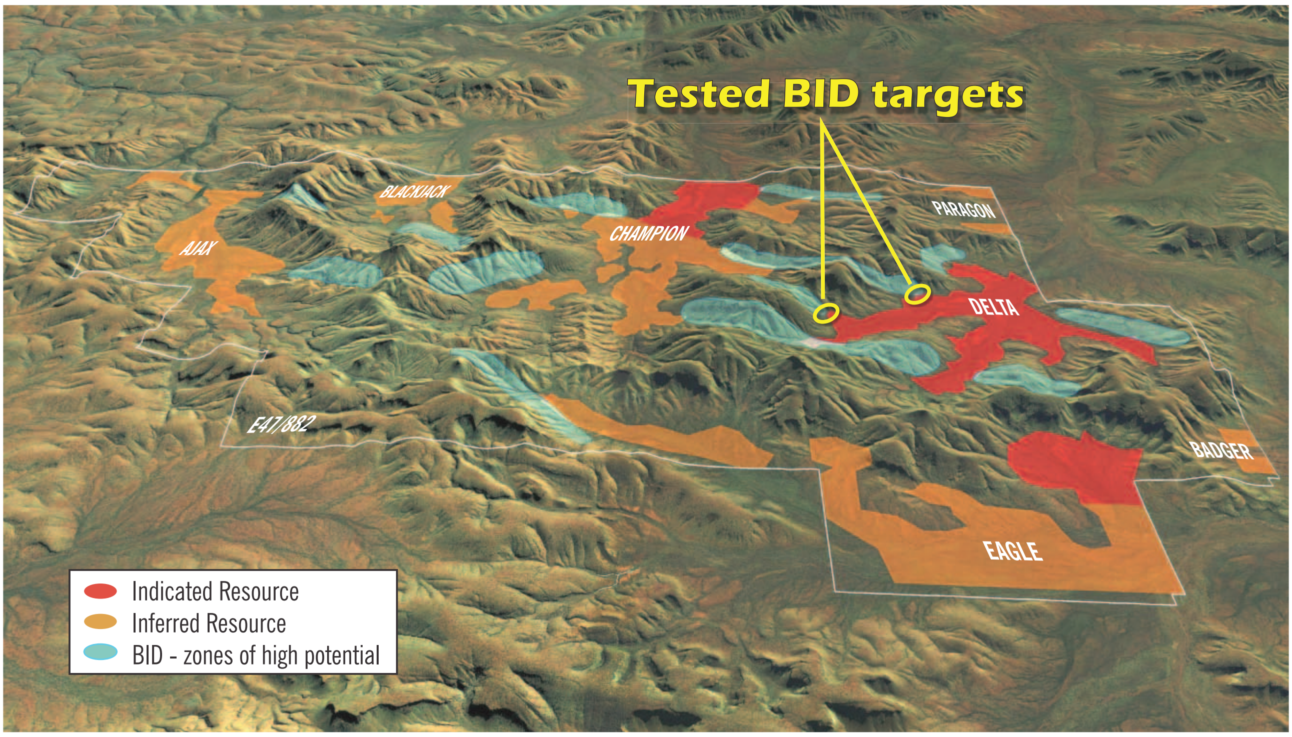


Figure 5 : *Google Earth image showing Indicated and Inferred Resource areas as well as zones of high BID potential within E47/882.*

Exploration - Canegrass Project

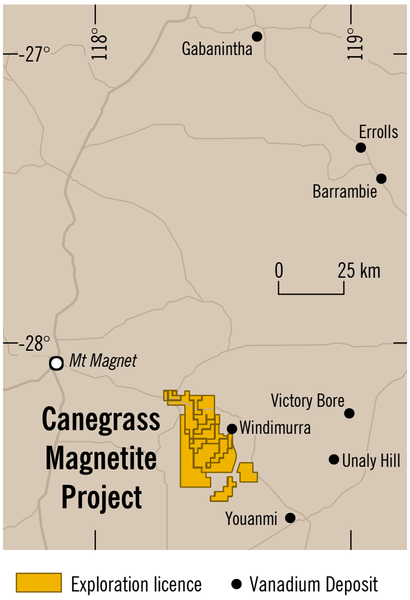


Figure 6 : ***Canegrass Magnetite Project located near Mt Magnet, WA.***

CANEGRASS

The Canegrass project area is located in Western Australia's Mid-West region approximately 60 km southeast of Mt Magnet and around 15km WSW of Atlantic Ltd's Windimurra Vanadium Project (Figure 6). The Canegrass project covers an area of approximately 700 km^2 and hosts extensive magnetite mineralisation. Recent drilling and metallurgical studies have highlighted magnetite iron mineralisation and excellent vanadium grades associated with the gabbro-hosted magnetite mineralisation.

Geology

The Canegrass magnetite project is hosted within the Windimurra Complex. The Windimurra Complex is a large differentiated layered ultramafic to mafic intrusion emplaced within the Yilgarn Craton of Western Australia. It is a conical to sheet like body intruded into the Archaean granite-greenstone terrain of the Murchison Province. It outcrops over an area of approximately 2500 km^2 and has an age of approximately 2800 Ma. The complex is dominantly comprised of basic cumulate rocks that can broadly be classified as gabbroic in composition. Magmatic layering dips inwards at the margins and flattens in the centre. It is dissected by large scale, strike slip shear zones and is part of a much larger suite of similarly layered ultramafic to mafic bodies emplaced between 2700 – 2800 Ma across the Murchison Province. Collectively these complexes are similar in thickness, volume and composition to the Bushveld Igneous Complex of South Africa.

Drilling has identified a continuous layered stratigraphy of over 1,100m vertical thickness. Within this stratigraphy there are discrete magnetic horizons or mappable units that can be correlated across the region (Figure 8). The upper units are iron and titanium rich and have been the focus of previous explorers due to the high iron concentrations. The lower units contain elevated vanadium grades with lower titanium and produce a more attractive iron and vanadium target.

Regionally, these units are readily identifiable in magnetic datasets and combine to form approximately 48km^2 of prospective vanadium rich horizons (Figure 7). Some of this area has been tested by coarsely spaced drilling and elevated vanadium grades have been intersected, but the density of drilling is insufficient to undertake a resource estimate. A number of other areas remain to be drill tested.

Gabbro-hosted magnetite deposits are a significant source of vanadium. Within the Mid-West region of Western Australia there are a number of other similar gabbro-hosted layered vanadium rich resources and deposits (Figure 6). They include the Windimurra Vanadium Project of Atlantic Ltd with a resource of 210Mt @ 0.47% V_2O_5, at a 0.28% cut-off and Reed Resources Ltd's Barrambie Deposit of 65.2Mt @ 0.82% V_2O_5,at a 0.5% cut-off. The grade and tonnages of these styles of deposits are quite sensitive to cut-off grade.

Metallurgy

A series of RC samples representing the whole range of titaniferous and vanadiferous magnetic horizons across the stratigraphic sequence were compiled into composites for metallurgical testwork. The testwork included Davis Tube Recovery (DTR), grind size optimisation and magnetic separation techniques such as Low Intensity Magnetic Separation (LIMS) and Wet High Intensity Magnetic Separation (WHIMS). Grind size is the single most important factor for magnetite recovery and product quality.

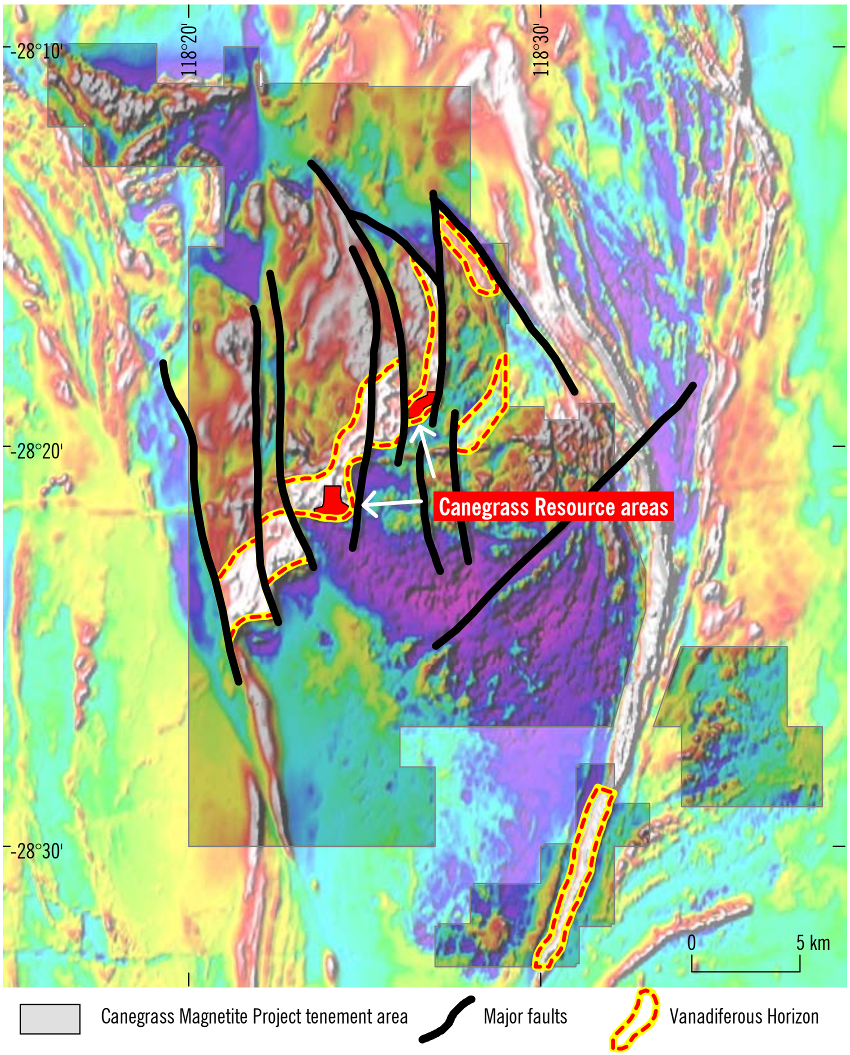


Figure 7 : ***Regional magnetics (TMI) showing prospective vanadiferous horizons.***

It was found that a saleable product could be achieved from a relatively coarse liberation of 80% passing 45 microns. Mass recoveries of up to 42% were achieved in the concentrates with Fe grades up to 58%, TiO_2 between 9.9% and 15.6% and SiO_2 <3%.

This work also highlighted high V_2O_5 concentrations from the more vanadiferous horizons. Of these units, V_2O_5 grades varied between 1.1 – 1.4 % in the concentrates. This testwork was undertaken with a view to forming an iron concentrate and has not been optimized for maximising the V_2O_5 concentrations.

Drilling Campaign

Drilling commenced at the Canegrass project in September 2010 with the aim of defining a titanomagnetite resource. The drilling targeted four discrete magnetic features that represent several stratigraphic horizons with differing geochemical and geometallurgical properties. A program of reverse circulation (RC) drilling was designed to delineate an Inferred Resource while testing the continuity of the stratigraphy both along strike and down dip (Figure 8).

The RC drilling program at Canegrass was completed on schedule in early December 2010. A total of 39 drill holes were completed for 8,048m.

Geological interpretation of the complex stratigraphy based on lithological and geophysical data collected down hole was completed. A summary of significant intersections is shown in Table 3. The lower part of the sequence is characterised by thinner intersections richer in vanadium and iron. For example, FCRC10 with an intersection of 40m from 104m @ 36.8% Fe, 7.7% Ti and 0.80% V. The upper part of the sequence is characterised by thicker intersections with lower vanadium. For example, FCRC2 with an intersection of 136m from 78m @ 32.7% Fe, 6.3% Ti and 0.02% V.

Table 3: ***Significant intersections of mineralisation from Canegrass drilling 2010.***

Hole	From (m)	To (m)	Interval (m)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	TiO_2 (%)	V_2O_5 (%)	LOI (%)
FCRC0002	78	214	136	32.7	26.9	5.1	0.10	6.3	0.02	2.5
FCRC0006	172	230	58	30.6	29.7	6.1	0.07	5.4	0.03	1.3
FCRC0008	118	200	82	30.5	29.2	6.0	0.19	4.9	0.02	2.5
FCRC0009	164	234	70	31.8	28.4	5.2	0.17	5.3	0.02	1.8
FCRC0010	104	144	40	36.8	16.6	8.6	0.01	7.7	0.80	2.7
FCRC0012	186	214	28	35.1	19.1	8.7	0.01	6.9	0.74	1.6
FCRC0015	204	232	28	36.8	18.2	8.1	0.01	7.8	0.79	0.38
FCRC0025	154	184	30	31.7	21.2	11.8	0.01	6.6	0.70	2.9
FCRC0028	38	64	26	36.9	18.8	7.2	0.01	7.4	0.77	1.3
FCRC0030	156	220	64	34.7	19.4	10.6	0.01	7.2	0.74	1.4
FCRC0036	28	90	62	33.2	28.3	5.1	0.24	5.2	0.02	0.15

Intersections are based on a 25% Fe cut off with minimal internal dilution.

Resource Estimate

In August 2010 Flinders announced a maiden Inferred Mineral Resource at the Company's Canegrass Magnetite Project (CMP). Drilling completed in late 2010 targeted magnetite iron mineralisation and a maiden Inferred Resource has revealed both magnetite iron mineralisation and significant high grade vanadium mineralisation. Both resources are contained within the same geological units.

The mineral resource for the vanadium mineralisation is 107 Mt @ 0.62% V_2O_5 (Table 4). The Mineral Resource inventory is based on a +0.5% V_2O_5 cut-off.

Flinders' Mineral Resource for the iron mineralisation is 216Mt @ 25.4% Fe (Table 5). This Inferred Mineral Resource inventory is based on a +20% Fe cut-off.

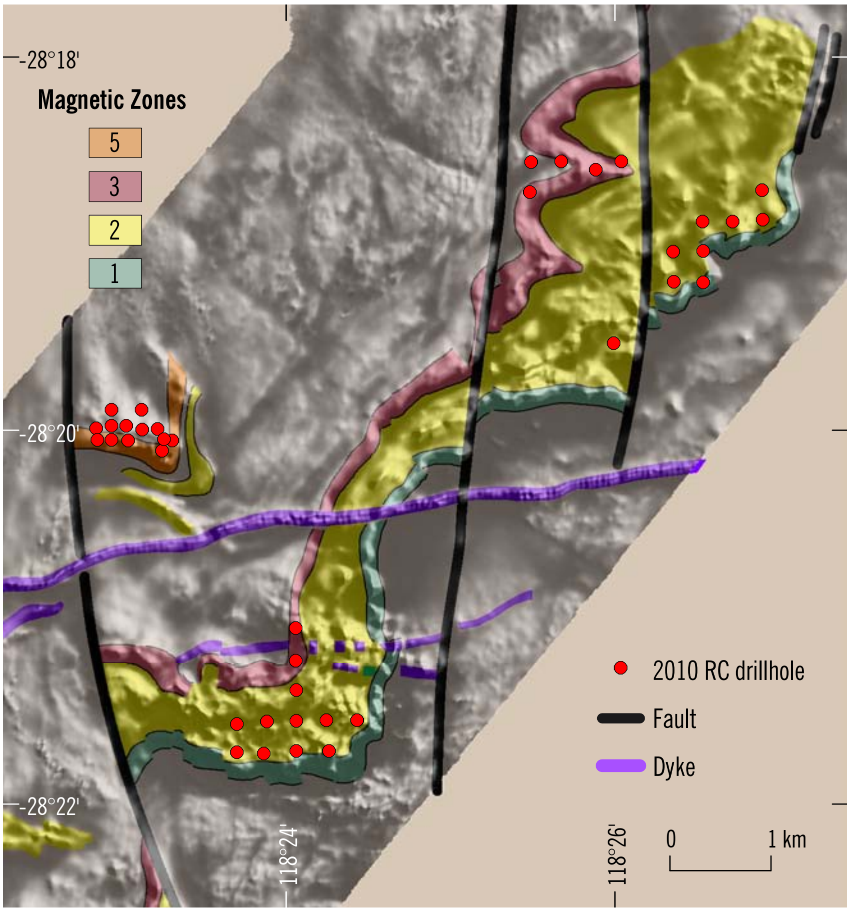


Figure 8 : *Canegrass magnetic zones.*

The resource estimate (Tables 4 and 5) were prepared by independent geological consultants, Optiro Pty Ltd, based on data collated and interpreted by FMS staff. The resource was estimated in accordance with the guidelines of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004).

The resource estimate is based on the results of 27 reverse circulation (RC) holes and 1 diamond (DD) hole drilled across 2 locations at the project between December 2007 and December 2010 (Figure 9). The total number of RC metres drilled is 4,814m. Total drill hole spacing was approximately 300m between holes. Average *in situ* densities were derived via direct measurement from the diamond drilling.

Planned Activities

In light of the discovery of significant iron and vanadium mineralisation at the project, the Company is now investigating opportunities to maximise the return from both the iron and vanadium mineralisation. This work will be carried out before any additional exploration takes place, given that the project tonnages are already substantial.

Additional marketing work is to be carried out over Q3 2011 leading to the commencement of discussions in Q4 2011 with third parties to gauge the demand of potential products. These discussions will include possible offtake and joint venture opportunities.

Table 4: *Canegrass vanadium Inferred Mineral Resource tonnage and grade report by area.*

	Inferred Mineral Resource for V_2O_5 > 0.5% (5/8/2011)						
Area	Mt	V_2O_5%	TiO_2%	Fe%	SiO_2%	Al_2O_3%	P%
Fold Nose	87	0.63	5.9	29.3	24.1	12.6	0.005
Kinks	20	0.57	5.5	27.4	25.9	13.0	0.009
Total	107	0.62	5.8	29.0	24.5	12.6	0.006

Table 5: *Canegrass iron Inferred Mineral Resource tonnage and grade report by area.*

	Inferred Mineral Resource for Fe > 20% (5/8/2011)						
Area	Mt	Fe%	TiO_2%	V_2O_5%	SiO_2%	Al_2O_3%	P%
Fold Nose	157	26.0	5.1	0.53	27.6	13.8	0.005
Kinks	59	23.8	4.8	0.48	29.3	14.7	0.013
Total	216	25.4	5.0	0.52	28.1	14.0	0.007

The previous owner of the Canegrass project conducted an extensive Airborne Electromagnetic Magnetic (AEM) survey over the tenure targeting Ni, Cu, Au and PGE mineralisation. Work has commenced on assessing AEM data to derive a series of targets to be verified with ground EM. Flinders Mines plans to commence ground EM surveys in late 2011 to provide drill ready targets.

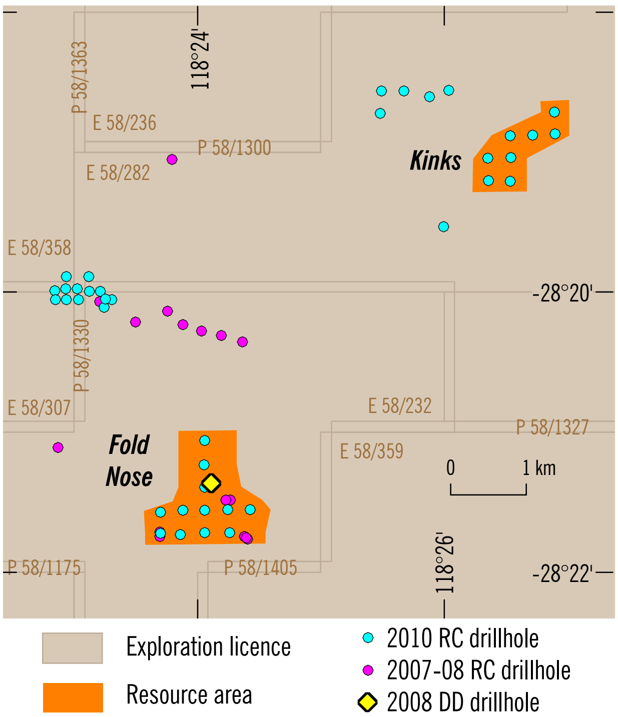


Figure 9 : *Completed RC drillholes and the Fold Nose and Kinks Resource areas, Canegrass Magnetite Project, WA.*

Tenement Schedule

Tenement Application/ Number	Tenement name	Grant/ Application Date	Expiry Date	Area (sq Km)	Registered Holder/ Applicant	Related Agreement
WESTERN AUSTRALIA						
Pilbara Project						
E47/882-I	Blacksmith	31/10/1997	30/10/2011	108	Flinders Mines Limited	Prenti Agreement
M47/1451	Blacksmith ML	24/09/2010			Flinders Mines Limited	Prenti Agreement
E47/1011-I	Bold Cliff	19/06/2001	18/06/2012	11	Flinders Mines Limited	Prenti and Fortescue Agreements
E47/1016-I	Mulga Downs	19/07/2002	18/07/2011	127	Flinders Mines Limited	Prenti and Fortescue Agreements
E47/1306-I	Hamersley West	17/11/2005	16/11/2012	126	Flinders Mines Limited	Prenti and Fortescue Agreements
E47/1333-I	Satellite Spring	28/07/2007	27/07/2012	174	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1334-I	Satellite Spring East	2/06/2007	1/06/2012	176	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1352-I	Hamersley Station West	16/02/2008	15/02/2013	31	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1372-I	Hamersley Range	16/05/2007	15/05/2012	190	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1398	Fortescue Valley	8/04/2004		196	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1399	Range Bore	8/04/2004		190	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1436-I	Malay Well	31/03/2006	30/03/2011	98	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1523-I	Mt Brockman West	16/02/2008	15/02/2013	70	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1524-I	Mt Brockman North	15/06/2007	14/06/2012	148	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1560-I	Anvil	6/09/2007	5/09/2012	44	Flinders Iron Pty Ltd	Prenti Agreement
M47/663-672	Mulga Downs FMG	24/06/2005			Flinders Mines Limited	Prenti and Fortescue Agreements
P47/1291-I	Gap area E47/882 &1306	27/09/2007	26/09/2011	0.2	Flinders Mines Limited	Prenti Agreement
M47/1407	Hamersley West FMG	13/09/2007			Flinders Mines Limited	Prenti and Fortescue Agreements
Canegrass Magnetite Project						
E58/232-I	Boulder Well	29/07/2002	28/07/2011	50.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/235-I	Canegrass Well	29/07/2002	28/07/2011	50.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/236-I	Challa	22/03/2002	21/03/2011	50.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/271-I	Gingier Pool	7/11/2005	6/11/2012	132.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/282-I	Honeypot	3/05/2007	2/05/2012	25.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/307-I	Challa Homestead	7/02/2007	6/02/2012	3.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/308-I	Challa South	7/02/2007	6/02/2012	3.0	Flinders Mines Limited	Maximus Canegrass Agreement
E58/358-I	Pipeline	22/03/2010	21/03/2015	157.0	Flinders Mines Limited	Maximus Canegrass and Corporate Group Agreements
E58/359-I	Bundy Well	26/02/2010	25/02/2015	211.0	Flinders Mines Limited	Maximus Canegrass and Corporate Group Agreements
P58/1174	Windimurra W4	3/04/2007	2/04/2011	1.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1175	Windimurra W5	3/04/2007	2/04/2011	1.0	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1176	Windimurra W6	3/04/2007	2/04/2011	1.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1300	Challa H1	18/09/2006	17/09/2010	0.4	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1301	Challa H2	18/09/2006	17/09/2010	0.4	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1302	Challa H3	18/09/2006	17/09/2010	1.0	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1327	Challa H4	1/11/2006	31/10/2010	1.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1328	Challa H5	1/11/2006	31/10/2010	1.8	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1329	Challa H6	1/11/2006	31/10/2010	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1330-I	Challa H7	1/11/2006	31/10/2010	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1331	Challa H8	1/11/2006	31/10/2010	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1352	Challa H9	5/10/2009	4/10/2013	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1353	Challa H10	5/10/2009	4/10/2013	0.3	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1403	Challa A	3/03/2010	2/03/2014	1.4	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1404		3/03/2010	2/03/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1405	Bullock Well North	31/12/2008	30/12/2012	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1406	Bullock Well	31/12/2008	30/12/2012	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1425		28/06/2010	27/06/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1426		28/06/2010	27/06/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1427		28/06/2010	27/06/2014	0.4	Flinders Mines Limited	Maximus Canegrass Agreement

Tenement Application/ Number	Tenement name	Grant/ Application Date	Expiry Date	Area (sq Km)	Registered Holder/ Applicant	Related Agreement
WESTERN AUSTRALIA						
Canegrass Magnetite Project *(cont.)*						
P58/1428		28/06/2010	27/06/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1429		21/04/2010	20/04/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1430		21/04/2010	20/04/2014	0.3	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1431		21/04/2010	20/04/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1432		26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1433		26/02/2010	25/02/2014	0.4	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1434		26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1435		26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1436		26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1437		26/02/2010	25/02/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1438		26/02/2010	25/02/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1439		26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1440		4/03/2010	3/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1445		4/03/2010	3/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P59/1851		21/04/2010	20/04/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P59/1865		8/03/2010	7/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P59/1866		8/03/2010	7/03/2014	1.2	Flinders Mines Limited	Maximus Canegrass Agreement
NORTHERN TERRITORY						
Strangways Project						
SEL25055	Strangways	13/06/06	12/06/2010*	1118	Flinders Mines Limited	Maximus Agreement
SEL25056	Mud Tank-Alcoota	13/06/06	12/06/2010*	520	Flinders Mines Limited	Maximus Agreement
SOUTH AUSTRALIA						
Adelaide Hills Project						
EL 4303	Lobethal	1/09/09	31/08/2011	333	Flinders Mines Ltd	Maximus Agreement
EL 4401	Kanmantoo	17/12/09	16/12/2012	489	Hillgrove Resources Ltd	Kelaray Agreement
EL 4641	Echunga	7/01/11	6/01/2012	253	Flinders Mines Ltd	Maximus Agreement
EL 4712	Mt Pleasant	30/03/11	29/03/2012	690	Flinders Mines Ltd	Maximus Agreement
EL 4091	Mt Barker	25/02/08	24/02/2012	162	Flinders Mines Ltd	Maximus Agreement
EL 4131	Kapunda	28/04/08	27/04/2012	641	Flinders Mines Ltd	Maximus Agreement
EL 4227	Brukunga	25/02/09	24/02/2012	176	Flinders Mines Ltd	Maximus Agreement
EL 4464	Tarlee	13/04/10	12/04/2012	105	Flinders Mines Ltd	Maximus Agreement
Billa Kalina Project						
EL 4760	Francis	22/06/11	21/06/2012	345	Flinders Mines Ltd	Maximus Agreement
EL 4757	Margaret	22/06/11	21/06/2012	477	Flinders Mines Ltd	Maximus Agreement
EL 4463	Billa Kalina	13/04/10	12/04/2012	1,023	Flinders Mines Ltd	Maximus Agreement
Pt EL 3170 (ELA 33/10)	Bamboo Lagoon	17/02/10		412	Flinders Mines Ltd	Maximus Agreement
EL 3338 (78/10)	Millers Creek	18/03/10		771	Flinders Mines Ltd	Maximus Agreement
Central Gawler Craton Project						
EL 3343 (ELA 59/10)	Sandstone	1/01/10		322	Tasman Resources NL	Tasman Agreement
EL 3423 (233/10)	Wildingi Claypan	1/01/10		215	Tasman Resources NL	Tasman Agreement
EL 3532 (ELA 006/11)	Galaxy Tank	12/12/10		295	Tasman Resources NL	Tasman Agreement
Flinders Ranges Manganese Project						
EL 4709	Murray Town	29/03/11	28/03/2013	212	Flinders Iron Pty Ltd	
EL 4710	Mt Ragless	29/03/11	28/03/2013	242	Flinders Iron Pty Ltd	

Tenement Schedule *(cont.)*

Tenement Application/ Number	Tenement name	Grant/ Application Date	Expiry Date	Area (sq Km)	Registered Holder/ Applicant	Related Agreement
SOUTH AUSTRALIA *(cont.)*						
Jamestown Project						
EL 4366	Mt Remarkable	10/11/09	9/11/2010*	58	Flinders Mines Ltd	
EL 4367	Slippery Corner	10/11/09	9/11/2010*	210	Flinders Mines Ltd	Tarcowie Agreement
EL 4368	Caltowie	10/11/09	9/11/2010*	670	Flinders Mines Ltd	Tarcowie and Copper Agreement
EL 4369	Jamestown	10/11/09	9/11/2010*	218	Flinders Mines Ltd	
EL 4370	Washpool	10/11/09	9/11/2012	209	Phoenix Copper Ltd	Phoenix Agreement
EL 4371	Steves Gap	10/11/09	9/11/2010*	110	Flinders Mines Ltd	
EL 4372	Pekina	9/11/09	9/11/2010*	326	Flinders Mines Ltd	
EL 4410	Twelve Mile	19/01/10	18/01/2012	176	Flinders Mines Ltd	
EL 4373	Lancelot	9/11/09	8/11/2010*	622	Flinders Mines Ltd	
EL 4374	Amyton	9/11/09	8/11/2010*	142	Flinders Mines Ltd	
Lake Torrens Project						
EL 4206	White Cliff	17/11/08	16/11/2010*	140	Tasman Resources NL	
EL 4300	Andamooka	25/08/09	24/08/2011	12	Tasman Resources NL	
EL 3177 (ELA 436/08)	Todds Dam	1/01/08		402	Tasman Resources NL	
EL 4322	Andamooka North	14/10/09	13/10/2012	1,295	Tasman Resources NL	
Nackara Project						
EL 4638	Bendigo	20/12/10	19/12/2011	394	Novec Pty Ltd	Simnovec Agreement
EL 3832	Pandappa	12/07/07	11/07/2011	306	Amona Mining and Exploration Pty Ltd	Simnovec Agreement
EL 4294	Nackara	18/08/09	17/08/2011	556	John J Simnovec	Simnovec Agreement
EL 3741	McCoys Well	12/04/07	11/04/2011*	274	Flinders Mines Ltd	
EL 3692	Mount Grainger	6/02/07	5/02/2012	375	IR, MA & WJ Filsell	Filsell Agreement
EL 4593	Paratoo	2/11/10	1/11/2012	191	IR & MA Filsell	Filsell Agreement
Southern Gawler Craton Project						
EL 4290	Flinders Island	3/08/09	2/08/2011	16	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
EL 3928	Venus Bay	17/09/07	16/09/2011	332	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
ELA 85/00	Offshore Flinders Island	1/01/00		364	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
ELA 95/01	Venus Bay Coastal	1/01/01		35	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
EL 4183	Flinders Island Coastal	8/09/08	7/09/2011	24	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
Springfield Project						
EL 3919	Springfield	3/09/07	2/09/2011	340	Flinders Mines Ltd	
EL 4404	Kanyaka	23/12/09	22/12/2011	297	Flinders Mines Ltd	
EL 4184	Glen Oak	18/09/08	17/09/2011	186	Flinders Mines Ltd	
EL 4209	Willochra	18/11/08	17/11/2011	35	Flinders Mines Ltd	
EL 4208	Gilbert Hill	18/11/08	17/11/2011	1,178	Flinders Mines Ltd	
EL 4606	Quorn	19/11/10	18/11/2011	35	Flinders Mines Ltd	
EL 3693	Radford Creek	6/02/07	5/02/2012	206	Flinders Mines Ltd	

* *Extension or replacement pending*

Note: FEX Agreement applies to all tenements except EL 4401 and the Canegrass Magnetite Project

Flinders Mines Limited
ABN 46 091 118 044

Financial Report

for the year ended 30 June 2011

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. The registered office and principal place of business is:

Flinders Mines Limited
Level 1, 136 Frome Street
Adelaide SA 5000

Registered postal address is:

Flinders Mines Limited
PO Box 3065
Rundle Mall
Adelaide SA 5000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 20 to 29, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 27 September 2011. The directors have the power to amend and reissue the financial statements.

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

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Flinders Mines Limited (referred to hereafter as the Parent Entity or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

The following persons were directors of the Parent Entity from the start of the financial year to the date of this report, unless otherwise stated:

Robert Michael Kennedy
(Non-executive chairman)

Gary David Sutherland
(Managing Director, since 27 April 2011)

John David Cooper
(Non-executive director, since 13 September 2010)

Kevin John Malaxos
(Non-executive director, since 21 December 2010)

Ewan John Vickery
(Non-executive director)

Gregory Mornington May
(Alternate director for E J Vickery)

Nicholas John Smart
(Alternate director for R M Kennedy)
(Non-executive director from 1 September 2010 to 30 September 2010)

Kevin John Anson Wills
(Managing Director, resigned 31 August 2010)

Nicholas John Corlis
(Alternate director for K J A Wills, resigned 31 August 2010)

PRINCIPAL ACTIVITIES

The principle activities of the Group during the financial year were mineral exploration and development.

DIVIDENDS
– Flinders Mines Limited

There were no dividends declared or paid during the year (2010: Nil).

OPERATING RESULTS AND FINANCIAL POSITION

The net result of operations for the financial year was a loss of $7,964,256 (2010: $8,728,915).

The net assets of the Group have decreased by $7,425,113 during the financial year from $88,737,066 at 30 June 2010 to $81,311,953 at 30 June 2011.

REVIEW OF OPERATIONS

The 2011 financial year has seen Flinders Mines Limited deliver on time, on budget, and with no compromise on high levels of safety, performance and focus, on every objective for its flagship Pilbara Iron Ore Project (PIOP) in Western Australia.

The Project's well defined and growing JORC resource now stands at 748 million tonnes (Mt) at 55% Fe, 14% higher than the previous year. Encouragingly, drilling towards the end of the year identified some of the thickest and highest grades of hematite so far encountered. A total of 57,069 metres were drilled on the PIOP over the year. In all, a total of 2,705 holes for 135,657 metres have now been drilled on the PIOP.

The successful PIOP Pre-Feasibility Study (PFS), completed early in calendar year 2011 in partnership with Worley Parsons, defined a minimum economic mine life of 20 years. Life-of-mine revenue was estimated at around A$25 billion. The PFS gave the Board confidence to authorise by year's close, the commencement of the Definitive Feasibility Study (DFS) based on a start-up rate of 15 Mtpa, which was identified in the PFS as economic and with an NPV of $3.1 billion. To develop a new mine at this rate is costed currently at around A$1.13 billion although the Company is initiating capex reduction studies, already revealing savings of around $80 million.

The Company also put in place confidentiality agreements with a range of potential strategic partners both on a domestic and international basis. The focus of such agreements enables Flinders Mines to confidentially explore a wide range of opportunities that relate to infrastructure provision, product off-take and project financing. As part of the strategy to monetise the project over 2011-2012, product off-take and project involvement discussions are now at a much heightened level, and with a high calibre of Chinese, Korean, Japanese and Indian entities. These current potential partners have the depth of steel mill capacity, financial muscle, long-term product demand curves and high integrity sovereign risk profiles, that will ensure the PIOP can evolve into a mature, multi-decade mining operation. The focus of these negotiations includes options for direct involvement with any level of the project (financing, construction, mining, rail, ore train supply, wharf infrastructure etc) through to direct equity interest in Flinders Mines itself. Significantly, there is strong demand in the Asian region for the PIOP's product mix.

In August 2011 the Company announced a maiden Inferred Resource at its Canegrass magnetite iron project in the Midwest region of Western Australia. Drilling completed there in late 2010 has revealed both magnetite iron mineralsiation and significant high grade vanadium mineralisation. Scoping study metallurgical testwork confirmed that saleable products could be generated from the Canegrass Magnetite Project.

The planned Initial Public Offering for Flinders Exploration Limited (FEX) underwent several extensions and asset changes during the year, itself a difficult environment for IPOs, but gains included a maturing in the copper and gold projects within FEX and continuation of negotiations to acquire the Black Cat gold project near Coolgardie in Western Australia. The IPO is due to close in October this year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 28 February 2011 the Parent Entity acquired the remaining 66.7% of the issued share capital of FME Exploration Services Pty Ltd, a services entity. FME Exploration Services Pty Ltd is now accounted for as a wholly owned Australian subsidiary in these consolidated financial statements (see note 26).

EVENTS SUBSEQUENT TO BALANCE DATE

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

This financial year the focus of Flinders Mines remains firmly on achieving project based approvals, finalising the DFS and commencing detailed design for the PIOP project. Construction is intended to commence in 2013, with first ore targeted in late 2014. Critical challenges ahead include confirming infrastructure solutions on third party rail and port access, maiden customer offtake agreements, project approvals and financing, commencement of mine construction, and eventual mine commissioning.

Project work includes ongoing metallurgical testwork, completion of native title negotiations and other environmental approvals, and drilling on the Blacksmith tenement to further test high quality target zones of Direct Shipping Ore. Various financial models are also being evolved to understand any impacts on project development from changes in global product, market and infrastructure alternatives.

A new global resource estimate for the PIOP is due in the 4Q of 2011.

A targeted exploration program on the Canegrass tenements will commence in Q2 FY2012.

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 is not in breach of any environmental obligation.

INFORMATION ON DIRECTORS

Robert Michael Kennedy

ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD.
Independent Non-executive Chairman

Experience and expertise

Mr Kennedy is a chartered accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. He joined Flinders in December 2001 as a non-executive director and has been the Chairman of Flinders since that date. Mr Kennedy brings to the Board his expertise in finance and management consultancy and extensive experience as chairman and non-executive director of a range of listed public companies.

Mr Kennedy leads the development of strategies for the development and future growth of Flinders. He has participated in the Diggers & Dealers Mining Industry conferences for the last 3 years. He also conducts the review of the Board including the Managing Director in his executive role.

Apart from his attendance at Board and Committee meetings Mr Kennedy leads the Board's external engagement of the company meeting with industry participants Government and the Media. He is a regular attendee of Audit Committee functions of the major accounting firms. During the year he attended the Masterclass of the Australian Institute of Directors with members of top ASX200 company boards. He has been appointed the Chairman of the University of Adelaide's Institute of Minerals and Energy Resources, is a mentor in the AICD's diversity program and is a regular presenter on topics relating to directors with the AICD and the CSA. In the area of Community Engagement he regularly attends functions held by institutions.

He was recently awarded Entrepreneur of the Year in the Ernst & Young Central Region awards in the listed category.

In assessing Mr Kennedy's independence, the Board (excluding Mr Kennedy), took into account his stamina, his ability to think independently across a wide range of issues and his relentless availability. Whilst Mr Kennedy has been appointed to a number of Resource Industry Boards, due to his extensive knowledge of the industry, the time required across these companies in no way impedes on his dedication to his role as Chairman of Flinders. In taking all of these issues into account, the Board (excluding Mr Kennedy), were unanimous in declaring Mr Kennedy as independent.

Mr Kennedy is also a director of ASX listed companies Beach Energy Limited (director since 1991, Chairman since 1995), ERO Mining Ltd (since 2006), Marmota Energy Limited (since 2006), Maximus Resources Limited (since 2004), Monax Mining Limited (since 2004), Ramelius Resources Limited (since 2004) and Somerton Energy Limited (since 2010).

Special responsibilities

Chairman of the Board.

Chairman of the Nomination and Remuneration Committee.

Chairman of the Corporate Development Committee.

Member of the Audit Committee.

Interests in shares, options and rights

31,500,000 ordinary shares in Flinders Mines Limited.

Gary David Sutherland

BAppSc (Hons), AAICD.
Managing Director.

Experience and expertise

A director since 27 April 2011, Mr Sutherland has 25 years experience in the resources industry. Over the last decade Mr Sutherland has filled senior leadership roles in both operations and greenfield/brownfield projects with BHP Billiton (including more than five years as General Manager   Processing), Pasminco and CRA (now Rio Tinto). He has worked across a range of commodities including iron ore, copper, lead, zinc, gold, silver and uranium.

Mr Sutherland was appointed as Acting Chief Executive Officer of Flinders Mines Limited in August 2010 and confirmed in the role of CEO in November 2010, until his appointment as Managing Director in April 2011.

Special responsibilities

Managing Director.
Member of the Risk Committee.

Interests in shares, options and rights

115,000 ordinary shares in Flinders Mines Limited.

300,000 options over ordinary shares in Flinders Mines Limited.

4,287,000 rights to acquire ordinary shares in Flinders Mines Limited.

John David Cooper

BSc (Building), FIE Aust, FAICD, FAIM.
Non-executive Director.

Experience and expertise

A director since 13 September 2010, Mr Cooper has over 35 years' experience in the Construction and Engineering sector in Australia and overseas and has provided consulting services to major projects for a number of years.

Mr Cooper was previously a member of the Murray and Roberts International Board, overseeing its operations globally and was a Non-Executive Director of Clough Engineering after having served in the role as Interim CEO, during which time he successfully restructured the Clough organisation.

Mr Cooper's experience includes five years as Managing Director and Chief Executive Officer of engineering and project management organisation CMPS&F and over twenty years with Concrete Constructions, where he held the position of General Manager and was on the Group Board.

He is as Fellow of the Institute of Company Directors, a Fellow of the Australian Institute of Management and a Fellow of the Institute of Engineers.

Mr Cooper is also a Non-Executive Director of ASX listed companies Southern Cross Elecetrical Engineering Limited (Director since 2007, Chairman since 2011) and NRW Holdings Limited (since 2011). Mr Cooper was previously a director of listed companies Clough Limited (2006 to 2010) and Murray and Roberts International Limited (2008 to 2010).

Special responsibilities

Member of the Audit Committee.

Member of the Risk Committee.

Chairman of the Corporate Governance Committee.

Interests in shares, options and rights

1,000,000 ordinary shares in Flinders Mines Limited.

Kevin John Malaxos

BEng Mining Engineering.
Non-executive Director.

Experience and expertise

A director since 21 December 2010, Mr Malaxos, a mining engineer, has over 25 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 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.

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

Special responsibilities

Member of the Corporate Governance Committee.

Ewan John Vickery

L.LB.
Non-executive director.

Experience and expertise

A director since 16 June 2001. Mr Vickery is a corporate and business lawyer with over 30 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 of Australian Mining and Petroleum Law Association (AMPLA Limited).

Mr Vickery is a Non-Executive Director of ASX listed company Maximus Resources Limited (since 2004) and was previously a Non-Executive Director of ERO Mining Limited (2006 to 2011).

Special responsibilities

Chairman of the Audit Committee.

Chairman of the Risk Committee.

Member of Nomination and Remuneration Committee.

Member of the Corporate Governance Committee.

Interests in shares, options and rights

4,700,000 ordinary shares in Flinders Mines Limited.

Gregory Mornington May

L.LB.
Alternate director for E J Vickery (Non-executive).

Experience and expertise

An alternate director since April 2005. Mr May has been a corporate lawyer for over 20 years. He is the Chief Operating Partner of the Adelaide and Darwin partnership of Minter Ellison, and practices predominantly in the areas of corporate law, revenue law, trusts and superannuation. In particular, Mr May has acted for many years for both vendors and purchasers in the acquisition and disposal of businesses and companies. He advises on all aspects of those transactions, including taxation (and structuring issues), stamp duty and superannuation.

Interests in shares, options and rights

633,571 ordinary shares in Flinders Mines Limited.

Nicholas John Smart

Alternate director for R M Kennedy (Non-executive).

Experience and expertise

An alternate director since 7 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. He is an alternate director for Maximus Resources Limited (since May 2005). Mr Smart currently consults to various public and private companies.

Directors' Report *(cont.)*

Mr Smart was appointed as a Non-executive director on 1 September 2010 and resigned from this position on 30 September 2010.

Interests in shares, options and rights

838,095 ordinary shares in Flinders Mines Limited.

Kevin John Anson Wills

BSc, PhD, ARSM, FAusIMM.
Managing Director until 31 August 2010.

Experience and expertise

Dr Wills is a geologist with 37 years experience in multi commodity mineral exploration including feasibility studies and mine operations in Australasia. Dr Wills spent seven years with CRA Exploration Pty Ltd, the highlight of which was involvement with the location and evaluation of the Argyle Diamond Deposit. Later, with Penarroya Australia Pty Ltd, his work led to an expansion of reserves at Thalanga and the discovery of the Waterloo base metals deposit.

In the late 1980s, Dr Wills was exploration manager with Metana Minerals NL. He built up a successful exploration team which extended known gold ore bodies and made new discoveries in the Murchison Region of Western Australia. In the early 1990s Dr Wills was regional exploration manager with Dominion Mining Limited, based in Adelaide. His work on the Gawler Craton led to the development of a calcrete sampling technique which, later on, was instrumental in the Challenger gold discovery.

Dr Wills was Managing Director of Flinders Mines Limited until his resignation on 31 August 2010. He is an Associate of the Royal School of Mines, past chairman of the Adelaide Branch and a Fellow of the Australian Institute of Mining and Metallurgy and is a member of the executive committee of the Western Australian Chamber of Minerals and Energy.

Dr Wills is also an Executive Director of Flinders Exploration Limited.

Interests in shares, options and rights

11,000,000 ordinary shares in Flinders Mines Limited.

Nicholas John Corlis

BSc (Hons), MSc, MAIG, MAAG
Alternate director for K J A Wills until 31 August 2010.

Experience and expertise

An alternate director from 12 March 2009 until his resignation on 31 August 2010, Mr Corlis has over 15 years experience as a geochemist and geologist in multi commodity mineral exploration including gold, base metals and coal, and has been involved in several discoveries. He has extensive project management experience working as both a principal consultant for Golder Kingett Mitchell in New Zealand and exploration roles for WMC Resources and the Gutnick group of companies.

In his previous role as Exploration Manager for Perilya Ltd, Mr Corlis opened the Adelaide office in 2007, built up exploration teams for both Queensland and South Australia, extended the Mt Oxide copper resource by 80% and led the development of the Reliance non-sulphide zinc deposit into the feasibility stage.

Interests in shares, options and rights

495,000 options over ordinary shares in Flinders Mines Limited.

1,946,000 rights to acquire ordinary shares in Flinders Mines Limited.

Company Secretary

David Wayne Godfrey

BCom (Fin), GradDipAcc, ASA, FFin, CFTP (Snr), MAICD.

Experience and expertise

Mr Godfrey has more than 25 years experience in the resources and finance industries and is a member of Australian Society of CPAs, Chartered Secretaries Australia, Australian Institute of Company Directors and a Fellow of the Financial Services Institute. He has previously held senior finance roles in major corporations and for the Treasury of New Zealand and has served as secretary of numerous publicly listed and subsidiary companies for the Normandy Mining Limited Group, Newmont Australia Limited Group and Uranium Exploration Australia Limited. He has been the Company Secretary and Chief Financial Officer since 11 November 2008.

Interests in shares, options and rights

338,769 ordinary shares in Flinders Mines Limited.

1,541,000 rights to acquire ordinary shares in Flinders Mines Limited.

MEETINGS OF DIRECTORS

The numbers of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

	Full meetings of directors		Audit committee		Corporate development committee		Nomination and remuneration committee		Risk committee	
	A	B	A	B	A	B	A	B	A	B
Robert Michael Kennedy	17	17	2	2	3	3	1	1	-	-
Gary David Sutherland	3	3	-	-	-	-	-	-	1	1
John David Cooper	13	13	1	1	2	2	-	-	-	-
Kevin John Malaxos	8	8	-	-	-	-	-	-	-	-
Ewan John Vickery	17	17	2	2	-	-	1	1	1	1
Gregory Mornington May	-	-	-	-	-	-	-	-	-	-
Nicholas John Smart	1	2	-	-	-	-	-	-	-	-
Kevin John Anson Wills	2	2	-	-	1	1	-	-	-	-
Nicholas John Corlis	-	-	-	-	-	-	-	-	-	-

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

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 year pursuant to this indemnity.

The companies within the Group have 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 relevant 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 $23,810 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 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 any 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 C*orporations Act 2001*.

NON-AUDIT SERVICES

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

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect 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 for non-audit services paid or payable to the external auditors of the Parent Entity, its related practices or non-related audit firms during the year ended 30 June 2011.

REMUNERATION REPORT – Audited

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

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

A Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amounts of emoluments of board members and senior executive officers of the Group is as follows:

The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors has been set at $750,000 per annum. 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. 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 remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. 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.

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.

The Company also has an Employee Incentive Rights Plan approved by shareholders 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 employment conditions of the Managing Director, Mr Sutherland were formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Managing Director's contract may be terminated on one month's notice by either party. The Company may terminate the contract without notice in serious instances of misconduct.

B Details of remuneration

This report details the nature and amount of remuneration for each key management person of the Group and for the executives receiving the highest remuneration.

The names and positions held by directors and key management personnel of the Group during the financial year are:

- Mr R M Kennedy – Chairman, non-executive
- Mr G D Sutherland – Managing Director
- Mr J D Cooper – Director, non-executive
- Mr K J Malaxos – Director, non-executive
- Mr E J Vickery – Director, non-executive
- Mr G M May – Alternate director for E J Vickery
- Mr N J Smart – Alternate director for R M Kennedy since 7 December 2009 (Director, non-executive from 1 September 2010 to 30 September 2010)
- Dr K J A Wills – Managing Director (until 31 August 2010)
- Mr N J Corlis – General Manager - Business Development (Alternate director until 31 August 2010)
- Mr M Rapaic – General Manager - Project Development
- Mr M Anstey – General Manager - HSEC & HR
- Mr D W Godfrey – Chief Financial Officer & Company Secretary

Key management personnel of the Group and other executives of the Company and the Group

2011	Short-term employee benefits		Post-employment benefits	Share-based payments		
	Directors' Fees $	Salary $	Superannuation $	Options $	Rights $	Total $
Robert Michael Kennedy	165,138	-	14,862	-	-	180,000
Gary David Sutherland^	-	370,147	25,000	-	124,323	519,470
John David Cooper	66,267	-	5,964	-	-	72,231
Kevin John Malaxos*	48,115	-	-	-	-	48,115
Ewan John Vickery	82,569	-	7,431	-	-	90,000
Gregory Mornington May	-	-	-	-	-	-
Nicholas John Smart	5,000	-	-	-	-	5,000
Kevin John Anson Wills**	-	346,977	7,569	-	-	354,546
Nicholas John Corlis^	-	260,427	23,439	-	56,434	340,300
Miro Rapaic^	-	244,194	21,977	-	53,650	319,821
Michael Anstey^	-	212,333	19,110	6,653	44,718	282,814
David Wayne Godfrey^	-	206,880	18,619	7,290	44,689	277,478
Total key management personal compensation	**367,089**	**1,640,958**	**143,971**	**13,943**	**323,814**	**2,489,775**

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

** *A retirement allowance was paid to Dr Wills upon his retirement from the Board.*

^ *During the year selected executives were granted 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 32.*

The directors conclude that there are no executives requiring disclosure other than those listed.

Key management personnel of the Group and other executives of the Company and the Group

2010	Short-term employee benefits		Post-employment benefits	Share-based payments		
	Directors' Fees $	Salary $	Superannuation $	Options $	Rights $	Total $
Robert Michael Kennedy	123,899	-	11,151	-	-	135,050
Gary David Sutherland	-	286,957	25,023	14,327	-	326,307
Ewan John Vickery*	66,284	-	3,716	-	-	70,000
Gregory Mornington May	5,000	-	-	-	-	5,000
Nicholas John Smart	-	-	-	-	-	-
Kevin John Anson Wills	-	401,376	36,124	-	-	437,500
Andrew Joseph Andrejewskis	5,000	-	-	-	-	5,000
Nicholas John Corlis	-	222,936	20,064	-	-	243,000
David Wayne Godfrey**	-	178,899	16,101	-	-	195,000
Total key management personal compensation	**200,183**	**1,090,168**	**112,179**	**14,327**	**-**	**1,416,857**

* *For part of the year, directors' fees for Mr Vickery were paid to a related entity of the director.*

** *Mr Godfrey is employed by FME Exploration Services Pty Ltd. His services are provided as part of the services agreement in place between FME Exploration Services Pty Ltd and Flinders Mines Limited. The management fees paid by Flinders Mines Limited are outlined in note 24. This agreement was formalised 3 August 2006. FME Exploration Services Pty Ltd became a wholly owned subsidiary of the Group on 28 February 2011.*

The directors conclude that there are no executives requiring disclosure other than those listed.

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

	Fixed remuneration		At Risk - STI*		At Risk - LTI**	
Name	**2011 %**	2010 %	**2011 %**	2010 %	**2011 %**	2010 %
Gary David Sutherland	**76**	96	**-**	-	**24**	4
Nicholas John Corlis	**83**	100	**-**	-	**17**	-
Miro Rapaic	**83**	-	**-**	-	**17**	-
Michael Anstey	**82**	-	**-**	-	**18**	-
David Wayne Godfrey	**81**	100	**-**	-	**19**	-

* *Short-term incentives (STI) include cash incentive payments (bonuses) linked to company and/or individual performance.*

** *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.*

C Service agreements

During the financial year, the Company reviewed the employment agreement of Mr Sutherland in respect of his services as Managing Director. An agreement with no fixed term was agreed with a salary set at $550,000 per annum inclusive of superannuation guarantee contributions to be reviewed periodically and with termination on one month's notice by either party. Messrs Kennedy, Vickery, Cooper and Malaxos are engaged as directors without formal employment agreements.

D Share-based compensation

Employee Incentive Rights Plan

The Company has an Employee Incentive Rights Plan approved by shareholders 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. During the year 16,196,000 rights were issued to employees at a value of $0.087 each. This accounting value does not represent actual cash payments to the employees, but is a recognition of the value of the rights at grant date, over the vesting period.

The issue has a three year vesting period and is based on personal criteria, including continuity of service for the full vesting period and Company performance criteria including the Company's Total Shareholder Return over the vesting period relative to that of a Comparitor Group of companies.

The companies in the Comparitor Group are as follows:

- Adamus Resources Limited
- Anvil Mining Limited
- Apex Minerals NL
- Arafura Resources NL
- Aurora Oil & Gas Limited
- Aurox Resources Limited
- BC Iron Limited
- Berkeley Resources Limited
- Blackthorn Resources Limited
- Bougainville Copper Limited
- CBH Resources Limited
- Centrex Metals Limited
- Coeur D'Alene Mines Corporation
- Conquest Mining Limited
- Discovery Metals Limited
- Exco Resources Limited
- FerrAus Limited
- Focus Minerals Limited
- Forte Energy NL
- Galaxy Resources Limited
- Gold One International Limited
- Highlands Pacific Limited
- Hillgrove Resources Limited
- Integra Mining Limited
- Iron Ore Holdings Limited
- Ivanhoe Australia Limited
- Jabiru Metals Limited
- Jupiter Mines Limited
- Kagara Limited
- Kangaroo Resources Limited
- Magma Metals Limited
- Metals X Limited
- Mincor Resources NL
- Nkwe Platinum Limited
- Nucoal Resources NL
- Nyota Minerals Limited
- Panoramic Resources Limited
- Platinum Australia Limited
- Red 5 Limited
- Red Hill Iron Limited
- Sandfire Resources NL
- Sphere Investments Limited
- Straits Resources Limited
- Summit Resources Limited
- Sundance Resources Limited
- Swick Mining Services Ltd
- Sylvania Resources Limited
- Terramin Australia Limited
- Thundelarra Exploration Limited
- Western Plains Resources Ltd

No employee share options or rights were issued to the directors during the year (2010: Nil).

Shares issued on exercise of remuneration options

No shares were issued to directors as a result of the exercise of remuneration options during the financial year (2010: Nil).

Options granted as remuneration

Apart from the options granted under the Company's Employee Share Option Plan as detailed below, no other options were granted to directors or key management personnel of the Company during the financial year.

Directors' interests in shares and options

Directors' relevant interests in shares and options of the Company are disclosed in note 20 of the financial statements.

Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Flinders Mines Limited granted during or since the end of the financial year to the key management personnel of the company as part of their remuneration were as follows:

- Michael Anstey, General Manager HSEC & HR – 200,000 @ $0.085 expiring 30 June 2015
- David Godfrey, CFO and Company Secretary – 170,000 @ $0.045 expiring 3 February 2014

Shares under option

Unissued ordinary shares of Flinders Mines Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
10 April 2007	20 March 2012	$0.017	400,000
6 March 2008	5 March 2013	$0.084	362,500
4 February 2009	3 February 2014	$0.045	1,209,999
26 August 2009	26 August 2014	$0.055	300,000
11 February 2011	30 June 2015	$0.085	320,000
			2,592,499

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

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 30.

This report is signed and dated in Adelaide on this 27th day of September 2011 and made in accordance with a resolution of the directors.

Robert M Kennedy
Director

Auditor's Independence Declaration

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 2011, 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 SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 27 September 2011

Corporate Governance Statement

The Board of Directors is committed to improving and achieving good standards of corporate governance and has established corporate government policies and procedures, where appropriate and practicable, consistent with the revised Corporate Governance Principles and Recommendations – 2nd Edition issued by the ASX Corporate Governance Council ("ASX Recommendations").

The following statement sets out a summary of the Group's corporate governance practices that were in place during the financial year and how those practices relate to the revised ASX Recommendations. The Company elected to undergo an early transition to the revised Principles and Recommendations and as such has reported against these for each of the financial years ended 30 June 2008 through to 30 June 2011.

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a "one size fits all" approach to Corporate Governance is not required. Instead, it states aspirations of good practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring a good standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the above ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of the Company.

The Board is, nevertheless, committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company. This statement outlines the main Corporate Governance practices of the Company disclosed under the ASX Recommendations, including those that comply with good practice and which unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2011.

PRINCIPLE 1: Lay solid foundations for management and oversight

Recommendation 1.1

Recommendation followed

The Board is governed by the *Corporations Act 2001*, ASX Listing Rules and a formal constitution revised and approved by members of the Company in 2009.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit Committee to deal with internal control, ethical standards and financial reporting, and a Risk Committee to deal with the control environment in the area of operational risk.

The Board appoints a Managing Director/Chief Executive Officer responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

The Board has adopted a formal board charter that details its functions and responsibilities and a formal statement of the areas of authority delegated to senior executives.

Recommendation 1.2

Recommendation followed

The Board has established a Nomination and Remuneration Committee, which takes responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

The Board considers the Company's present circumstances and goals ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team. The Board on a regular basis reviews the performance of and remuneration for Executive Director's and senior management including any equity participation by such Executive Directors and senior management. The Board evaluates the performance of the Managing Director/CEO and Company Secretary on a regular basis and encourages continuing professional development.

Recommendation 1.3

Recommendation followed

During the period the Board undertook an informal performance evaluation of the Managing Director/CEO, Company Secretary and senior management. The evaluation was in accordance with the Company's process for evaluation of senior executives.

PRINCIPLE 2: Structure the board to add value

Recommendation 2.1

Recommendation followed

The composition of the Board consists of five directors, four of whom, including the Chairman, are independent directors.

The Audit Committee currently consists of three independent directors.

Recommendation 2.2

Recommendation followed

The Chairman, Mr Kennedy is an independent director.

Recommendation 2.3

Recommendation followed

Mr Kennedy's role as Chairman of the Board is separate from that of the Managing Director/CEO who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.4

Recommendation followed

A Nomination and Remuneration Committee has been established consisting of the following non-executive directors:

- R M Kennedy (Chair)
- E J Vickery

A formal committee charter was adopted, that details the functions and responsibilities of the committee.

The main responsibilities of the committee are to:

- conduct an annual review of the membership of the board having regard to present and future needs of the company and to make recommendations on board composition and appointments;
- conduct an annual review of and conclude on the independence of each director;
- propose candidates for board vacancies;
- oversee the annual performance assessment program;
- oversee board succession including the succession of the chair; and
- assess the effectiveness of the induction process.

Recommendation 2.5

Recommendation not followed

The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration and development company, the assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis. Whilst this is at variance with the ASX Recommendation 2.5, the directors consider that at the date of this report an appropriate and adequate process for the evaluation of directors is in place. A more formal process of Board assessment will be considered in the future as the Company develops.

Recommendation 2.6

Recommendation followed

The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

The current directors, other than the Managing Director, are considered to be independent.

The Company has no relationships with any of the independent directors which the company believes would compromise the independence of these directors.

All directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as directors in relation to the affairs of the Company at the expense of the Company.

The Company's constitution specifies the number of directors must be at least three and at most seven. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

An assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis, and will be conducted in future by the Nomination and Remuneration Committee.

PRINCIPLE 3: Promote ethical and responsible decision making

Recommendation 3.1

Recommendation followed

The Company has adopted a formal code of conduct which requires all its directors and employees to abide by good standards of behaviour, business ethics and in accordance with the law. In discharging their duties, directors of the Company are required to:

- act in good faith and in the best interests of the Company;
- exercise care and diligence that a reasonable person in that role would exercise;
- exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- disclose material personal interests and avoid actual or potential conflicts of interests;
- keep themselves informed of relevant Company matters;
- keep confidential the business of all directors' meetings; and
- observe and support the Board's Corporate Governance practices and procedures.

Directors are also required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the *Corporations Act 2001* and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the *Corporations Act 2001*, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Recommendation 3.2

Recommendation followed

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the *Corporations Act 2001* also prohibits the acquisition and disposal of securities where a person possess information that is not generally available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available. A securities trading policy has been established and all employees and directors are obliged to comply.

All directors have signed agreements with the Company which require them to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the *Corporations Act 2001* and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the *Corporations Act 2001*, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Recommendation 3.3

Recommendation followed

A summary of the Company's Trading Policy can be found at www.flindersmines.com/governance.html

PRINCIPLE 4:
Safeguard integrity in financial reporting

Recommendation 4.1

Recommendation followed

An Audit Committee has been established to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The main responsibilities of the Audit and Corporate Governance Committee include;

- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports released to the market by the Company;
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal control and ensuring efficacy and efficiency of operations, reliability of financial reporting and compliance with applicable Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

Recommendation 4.2

Recommendation followed

The Audit Committee consists of three non-executive, independent Board directors, Messrs Vickery, Kennedy and Cooper and is chaired by Mr Vickery.

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration and development company the existing composition of the Audit Committee is such that review and authorisation of the integrity of the Company's financial reporting and the independence of the external auditor is via the exercise of independent and informed judgement.

Recommendation 4.3

Recommendation followed

A formal Audit Committee Charter has been adopted, that details the functions and responsibilities of the Committee.

Recommendation 4.4

Recommendation followed

Mr Kennedy is a qualified Chartered Accountant. Details of the Audit Committee member's qualifications and attendance at meetings are set out in the Directors' Report section of this report.

The Committee meets at least twice per annum and reports to the Board. The Managing Director/CEO, CFO/ Company Secretary and external auditor may by invitation attend meetings at the discretion of the Committee.

PRINCIPLE 5:

Make timely and balanced disclosures

Recommendation 5.1 & 5.2

Recommendations followed

The Company has adopted a Continuous Disclosure Policy and the Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made publicly available on the Company's website following release to the ASX.

PRINCIPLE 6:
Respect the rights of shareholders

Recommendation 6.1 & 6.2

Recommendations not followed

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASX Recommendations, information is communicated to shareholders as follows:

- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures required by the *Corporations Act 2001*;
- the half yearly financial report lodged with the ASX and Australian Securities and Investments Commission (ASIC) and sent to all shareholders who request it;

- notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material made available on the Company's website; and
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the *Corporations Act 2001* the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration and development company, the Board does not believe a formal policy for shareholder communication is required. However, a summary describing how the Company will communicate with its shareholders is posted on the Company's website, www.flindersmines.com/governance.html

PRINCIPLE 7:
Recognise and manage risk

Recommendation 7.1, 7.2 & 7.4

Recommendations followed

A Risk Committee has been established consisting of the following non-executive directors and senior executives:

- Mr E J Vickery (Chair)
- Mr J D Cooper
- Managing Director/CEO
- General Manager HSEC & HR

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. Design and development of a risk management and internal control system is underway and formal reports in relation to the Company's management of its material business risk will be presented to the Board.

Recommendation 7.3

Recommendation followed

In accordance with ASX Recommendation 7.3 the Managing Director/Chief Executive Officer and Chief Financial Officer have provided assurances that the written declarations under s295A of the *Corporations Act 2001* are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Both the Managing Director/Chief Executive Officer and Chief Financial Officer provided said assurances at the time the s295A declarations were provided to the Board.

PRINCIPLE 8:
Remunerate fairly and responsibly

Recommendation 8.1

Recommendation followed

A Nomination and Remuneration Committee has been established consisting of the following non-executive directors:

- R M Kennedy (Chair)
- E J Vickery

Details of these directors' attendance at remuneration committee meetings are set out in the Directors' report.

The remuneration committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report".

Recommendation 8.2 & 8.3

Recommendations followed

In accordance with ASX Recommendation 8.2 the Company's remuneration practices are set out as follows.

The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors has been set at $750,000 per annum. 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 fees and statutory superannuation contributions. 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.

The remuneration of the Managing Director/CEO is determined by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of employees is determined by the Managing Director/CEO 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 junior listed mineral exploration and development 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.

The Company also has an Employee Incentive Rights Plan approved by shareholders 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 an long-term incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company. The non-executive directors are not eligible to participate in the Plan.

The employment conditions of the Managing Director are formalised in a contract of employment. The Managing Director's contract may be terminated at any time by mutual agreement or without notice in serious instances of misconduct.

Further details of director's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

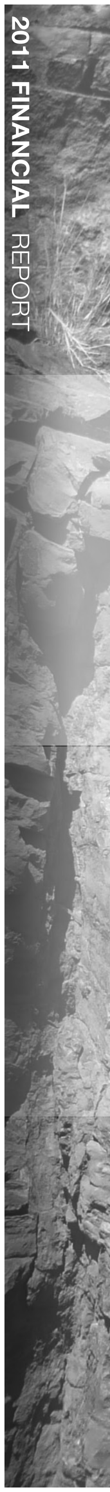
The Company's Corporate Governance Policies can be found at www.flindersmines.com/governance.html

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Revenue from continuing operations	*4*	**2,909,225**	2,340,833
Loss on disposal of assets		**(23,502)**	-
Marketing expenses	*5*	**(1,043,293)**	(637,885)
Administrative expenses	*5*	**(4,437,695)**	(2,630,978)
Finance costs	*5*	**(20,281)**	(8,295)
Exploration expenditure impaired	*5*	**(6,017,328)**	(6,879,125)
(Loss) before income tax		**(8,632,874)**	(7,815,450)
Income tax benefit/(expense)	*6*	**668,618**	(913,465)
(Loss) for the year		**(7,964,256)**	(8,728,915)
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets (net of tax)	*19(a)*	**(24,014)**	(126,895)
Other comprehensive income for the year (net of tax)		**(24,014)**	(126,895)
Total comprehensive income for the year		**(7,988,270)**	(8,855,810)
(Loss) is attributable to:			
Owners of Flinders Mines Limited		**(7,964,256)**	(8,728,915)
		(7,964,256)	(8,728,915)
Total comprehensive income for the year is attributable to:			
Owners of Flinders Mines Limited		**(7,988,270)**	(8,855,810)
		(7,988,270)	(8,855,810)
	Notes	**Cents**	Cents
Earnings per share for (loss) attributable to the ordinary equity holders of the Parent Entity:			
Basic earnings per share	*31*	**(0.4375)**	(0.5244)
Diluted earnings per share	*31*	**(0.4375)**	(0.5244)

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



Consolidated Statement of Financial Position

As at 30 June 2011

		Consolidated	
	Notes	**30 June 2011 $**	30 June 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	7	**36,321,300**	54,807,269
Trade and other receivables	8	**1,748,263**	2,229,248
Other current assets	9	**45,545**	32,005
Total current assets		**38,115,108**	57,068,522
Non-current assets			
Investments accounted for using the equity method	10	**-**	1
Available-for-sale financial assets	11	**239,667**	273,972
Plant and equipment	12	**1,670,970**	1,630,287
Exploration and evaluation	13	**43,278,950**	32,102,683
Other non-current assets	14	**27,000**	27,000
Total non-current assets		**45,216,587**	34,033,943
Total assets		**83,331,695**	91,102,465
LIABILITIES			
Current liabilities			
Trade and other payables	15	**1,720,061**	2,201,946
Provisions	16	**203,165**	135,495
Total current liabilities		**1,923,226**	2,337,441
Non-current liabilities			
Provisions	17	**96,516**	27,958
Total non-current liabilities		**96,516**	27,958
Total liabilities		**2,019,742**	2,365,399
Net assets		**81,311,953**	88,737,066
EQUITY			
Contributed equity	18	**105,266,776**	105,227,282
Reserves	19(a)	**638,788**	139,139
Retained losses	19(b)	**(24,593,611)**	(16,629,355)
Total equity		**81,311,953**	88,737,066

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

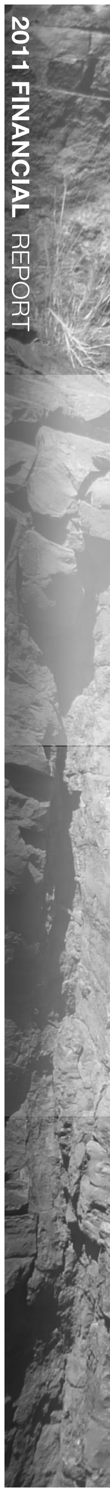
Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

Consolidated	*Notes*	Consolidated equity $	Reserves $	Retained losses $	Total equity $
Balance at 1 July 2009		**54,663,777**	**202,763**	**(7,900,440)**	**46,966,100**
Total comprehensive income for the year:					
Loss for the year		-	-	(8,728,915)	(8,728,915)
Revaluation of financial assets (net of tax)	19	-	(126,895)	-	(126,895)
		-	**(126,895)**	**(8,728,915)**	**(8,855,810)**
Transactions with owners in their capacity as owners:					
Options issued during the year	19	-	63,271	-	63,271
Contributions of equity	18	52,811,850	-	-	52,811,850
Transaction costs (net of tax)	18	(2,248,345)	-	-	(2,248,345)
		50,563,505	**63,271**	**-**	**50,626,776**
Balance at 30 June 2010		**105,227,282**	**139,139**	**(16,629,355)**	**88,737,066**

Consolidated	*Notes*	Consolidated equity $	Reserves $	Retained losses $	Total equity $
Balance at 1 July 2010		**105,227,282**	**139,139**	**(16,629,355)**	**88,737,066**
Total comprehensive income for the year:		-	-	-	-
Loss for the year		-	-	(7,964,256)	(7,964,256)
Revaluation of financial assets (net of tax)	19	-	(24,014)	-	(24,014)
		-	**(24,014)**	**(7,964,256)**	**(7,988,270)**
Transactions with owners in their capacity as owners:					
Options issued during the year	19	-	53,979	-	53,979
Rights issued during the year	19	-	469,684	-	469,684
Contributions of equity	18	41,850	-	-	41,850
Transaction costs (net of tax)	18	(2,356)	-	-	(2,356)
		39,494	**523,663**	**-**	**563,157**
Balance at 30 June 2011		**105,266,776**	**638,788**	**(24,593,611)**	**81,311,953**

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



Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	Consolidated 30 June 2011 $	30 June 2010 $
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**48,800**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(4,818,833)**	(2,802,511)
Interest received		**3,026,625**	1,095,971
Other revenue		**102,126**	162,645
Net cash (outflow) inflow from operating activities	*30*	**(1,641,282)**	(1,543,895)
Cash flows from investing activities			
Proceeds from purchase of subsidiary, net of cash acquired	*25*	**351,162**	-
Payments for property, plant and equipment		**(208,060)**	(968,259)
Payments for investments		**-**	(15,000)
Loans to related parties	*24*	**(150,000)**	(75,000)
Proceeds from sale of property, plant and equipment		**15,000**	-
Payments for exploration activities		**(16,894,639)**	(13,008,755)
Net cash (outflow) inflow from investing activities		**(16,886,537)**	(14,067,014)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**41,850**	52,811,850
Share issue transaction costs		**-**	(2,916,277)
Net cash inflow (outflow) from financing activities		**41,850**	49,895,573
Net (decrease) increase in cash and cash equivalents		**(18,485,969)**	34,284,664
Cash and cash equivalents at the beginning of the financial year		**54,807,269**	20,522,605
Cash and cash equivalents at the end of the financial year	*7*	**36,321,300**	54,807,269

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

Notes to the Consolidated Financial Statements

30 June 2011

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.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(i) Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

(ii) New and revised accounting standards

The Group has adopted the following revisions and amendments to AASB's issued by the Australian Accounting Standards Board and IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

The adoption of new and revised Accounting Standards effective for the financial statements for the annual period beginning 1 July 2010 did not have a material impact on the Group's financial statements.

(iii) Historical cost convention

These financial statements have been prepared on an accrual basis, under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

(iv) Critical accounting estimates

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Flinders Mines Limited (''Company" or ''Parent Entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Flinders Mines Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) 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.

(d) Revenue recognition

Interest income

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

(e) 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.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of any consideration transferred and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(g) 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.

(h) 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(i) 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.

(j) Joint ventures

(i) Jointly controlled assets

The Group's share of the assets, liabilities, revenue and expenses of joint venture operations are recognised in the appropriate items of the financial statements. Details of the Group's interests are set out in note 28.

(ii) Joint venture entities

The Group's interests in joint ventures are accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of a joint venture is recognised in the consolidated statement of comprehensive income, and the share of movements in reserves is recognised in reserves in the consolidated statement of financial position. Details relating to the joint venture entities are set out in note 28.

(k) 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.

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.

(l) 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 are 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 assets' carrying amount 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(g)).

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.

(m) 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.

(n) 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 on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(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 32.

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.

(o) Earnings per share (EPS)

(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.

(p) 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.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 3: *Business Combinations*.

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.

(q) 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.

(r) Comparative figures

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

(s) 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.

(t) Key estimates

The preparation of the consolidated financial statements requires management to make estimates and judgements. These estimates and judgements 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:

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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Exploration and evaluation

The Group's policy for exploration and evaluation is discussed in note 1 (p). 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 comprehensive income. The related carrying amounts are disclosed in note 13.

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 32.

(u) New accounting standards and interpretations

The Australian Accounting Standards Board (AASB) has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group is set out below.

The Group does not anticipate the early adoption of any of the below Australian Accounting Standards.

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements. The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  a. the objective of the entity's business model for managing the financial assets;
  b. the characteristics of the contractual cash flows;
- revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from AASB 139: *Financial Instruments: Recognition and Measurement*; and
- changes in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss (applicable where an entity chooses to measure a liability at fair value through profit or loss).

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation-Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011)

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. These amendments are not expected to impact the Group.

AASB 2010-6: Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods commencing on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Group will apply the amendment from 1 July 2012. It is currently evaluating the impact of the amendment.

(v) Impact of the Carbon Tax Legislation

On 10 July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both Houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

(w) Parent Entity financial information

The financial information for the Parent Entity, Flinders Mines Limited, disclosed in note 33 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 in the financial statements of Flinders Mines Limited. Dividends received from associates are recognised in the Parent Entity's profit or loss, rather than being deducted from the carrying amount of these investments.

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate 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 written 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.

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	
	2011	2010
	$	$
Financial assets		
Cash and cash equivalents	**36,321,300**	54,807,269
Trade and other receivables	**1,748,263**	2,229,248
Investments accounted for using the equity method	**-**	1
Available-for-sale financial assets	**239,667**	273,972
	38,309,230	57,310,490
Financial liabilities		
Trade and other payables	**1,720,061**	2,201,946
	1,720,061	2,201,946

(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.

(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.

As at the end of the reporting period, the Group had the following variable rate cash and cash equivalent holdings:

Consolidated	**30 June 2011** **Weighted average interest rate** **%**	**Balance** **$**	30 June 2010 Weighted average interest rate %	Balance $
Cash and cash equivalents	**6.17%**	**36,321,300**	6.10%	54,807,269
Net exposure to cash flow interest rate risk		**36,321,300**		54,807,269

Interest rate sensitivity analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

Consolidated		Interest rate risk			
		Increase 2%		Decrease 2%	
30 June 2011	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	36,321,300	726,426	726,426	(726,426)	(726,426)
Total increase/ (decrease)	726,426	726,426	(726,426)	(726,426)	

Consolidated		Interest rate risk			
		Increase 2%		Decrease 2%	
30 June 2010	Carrying amount $	Profit $	Equity $	Profit $	Equity $
Financial assets					
Cash and cash equivalents	54,807,269	1,096,145	1,096,145	(1,096,145)	(1,096,145)
Total increase/ (decrease)		1,096,145	1,096,145	(1,096,145)	(1,096,145)

(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.

(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 $34,619,801 (2010: $53,056,481) that are expected to readily generate cash inflows for managing liquidity risk.

(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 2011 and 30 June 2010.

	Level 1 $	Level 2 $	Level 3 $	Total $
At 30 June 2011				
Assets				
Available-for-sale financial assets				
Maximus Resources Limited	195,667	-	-	195,667
Copper Range Limited	19,000	-	-	19,000
Phoenix Copper Limited	25,000	-	-	25,000
Total assets	**239,667**	**-**	**-**	**239,667**

	Level 1 $	Level 2 $	Level 3 $	Total $
At 30 June 2010				
Assets				
Investments accounted for using the equity method				
FME Exploration Services Pty Ltd	1	-	-	1
Available-for-sale financial assets				
Maximus Resources Limited	211,972	-	-	211,972
Copper Range Limited	22,000	-	-	22,000
Phoenix Copper Limited	40,000	-	-	40,000
Total assets	**273,973**	**-**	**-**	**273,973**

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

Accounting policies developed

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

(b) Business segments

2011	Pilbara Iron Ore $	Canegrass Magnetite $	Diamonds* $	Other Minerals* $	Total $
Segment revenue	**-**	**-**	**-**	**-**	**-**
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	**-**	**-**	**(4,856,938)**	**(1,160,390)**	**(6,017,328)**
Impairment	-	-	(4,856,938)	(1,160,390)	(6,017,328)
Segment assets	**37,180,584**	**3,494,972**	**-**	**2,603,394**	**43,278,950**
Segment asset movements for the year:					
Capital expenditure	14,483,159	1,563,244	670,094	477,098	17,193,595
Capital expenditure written off / impaired	-	-	(4,856,938)	(1,160,390)	(6,017,328)
Inter-segment transfer	-	-	(2,603,394)	2,603,394	-
Total movement for the year	**14,483,159**	**1,563,244**	**(6,790,238)**	**1,920,102**	**11,176,267**
Segment assets					43,278,950
Unallocated assets					40,052,745
Total assets					**83,331,695**
Segment liabilities	1,028,882	32,658	-	-	1,061,540
Unallocated liabilities					958,202
Total liabilities					**2,019,742**

2010	Pilbara Iron Ore $	Canegrass Magnetite $	Diamonds* and Phosphate $	Other* $	Total $
Segment revenue	**-**	**-**	**-**	**-**	**-**
Adjusted EBITDA	**-**	**-**	**(5,748,987)**	**(1,130,138)**	**(6,879,125)**
Impairment	-	-	(5,748,987)	(1,130,138)	(6,879,125)
Segment assets	**22,697,425**	**1,931,728**	**6,790,238**	**683,292**	**32,102,683**
Segment asset movements for the year:					
Capital expenditure	11,551,495	610,568	1,364,104	518,337	14,044,504
Capital expenditure written off / impaired	-	-	(5,748,987)	(1,130,138)	(6,879,125)
Total movement for the year	**11,551,495**	**610,568**	**(4,384,883)**	**(611,801)**	**7,165,379**
Segment assets					32,102,683
Unallocated assets					58,999,782
Total assets					**91,102,465**
Segment liabilities	814,000	156,000	112,000	-	1,082,000
Unallocated liabilities					1,283,399
Total liabilities					**2,365,399**

* *During the year management amended the operating segment categories based on changes made to the reports reviewed and used by the Board of Directors (the chief operating decision maker). These changes have seen 'Diamonds and Phosphate' become 'Diamonds' and 'Other' become 'Other Minerals'. The assets within 'Diamonds' were transferred to 'Other Minerals' during the 2011 financial year, as shown in the segment asset movements summary above.*

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated 30 June 2011 $	30 June 2010 $
Total segment revenue	**-**	-
Interest revenue	**2,819,375**	2,340,833
Management fees	**88,800**	-
Other income	**1,050**	-
Total revenue from continuing operations (note 4)	**2,909,225**	2,340,833

(ii) Adjusted EBITDA

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

	Consolidated 30 June 2011 $	30 June 2010 $
Allocated:		
Adjusted EBITDA	**(6,017,328)**	(6,879,125)
Unallocated:		
Interest revenue	**2,819,375**	2,340,833
Management fees	**88,800**	-
Other income	**1,050**	-
Loss on disposal of assets	**(23,502)**	-
Marketing expense	**(1,043,293)**	(637,885)
Administrative expense	**(4,437,695)**	(2,630,978)
Finance costs	**(20,281)**	(8,295)
Profit/(loss) before income tax	**(8,632,874)**	(7,815,450)

(iii) Segment assets

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated 30 June 2011 $	30 June 2010 $
Allocated:		
Segment assets	**43,278,950**	32,102,683
Unallocated:		
Cash and cash equivalents	**36,321,300**	54,807,269
Trade and other receivables	**1,748,263**	2,229,248
Other current assets	**45,545**	32,005
Investments accounted for using the equity method	**-**	1
Available-for-sale financial assets	**239,667**	273,972
Property, plant and equipment	**1,670,970**	1,630,287
Other non-current assets	**27,000**	27,000
Total assets as per the consolidated statement of financial position	**83,331,695**	91,102,465

(iv) Segment liabilities

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated 30 June 2011 $	30 June 2010 $
Allocated:		
Segment liabilities	**1,061,540**	1,082,000
Unallocated:		
Trade and other payables	**658,521**	1,119,946
Provisions	**299,681**	163,453
Total liabilities as per the consolidated statement of financial position	**2,019,742**	2,365,399

4 REVENUE

	Consolidated 30 June 2011 $	30 June 2010 $
From continuing operations		
Other revenue		
Interest received	**2,819,375**	2,340,833
Management fees	**88,800**	-
Other income	**1,050**	-
	2,909,225	2,340,833

5 EXPENSES

	Consolidated 30 June 2011 $	30 June 2010 $
Finance costs		
Bank fees	**20,281**	8,295
	20,281	8,295
Exploration expenses		
General exploration written off	**453,381**	470,117
Capitalised exploration expenditure impaired	**5,563,947**	6,409,008
	6,017,328	6,879,125
Marketing		
Marketing and promotion	**1,043,293**	637,885
	1,043,293	637,885
Administration		
Compliance	**469,997**	480,254
Depreciation	**168,743**	127,668
Administration costs	**2,113,724**	1,118,778
Legal fees	**145,811**	103,243
Employment costs	**1,476,679**	760,680
Other	**62,741**	40,355
	4,437,695	2,630,978

6 INCOME TAX (BENEFIT)/EXPENSE

	Consolidated 30 June 2011 $	30 June 2010 $
(a) Income tax (benefit)/expense:		
Current tax	**-**	-
Deferred tax	**11,302**	1,017,959
Adjustments for Research and Development tax offset	**(679,920)**	(104,494)
	(668,618)	913,465
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**(8,632,874)**	(7,815,450)
Tax at the Australian tax rate of 30% (2010: 30%)	**(2,589,862)**	(2,344,635)
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:		
Entertainment expenses	**2,930**	-
Share-based payments expensed during the year	**157,099**	19,401
Other non-deductible expenses	**23,568**	13,935
Recognition of timing differences not brought to account	**2,417,567**	3,329,258
Adjustments for Research and Development tax offset	**(679,920)**	(104,494)
Income tax expense	**(668,618)**	913,465

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 DTAs arising in Australia of $8,134,998 (2010: $14,718,823) 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 2011 $	Consolidated 30 June 2010 $
Cash at bank and in hand	**1,701,499**	1,750,788
Term deposits	**34,619,801**	53,056,481
	36,321,300	54,807,269

(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 each 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 6.17% (2010: 6.10%). The term deposits have an average period to repricing of 63 days (2010: 101 days).

8 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Net trade receivables		
Trade receivables	**1,733,724**	1,521,199
GST clearing account	**12,017**	108,049
	1,745,741	1,629,248
Net related party receivables		
Receivable from FME Exploration Services Pty Ltd*	**-**	600,000
	-	600,000
Other receivables		
Income tax receivables	**2,522**	-
	2,522	-
	1,748,263	2,229,248

* *The Company advanced this amount to assist in the funding of working capital. The Company provides support to the related party to ensure it can pay its debts as and when they fall due and payable. This arrangement was terminated upon acquisition of 100% of the share capital of FME Exploration Services Pty Ltd, as outlined in note 25.*

(a) Past due but not impaired

As at 30 June 2011 there were no material trade and other receivables that were considered to be past due and impaired (2010: Nil).

(b) Related party receivable

The receivable from FME Exploration Services Pty Ltd was repayable at call and interest at market rates could be charged at the discretion of the directors of the Company. The Company will not seek repayment where such repayments would have prejudiced FME Exploration Services' ability to meet any obligations as and when they fell due.

9 CURRENT ASSETS – OTHER CURRENT ASSETS

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Pre-paid insurance	**45,545**	32,005
	45,545	32,005

10 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Shares in associates	**-**	1
	-	1

(a) Shares in associates

Investments in associates are recognised in the Parent Entity's financial statements by applying the equity method of accounting. The equity method of accounting recognises the Company's share of post acquisition reserves of its associates.

11 NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

(a) Fair values

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

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Shares in listed companies	**239,667**	273,972
	239,667	273,972

(b) Listed securities

Available-for-sale financial assets comprise investments in the ordinary capital of Maximus Resources Limited, Copper Range Limited and 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.

12 NON-CURRENT ASSETS – PLANT AND EQUIPMENT

Consolidated	Plant and equipment $	Furniture, fittings and equipment $	Machinery and vehicles $	Computer hardware $	Computer software $	Total $
At 1 July 2009						
Cost or fair value	381,260	7,299	586,305	8,546	94,330	1,077,740
Accumulated depreciation	(95,167)	(584)	(75,117)	(1,668)	(15,609)	(188,145)
Net book amount	286,093	6,715	511,188	6,878	78,721	889,595
Year ended 30 June 2010						
Opening net book amount	286,093	6,715	511,188	6,878	78,721	889,595
Additions	802,223	2,468	98,207	32,739	32,622	968,259
Depreciation charge	(107,880)	(889)	(75,294)	(3,385)	(40,119)	(227,567)
Closing net book amount	980,436	8,294	534,101	36,232	71,224	1,630,287
At 30 June 2010						
Cost or fair value	1,183,483	9,767	684,512	41,285	126,952	2,045,999
Accumulated depreciation	(203,047)	(1,473)	(150,411)	(5,053)	(55,728)	(415,712)
Net book amount	980,436	8,294	534,101	36,232	71,224	1,630,287

Consolidated	Plant and equipment $	Furniture, fittings and equipment $	Machinery and vehicles $	Computer hardware $	Computer software $	Total $
Year ended 30 June 2011						
Opening net book amount	980,436	8,294	534,101	36,232	71,224	1,630,287
Acquisition of subsidiary (refer note 25)	14,759	101,343	-	78,137	15,141	209,380
Additions	64,157	10,231	-	95,413	19,861	189,662
Disposals	(265)	(650)	(23,207)	-	-	(24,122)
Depreciation charge	(151,128)	(7,124)	(82,605)	(37,745)	(55,635)	(334,237)
Closing net book amount	907,959	112,094	428,289	172,037	50,591	1,670,970
At 30 June 2011						
Cost or fair value	1,271,634	174,826	661,305	452,783	430,771	2,991,319
Accumulated depreciation	(363,675)	(62,732)	(233,016)	(280,746)	(380,180)	(1,320,349)
Net book amount	907,959	112,094	428,289	172,037	50,591	1,670,970

13 NON-CURRENT ASSETS – EXPLORATION AND EVALUATION, DEVELOPMENT AND MINE PROPERTIES

Exploration and evaluation

	Consolidated	
	30 June 2011 $	30 June 2010 $
Exploration and evaluation		
Movement:		
Opening balance	**32,102,683**	24,937,304
Expenditure incurred	**17,193,595**	14,044,504
Less: expenditure written off / impaired	**(6,017,328)**	(6,879,125)
Closing balance	**43,278,950**	32,102,683
Closing balance comprises:		
Exploration and evaluation - 100% owned	**38,640,969**	22,205,321
Exploration and evaluation phases - Joint Ventures	**4,637,981**	9,897,362
	43,278,950	32,102,683

14 NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS

	Consolidated	
	30 June 2011 $	30 June 2010 $
Security bonds	**27,000**	27,000
	27,000	27,000

15 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2011 $	30 June 2010 $
Trade payables	**1,707,458**	2,126,470
Accrued expenses	**37,350**	28,449
Credit cards	**(24,747)**	47,027
	1,720,061	2,201,946

16 CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	30 June 2011 $	30 June 2010 $
Annual leave	**203,165**	135,495
	203,165	135,495

17 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	30 June 2011 $	30 June 2010 $
Long service leave	**96,516**	27,958
	96,516	27,958

18 CONTRIBUTED EQUITY

	30 June **2011** **Shares**	30 June 2010 Shares	**30 June** **2011** **$**	30 June 2010 $
(a) Share capital				
Ordinary shares - Fully paid	**1,820,839,571**	1,819,849,571	**105,266,776**	105,227,282

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$
1 July 2009	Opening balance	1,430,989,208		54,663,777
2 September 2009	Exercise of employee options			
	Proceeds received	115,000	$0.045	5,175
22 September 2009	Exercise of employee options			
	Proceeds received	110,000	$0.045	4,950
4 November 2009	Exercise of employee options			
	Proceeds received	305,000	$0.045	13,725
6 November 2009	Exercise of employee options			
	Proceeds received	300,000	$0.017	5,100
6 November 2009	Exercise of employee options			
	Proceeds received	55,000	$0.084	4,620
6 November 2009	Exercise of employee options			
	Proceeds received	56,667	$0.045	2,550
9 November 2009	Placement			
	Proceeds received	160,000,000	$0.145	23,200,000
4 December 2009	Rights issue			
	Proceeds received	227,418,696	$0.130	29,564,430
2 June 2010	Exercise of employee options			
	Proceeds received	400,000	$0.017	6,800
2 June 2010	Exercise of employee options			
	Proceeds received	100,000	$0.045	4,500
	Less: Transaction costs arising on share issues			(2,248,345)
30 June 2010	Balance	1,819,849,571		105,227,282
19 July 2010	Exercise of employee options			
	Proceeds received	300,000	$0.017	5,100
22 December 2010	Exercise of employee options			
	Proceeds received	180,000	$0.055	9,900
25 January 2011	Exercise of employee options			
	Proceeds received	25,000	$0.045	1,125
25 January 2011	Exercise of employee options			
	Proceeds received	30,000	$0.084	2,520
25 March 2011	Exercise of employee options			
	Proceeds received	250,000	$0.045	11,250
3 June 2011	Exercise of employee options			
	Proceeds received	135,000	$0.045	6,075
14 June 2011	Exercise of employee options			
	Proceeds received	70,000	$0.084	5,880
				105,269,132
	Less: Transaction costs arising on share issues			(3,367)
	Deferred tax credit recognised directly in equity			1,011
30 June 2011	Balance	1,820,839,571		105,266,776

(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 32.

(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.

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.

19 RESERVES AND RETAINED EARNINGS

	Consolidated	
	30 June 2011 $	30 June 2010 $
(a) Reserves		
Available-for-sale investments revaluation reserve	**(150,909)**	(126,895)
Share-based payments	**789,697**	266,034
	638,788	139,139
Movements:		
Available-for-sale investments revaluation reserve		
Opening balance at 1 July	**(126,895)**	-
Revaluation of financial assets (net of tax)	**(24,014)**	(126,895)
Closing balance at 30 June	**(150,909)**	(126,895)
Share-based payments		
Balance 1 July	**266,034**	202,763
Options issued during the year	**53,979**	63,271
Rights issued during the year	**469,684**	-
Balance 30 June	**789,697**	266,034
(b) Retained losses		
Movements in retained losses were as follows:		
Opening balance at 1 July	**(16,629,355)**	(7,900,440)
Net loss for the year	**(7,964,256)**	(8,728,915)
Closing balance at 30 June	**(24,593,611)**	(16,629,355)

(c) Nature and purpose of reserves

(i) Available-for-sale reserve

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(k) 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 reserve

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.

20 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Flinders Mines Limited during the financial year:

(i) Chairman - non-executive

R M Kennedy

(ii) Executive directors

G D Sutherland, Managing Director (since 27 April 2011)

K J A Wills, Managing Director (resigned 31 August 2010)

N J Corlis, Alternate director for K J A Wills (resigned 31 August 2010), General Manager - Business Development

(iii) Non-executive directors

J D Cooper (since 13 September 2010)

K J Malaxos (since 21 December 2010)

E J Vickery

G M May, Alternate director E J Vickery

N J Smart, Non-executive director from 1 September 2010 to 30 September 2010, Alternate director for R M Kennedy

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
M Rapaic	General Manager - Project Development	Flinders Mines Limited
M Anstey	General Manager - HSEC & HR	Flinders Mines Limited
D W Godfrey	Chief Financial Officer / Company Secretary	FME Exploration Services Pty Ltd

(c) Key management personnel compensation

	Consolidated	
	30 June 2011 $	30 June 2010 $
Short-term employee benefits	**2,008,047**	1,290,351
Post-employment benefits	**143,971**	112,179
Share-based payments	**337,757**	14,327
	2,489,775	1,416,857

Detailed remuneration disclosures are provided in sections A to D of the remuneration report on pages 26 to 28.

(d) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over 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.

2011

Name	Balance at start of the year	Issued as remuneration	Exercised (expired/ purchased)	Acquired during the year	Balance at end of the year	Vested and exercisable	Unvested
R M Kennedy	-	-	-	-	-	-	-
G D Sutherland	300,000	-	-	-	300,000	300,000	-
J D Cooper	-	-	-	-	-	-	-
K J Malaxos	-	-	-	-	-	-	-
E J Vickery	-	-	-	-	-	-	-
G M May	-	-	-	-	-	-	-
N J Smart	-	-	-	-	-	-	-
K J A Wills	-	-	-	-	-	-	-
N J Corlis	495,000	-	-	-	495,000	495,000	-
M Rapaic	-	-	-	-	-	-	-
M Anstey	-	200,000	-	-	200,000	200,000	-
D W Godfrey	-	170,000	(170,000)	-	-	-	-

2010

Name	Balance at start of the year	Issued as remuneration	Exercised (expired/ purchased)	Acquired during the year	Balance at end of the year	Vested and exercisable	Unvested
R M Kennedy	-	-	-	-	-	-	-
K J A Wills	-	-	-	-	-	-	-
E J Vickery	-	-	-	-	-	-	-
A J Andrejewskis	-	-	-	-	-	-	-
N J Corlis	495,000	-	-	-	495,000	495,000	-
G M May	-	-	-	-	-	-	-
J D Cooper	-	-	-	-	-	-	-
N J Smart	-	-	-	-	-	-	-
D W Godfrey	-	-	-	-	-	-	-
G D Sutherland	-	300,000	-	-	300,000	300,000	-

(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.

2011

Name	Balance at start of the year	Issued as remuneration	Exercised (expired/ purchased)	Acquired during the year	Balance at end of the year	Vested and exercisable	Unvested
R M Kennedy	-	-	-	-	-	-	-
G D Sutherland	-	4,287,000	-	-	4,287,000	-	4,287,000
J D Cooper	-	-	-	-	-	-	-
K J Malaxos	-	-	-	-	-	-	-
E J Vickery	-	-	-	-	-	-	-
G M May	-	-	-	-	-	-	-
N J Smart	-	-	-	-	-	-	-
K J A Wills	-	-	-	-	-	-	-
N J Corlis	-	1,946,000	-	-	1,946,000	-	1,946,000
M Rapaic	-	1,850,000	-	-	1,850,000	-	1,850,000
M Anstey	-	1,542,000	-	-	1,542,000	-	1,542,000
D W Godfrey	-	1,541,000	-	-	1,541,000	-	1,541,000

There were no issues or holdings of rights during the year ended 30 June 2010.

(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.

2011

Name	Balance at the start of the year	Received as compensation	Exercise of options	Acquired/ (disposed)	Balance at the end of the year
Ordinary shares					
R M Kennedy	31,180,590	-	-	319,410	31,500,000
G D Sutherland	-	-	-	115,000	115,000
J D Cooper	-	-	-	1,000,000	1,000,000
K J Malaxos	-	-	-	-	-
E J Vickery	4,571,428	-	-	128,572	4,700,000
G M May	633,571	-	-	-	633,571
N J Smart	838,095	-	-	-	838,095
K J A Wills	11,000,000	-	-	-	11,000,000
N J Corlis	-	-	-	-	-
M Rapaic	-	-	-	-	-
M Anstey	-	-	-	-	-
D W Godfrey	168,769	-	170,000	-	338,769

2010

Name	Balance at the start of the year	Received as compensation	Exercise of options	Acquired/ (disposed)	Balance at the end of the year
Ordinary shares					
R M Kennedy	27,283,017	-	-	3,897,573	31,180,590
K J A Wills	11,670,000	-	-	(670,000)	11,000,000
E J Vickery	3,363,646	-	-	1,207,782	4,571,428
A J Andrejewskis	-	-	-	-	-
N J Corlis	-	-	-	-	-
G M May	620,000	-	-	13,571	633,571
J D Cooper	-	-	-	-	-
N J Smart	838,095	-	-	-	838,095
D W Godfrey	147,673	-	-	21,096	168,769
G D Sutherland	-	-	-	-	-

21 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:

	Consolidated	
	30 June 2011 $	30 June 2010 $
(a) Grant Thornton		
Audit and review of financial reports	**27,000**	25,450
Total auditors' remuneration	**27,000**	25,450

22 CONTINGENCIES

Contingent liabilities

The Group had no known contingent liabilities as at 30 June 2011 (2010: Nil).

23 COMMITMENTS

(a) Lease commitments

Non-cancellable operating leases

At 30 June 2011 the Group leased three offices under non-cancellable operating leases. Two of these expire during the year ending 30 June 2012 and they will not be renewed. The remaining lease is due to expire within three years. On renewal, the terms of leases are renegotiated.

	Consolidated	
	30 June 2011 $	30 June 2010 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**401,385**	-
Later than one year but not later than five years	**606,928**	-
Later than five years	**-**	-
	1,008,313	-

(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 totalling approximately $4,073,000 during the year ending 30 June 2012 (2011: $3,990,000) to meet minimum expenditure requirements pursuant to various joint venture arrangements.

(c) Bank guarantees

The State Government departments responsible for mineral resources require perfomance bonds for the purposes of rehabilitation of areas disturbed by exploration activities. At 30 June 2011, the Group had $522,700 of bank guarantees in place for this purpose (2010: $177,000).

24 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 26.

(c) Investments in associates

Investments in associates are set out in note 27.

(d) Key management personnel

Disclosure relating to key management personnel are set out in note 20.

(e) Transactions with other related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties other than key management personnel or entities related to them:

- On 28 February 2011 the Parent Entity acquired the remaining two shares (representing a 66.7% holding) of the issued share capital of FME Exploration Services Pty Ltd from ERO Mining Limited and Maximus Resources Limited, which held one share respecitvely. These entities were considered to be related parties of the Parent Entity due to common directors.
- Administration services were provided by FME Exploration Services Pty Ltd to Flinders Mines Limited during the period 1 July 2010 to 28 February 2011 for $1,003,641 (30 June 2010: $997,727). A further $300,200 was charged during the period 1 March 2011 to 30 June 2011, however, as FME Exploration Services Pty Ltd became a wholly owned subsidiary of the Group on 28 February 2011, this amount is eliminated within these consolidated financial statements.
- Flinders Mines Limited advanced FME Exploration Services Pty Ltd $150,000 on 29 September 2010 to fund working capital (2010: $75,000). The total receivable from FME Exploration Services Pty Ltd at year end is $750,000 (2010: $600,000), however, as FME Exploration Services Pty Ltd became a wholly owned subsidiary of the Group on 28 February 2011, this loan amount is eliminated within these consolidated financial statements.
- Administrative services were provided by FME Exploration Services Pty Ltd to ERO Mining Limited during the period 1 March 2011 to 30 June 2011 for $44,400 (30 June 2010: N/A).
- Administrative services were provided by FME Exploration Services Pty Ltd to Maximus Resources Limited during the period 1 March 2011 to 30 June 2011 for $44,400 (30 June 2010: N/A).

25 BUSINESS COMBINATION

(a) Summary of acquisition

On 28 February 2011 the Parent Entity acquired the remaining 66.7% of the issued share capital of FME Exploration Services Pty Ltd, a services entity. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$
Purchase consideration	
Cash paid	**2**
Total purchase consideration	**2**
Fair value of net identifiable assets acquired (refer to (c) below)	**2**
Goodwill	**-**

(b) Cash flow information

	Consolidated	
	30 June 2011 $	30 June 2010 $
Outflow of cash to acquire subsidiary, net of cash acquired:		
Cash consideration	**2**	-
Less: Balances acquired		
Cash	**(351,164)**	-
(Inflow)/outflow of cash	**(351,162)**	-

(c) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	**351,164**
Trade and other receivables	**340,520**
Property, plant and equipment	**209,380**
Trade and other payables	**(43,778)**
Borrowings	**(750,000)**
Provisions	**(107,284)**
Net identifiable assets acquired	**2**

There were no acquisitions in the year ended 30 June 2010.

(i) Contingent consideration

There are no contingent consideration arrangements relating to the acquisition.

(ii) Revenue and profit contribution

The acquired business contributed revenue of $95,388 and net loss of $375,389 to the Group for the period 1 March 2011 to 30 June 2011.

If the acquisition had occurred on 1 July 2010, consolidated revenue and loss before tax for the year ended 30 June 2011 would have been $3,096,893 and $3,793,457 respectively. These amounts have been calculated using the Group's accounting policies.

26 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding* 2011 %	Equity holding* 2010 %
FME Exploration Services Pty Ltd	Australia	Ordinary	**100**	33
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.*

27 INVESTMENTS IN ASSOCIATES

A 33.33% interest was held in FME Exploration Services Pty Ltd, formerly an associated company incorporated in Australia, until the remaining 66.67% of the shares were acquired on 28 February 2011. FME Exploration Services Pty Ltd is now accounted for as a wholly owned Australian subsidiary (refer to note 26). Information relating to this holding is set out below:

	30 June 2011 $	30 June 2010 $
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**1**	1
Reclassification as a wholly owned subsidiary (note 26)	**(1)**	-
Carrying amount at the end of the financial year	**-**	1

(b) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of: Assets $	Liabilities $	Revenues $	Profit $
2010					
FME Exploration Services Pty Ltd	33	253,515	281,721	444,052	5,699

	30 June 2011 $	30 June 2010 $
(c) Contingent liabilities of associates		
Share of contingent liabilities incurred jointly with other investors	**-**	85,028
	-	85,028

28 INTERESTS IN JOINT VENTURES

The Group has the following interests in unincorporated joint ventures:

State	Agreement Name	Parties	Summary	Consideration
NT, SA & WA	FEX Agreement	Flinders Mines Limited (FMS) and Flinders Exploration Ltd (FEX)	FEX can earn up to 75% of the rights to diamonds in the Pilbara tenements and 75% of FMS rights to all minerals except iron ore in all other agreement tenements by spending $6,000,000.	
NT & SA	Maximus Agreement	FMS and Maximus Resources Ltd (MXR)	Under this July 2005 agreement and amending deeds MXR through the issue of shares and options has 100% non-diamond rights to the Strangways and Billa Kalina Project tenements and to EL4303 and has 100% metalliferous mineral rights to the other Adelaide Hills Project tenements.	
SA	Copper Range Agreement	FMS and Copper Range Ltd	Copper Range holds a 100% interest in the metal rights for EL4368, all rights to other exploration licences in the Springfield, Jamestown and Nackara projects have reverted to FMS.	
SA	Filsell Agreement	FMS and IR Filsell, MA Filsell and WJ Filsell	FMS has earned100% of the diamond rights in exploration licences EL3692 and EL3378 by expenditure of $250 000. Agreement expires 4 September 2011.	If FMS proceeds to mining diamonds on the project area, FMS will pay the Filsell party a 5% net profit royalty on diamond production.
SA	Kelaray Agreement	FMS and Kelaray Pty Ltd	FMS holds 100% diamond rights to EL4401 through an October 1996 agreement between Kelaray and other parties and a subsequent March 2003 transfer agreement between the other parties and FMS.	
SA	Phoenix Agreement	FMS and 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	Simnovic Agreement	FMS and Amona Mining & Exploration Pty Ltd, Novec Pty Ltd and JJ Simnovic	FMS can exercise the purchase of 100% of the mineral rights in exploration licences EL3832, EL4294and EL3434 for a cash purchase price of $1.5 million. Option expires 27July 2011.	Initial option fee payment of $50 000
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 EL4367 and EL4368	If Tarcowie Phosphate proceeds to mine phosphate from the nominated areas Tarcowie Phosphate will pay FMS a 1% gross sales royalty
SA	Tasman Agreement	FMS and Tasman Resources NL	FMS has earned a 70% interest in the project area diamond rights only by expenditure of $750 000 a 4 year period	
SA	Tawana Orogenic Agreement	FMS and Tawana Resources NL and Orogenic Exploration Pty Ltd	FMS can earn a 50% interest in the project by exploration expenditure of $1 million and a further 20% by expenditure of a further $1 million	
WA	Fortescue Agreement	FMS and Prenti Exploration Pty Ltd and FMG Pilbara Pty Ltd	Flinders/Prenti and FMG have agreed to grant reciprocal rights to explore and mine iron ore on the Flinders Tenements and and to explore and mine diamonds on the FMG Tenements in the Hamersley Ranges	If FMG proceeds to mining iron ore on the Flinders Tenements FMG shall pay Flinders a 1% royalty on iron ore production for the first 8 Mt mined

State	Agreement Name	Parties	Summary	Consideration
WA	Maximus Canegrass Agreement	FMS and MXR	FMS purchased 100% of the mineral rights to the Canegrass Project for a cash plus share consideration of $1.3 million. The Corporate Group retain a 10% free carried interest to specified graticular blocks within E58/358 and E58/359	FMS must pay MXR a 2% net smelter royalty on any future mineral production from Canegrass project tenements.
WA	Prenti Agreement	FMS and Prenti Exploration Pty Ltd	FMS has earned a 100% interest in exploration licences E47/882, E47/1011, E47/1016 and E47/1306 by spending $2 million on exploration	Prenti retain a right to a 5% net profit production royalty

29 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

30 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 30 June 2011 $	30 June 2010 $
Profit/(loss) for the year	**(7,964,256)**	(8,728,915)
Depreciation and amortisation	**184,123**	227,567
Non-cash employee benefits expense - share-based payments	**523,663**	63,271
Deferred tax asset written off	**11,303**	1,017,959
Exploration expenditure written off	**462,411**	6,879,125
Impairment of exploration expenditure	**5,554,917**	-
Net loss on disposal of non-current assets	**23,502**	-
Change in operating assets and liabilities (net of effects from purchase of controlled entity):		
Decrease/(increase) in trade and other receivables	**213,717**	(1,161,460)
(Increase)/decrease in other provisions	**(13,540)**	-
(Decrease)/increase in trade payables and accruals	**(666,065)**	70,407
Increase/(decrease) in provisions	**28,943**	88,151
Net cash inflow/(outflow) from operating activities	**(1,641,282)**	(1,543,895)

31 EARNINGS PER SHARE

	Consolidated 30 June 2011 $	30 June 2010 $
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders	**(7,964,256)**	(8,728,915)
Weighted average number of ordinary shares outstanding during the year used to calculate basic earnings per share	**1,820,330,653**	1,664,471,996
Basic earnings per share (cents)	**(0.4375)**	(0.5244)
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders	**(7,964,256)**	(8,728,915)
Weighted average number of options outstanding during the year used to calculate diluted earnings per share	**-**	-
Weighted average number of ordinary shares outstanding during the year used to calculate diluted earnings per share	**1,820,330,653**	1,664,471,996
Diluted earnings per share (cents)	**(0.4375)**	(0.5244)

Options

Options granted to employees under Flinders Mines Limited Employee Share Option 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 $7,964,256 this financial year (2010: $8,728,915), the options have not been included in the determination of diluted earnings per share. Details relating to the options are set out in note 32.

32 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The following options arrangements existed at 30 June 2011:

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 carry no voting or dividend rights.

On 10 April 2007 4,025,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 1.7 cents on or before 20 March 2012.

On 6 March 2008 832,500 options were issued to employees under the Company's employee option plan. The options are exercisable at 8.4 cents on or before 5 March 2013.

On 6 March 2008 400,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 1.7 cents on or before 20 March 2012.

On 4 February 2009 2,505,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 4.5 cents on or before 3 February 2014.

On 26 August 2009 480,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 5.5 cents on or before 26 August 2014.

On 22 January 2010 300,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 1.7 cents on or before 20 March 2012.

On 11 February 2011 490,000 options were issued to employees under the Company's employee option plan. 320,000 options are exercisable at 8.5 cents on or before 30 June 2015 and 170,000 options are exercisable at 4.5 cents on or before 3 February 2014.

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

2011	Number of options	Weighted average exercise price $
Outstanding at beginning of the year	2,792,499	0.046
Granted	490,000	0.071
Exercised	(690,000)	0.053
Expired	-	-
Outstanding at end of the year	2,592,499	0.052

2010	Number of options	Weighted average exercise price $
Outstanding at beginning of the year	5,329,166	0.040
Granted	780,000	0.040
Exercised	(1,741,667)	0.033
Expired	(1,575,000)	0.034
Outstanding at the end of the year	2,792,499	0.046

The options outstanding at 30 June 2011 had a weighted average exercise price of $0.052 and a weighted average remaining contractual life of 29 months. Exercise prices range from $0.017 to $0.085 in respect of options outstanding at 30 June 2011.

Fair value of options granted

The weighted average fair value at grant date of options granted during the year ended 30 June 2011 was $0.037 (2010: $0.081). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2011 included:

(a) Weighted average exercise price: $0.07 (2010: $0.04)

(b) Weighted average life of options: 4.6 years (2010: 4 years)

(c) Weighted average underlying share price: $0.08 (2010: $0.11)

(d) Weighted average expected share price volatility: 57.51% (2010: 36.7%)

(e) Weighted average risk free interest rate: 4.79% (2010: 4.98%)

(b) Employee Incentive Rights Plan

The following incentive rights arrangements existed at 30 June 2011:

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 2010 16,196,000 rights were issued to employees under the Company's Employee Incentive Rights Plan. The rights have a fair value of 8.7 cents per right and expire on 30 June 2013, with a vesting period of three years.

33 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for Flinders Mines Limited (the Parent Entity) show the following aggregate amounts:

	Parent Entity	
	30 June 2011 $	30 June 2010 $
Statement of financial position		
Current assets	**38,533,870**	57,068,522
Non-current assets	**45,035,278**	34,033,943
Total assets	**83,569,148**	91,102,465
Current liabilities	**2,086,449**	2,337,441
Non-current liabilities	**33,599**	27,958
Total liabilities	**2,120,048**	2,365,399
Net assets	**81,449,100**	88,737,066
Shareholders' equity		
Contributed equity	**105,266,776**	105,227,282
Reserves	**638,788**	139,139
Retained losses	**(24,456,464)**	(16,629,355)
	81,449,100	88,737,066
Loss for the year	**(7,827,109)**	(8,728,915)
Total comprehensive income	**(7,851,123)**	(8,855,810)

(b) Guarantees entered into by the Parent Entity

The Parent Entity did not provide any guarantees during the year ended 30 June 2011 (2010: Nil).

(c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any known contingent liabilities as at 30 June 2011 (2010: Nil). For information about guarantees given by the Parent Entity, please see above.

(d) Contractual commitments

As at 30 June 2011, the Parent Entity had contractual commitments to maintain the rights of tenure to exploration tenements totalling approximately $4,073,000 (2010: $3,990,000). These commitments are not recognised as liabilities at 30 June 2011 as the rights relate to the year ending 30 June 2012 and therefore were not incurred before the end of the current financial year.

As at 30 June 2011, the Parent Entity had no contractual commitments for the acquisition of property, plant or equipment (2010: $Nil).

Directors' Declaration

30 June 2011

In the directors' opinion:

(a) the financial statements and notes set out on pages 37 to 68 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 Group's financial position as at 30 June 2011 and of its performance for the financial 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 the directors.

Robert M Kennedy
Director
Adelaide
27 September 2011

GrantThornton

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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 2011, the consolidated statement of 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 of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be 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, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 which 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.

GrantThornton

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 and fair presentation of the financial report 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 2011 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.

Report on the remuneration report
We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. 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.

GrantThornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Flinders Mines Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 27 September 2011

ASX Additional Information

The shareholder information set out below was applicable as at 16 September 2011.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

Holding	Shares	Options/ rights
1 – 1000	417	-
1,001 – 5,000	1,502	-
5,001 – 10,000	2,292	-
10,001 – 100,000	7,556	29
100,001 – and over	2,332	19
	14,099	**48**

There were 902 holders of less than a marketable parcel of ordinary shares. At a share price of 15.0 cents, an unmarketable parcel is 3,334 shares.

B. Equity security holders

Unquoted equity securities

Unlisted options over ordinary shares

	Number on issue	Number of holders
Options @ $0.017, expiring 20 March 2012	400,000	2
Options @ $0.84, expiring 5 March 2013	362,500	7
Options @ $0.045, expiring 3 February 2014	1,209,999	14
Options @ $0.055, expiring 26 August 2014	300,000	1
Options @ $0.085, expiring 30 June 2015	320,000	2
Incentive rights, expiring 30 June 2013	16,196,000	25

These securities were issued under employee incentive schemes.

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
National Nominees Limited	130,731,000	7.18
JP Morgan Nominees Australia Limited	89,597,428	4.92
JP Morgan Nominees Australia Limited <Cash Income A/c>	55,453,623	3.05
Citicorp Nominees Pty Ltd	52,347,088	2.87
Zero Nominees Pty Ltd	43,100,001	2.37
Nefco Nominees Pty Ltd	36,405,000	2.00
HSBC Custody Nominees (Australia) Limited	28,680,483	1.58
RMK Super Pty Ltd <RMK Personal S/F A/c>	26,080,000	1.43
Ms Shuohang Wang	21,410,162	1.18
UBS Nominees Pty Ltd	21,275,416	1.17
Gary B Branch Pty Ltd <Gary B Branch P/L STF SF A/c>	16,100,000	0.88
Dempo Global Corporation Pte Ltd	11,940,001	0.66
Mr Ian Drummond & Mrs Janice Drummond <Instil Enterprises S/F A/c>	9,800,000	0.54
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/c>	9,609,228	0.53
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd Nominee A/c>	8,925,046	0.49
Mr John B Roberts	8,359,244	0.46
HSBC Custody Nominees (Australia) Ltd – A/c 2	7,847,535	0.43
Dr Kevin J A Wills	7,570,000	0.42
Kirk Group Holdings Pty Ltd	7,250,000	0.40
Mr Kie Yik Wong	6,720,000	0.37
	599,201,255	**32.93**

C. Substantial holders

	Number held	Percentage
Ordinary shares		
Acorn Capital Limited	112,515,242	6.18%

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options and rights
No voting rights.

Flinders Mines Limited
ABN 46 091 118 044

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ASX code: **FMS**
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