

15 October 2012

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

Dear Sir/Madam

2012 Annual Report

Please find attached for release to the market, the 2012 Annual Report for Flinders Mines Limited (ASX: FMS).

The 2012 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 2012 Annual Report is available on the Company's website at:
www.flindersmines.com.

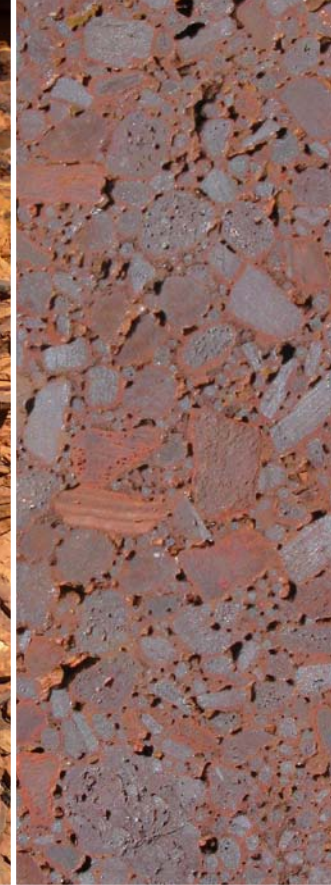
Yours faithfully



David W Godfrey
Company Secretary



An emerging Australian iron ore mining company



2012

Annual Report



CONTENTS

Highlights	1
Directors & Executive Management	2
Chairman's Report	4
Managing Director's Report	5
Pilbara Iron Ore Project	6
Exploration	9
Tenement Schedule	15
Financial Report	17
Directors' Report	18
Auditor's Independence Declaration	28
Corporate Governance Statement	29
Statement of Comprehensive Income	35
Statement of Financial Position	36
Statement of Changes in Equity	37
Statement of Cash Flows	38
Notes to the Financial Statements	39
Directors' Declaration	64
Independent Auditor's Report	65
ASX Additional Information	68

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".

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.

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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 Telephone +61 8 8132 7950
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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
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 Adelaide, South Australia 5000
 Telephone +61 8 8236 2300
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Auditor

Grant Thornton
 67 Greenhill Road
 Wayville, South Australia 5034

Banker

National Australia Bank
 161-167 Glynburn Road, Firl, SA 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

PILBARA IRON ORE PROJECT

- Mining Lease granted over Blacksmith tenement
- A Native Title Mining Agreement signed with Wintawari Guruma Aboriginal Corporation (Eastern Guruma)
- Mineral Resource increased by 23% to 917Mt, including a Measured Resource of 101Mt
- BID Exploration Target* of 100Mt to 160Mt established
- Environmental approvals considerably progressed and on schedule



CANEGRASS PROJECT

- Maiden resource inventory announced, including high grade Vanadium Inferred Mineral Resource of 107Mt, and Iron Inferred Resource of 216Mt
- Detailed work programmes developed and preparations underway to commence exploration for base metals and precious metals on several excellent targets

CORPORATE

- Scheme Implementation Agreement with MMK terminated in early July due to Russian legal injunction preventing completion
- Flinders Mines immediately resumed development discussions with third parties, both domestically and internationally
- Flinders Mines focussing on delivering infrastructure and financing outcomes for PIOP development
- Sufficient available funds of \$16.1 million at 30 June 2012

* Exploration Targets

Exploration targets are reported according to Clause 18 of the JORC Code. This means that the potential quantity and grade is conceptual in nature and that considerable further exploration, particularly drilling, is necessary before any Identified Mineral Resource can be reported. It is uncertain if further exploration will lead to a larger, smaller or any Mineral Resource.

Directors & Executive Management



Robert Kennedy

*Non-Executive
Chairman*

ASAIT, Grad Dip (Systems Analysis), FCA, ACIS, Life Member AIM, FAICD

Robert is a Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded. Bob has been a Director since 14 December 2001. Bob is the Chairman of Beach Energy Limited (Director since 1991), Ramelius Resources Limited (since 2003), Maximus Resources Limited (since 2004), Monax Mining Limited (since 2004), Marmota Energy Limited (since 2006) and ERO Mining Limited (since 2006).



Gary Sutherland

*Managing
Director*

BAppSc (Hons),
AAICD

Gary has spent 26 years in the resources industry. Over the past decade Gary has occupied senior leadership roles in both operations and greenfield / brownfield projects with BHP Billiton, WMC and Pasminco. He has worked across a range of commodities including iron ore, copper, lead, zinc, gold, silver and uranium.



John Cooper

*Non-Executive
Director*

BSc (Building),
FIE Aust, FAICD, FAIM

John is one of Australia's foremost major civil engineering, mining, energy and property constructors. A former Clough Engineering Deputy Chairman and CEO, John is currently non-executive Chairman of ASX-listed Southern Cross Electrical Engineering Limited and a non-executive Director of NRW Holdings Limited and QR National Limited. In a career spanning more than 35 years, John has held a range of very senior executive management and Board roles associated with development of major capital works throughout Australia and internationally.



Kevin Malaxos

*Non-Executive
Director*

BEng (Mining Engineering)

Kevin has over 26 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. Kevin has managed surface and underground mining operations and brings a wealth of experience in project evaluation and development, project approval and Government liaison. Kevin is also Managing Director of ASX-listed Maximus Resources Limited.



Ewan Vickery

*Non-Executive
Director*

LLB

Ewan is a corporate and business lawyer with more than 30 years experience. Ewan is a consultant to Minter Ellison and a Director of Maximus Resources Limited (since 2004) and 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, and the Australian Institute of Company Directors. Ewan is a past national president and Life Member of the Australian Mining and Petroleum Law Association.



David Godfrey

*Company Secretary &
Chief Financial Officer*

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

David has spent 26 years in the resources and finance industries. He is a member of CPA Australia, Chartered Secretaries Australia and Australian Institute of Company Directors and a Fellow of the Financial Services Institute. David has held senior finance roles in major corporations and for the Treasury of New Zealand. David has previously been Secretary for many publicly listed and subsidiary companies for Normandy, Newmont and UXA.



Nick Corlis

*General Manager
– Business Development*

BSc (Hons), MSc, MAIG,
MAAG, MAICD

Nick has more than 17 years of domestic and international experience in the resource industry across a broad range of commodities including gold, iron ore, base metals and coal. He has significant experience in minerals exploration and project management, from project generation through to discovery and feasibility. Nick has held senior management roles in both consulting and private sector companies and has gained experience at a corporate level.



Miro Rapaic

*General Manager
– Project Development*

BEng (Mining), MBA, MAusIMM

Miro has over 18 years domestic and international experience in the resources industry across a broad range of commodities including iron ore, coal, manganese, copper and uranium. He has broad experience in technical, operational, project and senior management roles having managed mining operations and mine development projects in Australia and overseas for large mining companies and Australian mining contractors.



Mick Anstey

*General Manager
– HSEC & HR*

BAppSc

Mick has over 20 years domestic and international experience working in the resources industry across a range of minerals and metals including base metals, coal, iron ore and gold. He has both site and corporate experience in the disciplines of health, safety, environment and risk management.

Chairman's Report

Dear fellow shareholders,

No single minerals commodity has so dominated domestic and international equities markets in the past year as has iron ore – and market activity in the opening months of 2012-2013 suggests this scenario will continue well into the future.

As has been well communicated, we were compelled during the year under review to devote much of our energies to managing the bid for all of our issued shares by Russian-based Magnitogorsk Iron and Steel Works (MMK), the outcome of which is well known.

It was heartening, and continues to be so, that through this strained market environment, our highly skilled management team persisted objectively with ensuring we continued to successfully progress and de-risk the ongoing development of our flagship asset, the near billion tonne resource Pilbara Iron Ore Project (PIOP).

Whilst there have been significant swings in the market valuation of FMS, we have emerged into the new financial year not only intact in our core fundamentals and growth drivers, but with a more advanced project to take to market – a position not without envy among our peers.

The importance of being in this position cannot be stressed highly enough and is reinforced by sufficient cash reserves at 30 June, of A\$16.1 million.

At this stage, we believe we can continue to achieve near-term project milestones without shareholder dilution or the need for any further large-scale resource definition drilling.

This project strength and value upside are reinforced by the quality and size of the 917Mt JORC-compliant resource already defined, enabling your company to commence the new financial year unimpeded by any takeover provisions and being able to fully market to potential project financiers, joint venture partners and offtake customers, the full suite of development options for our high grade Pilbara ore.

Since early July we have commenced this task anew in our project data room and have been heartened in the opening quarter of the year by the calibre of, strength of, and sustained interest in the PIOP.

Our level of engagement with these interested parties has been significant and continues to be so and includes global trading houses previously in the room late last year ahead of the MMK offer, and similar scale new entrants.

It is critical to recognise that current on-market factors do not apply to FMS and the PIOP and have no impact on the appeal of the PIOP as a long-term future source of ore.

Ironically, it was our original assumption of very conservative long-term iron ore prices to model and determine the economics of the PIOP that are not only currently providing a project buffer against the price turmoil for iron ore, but generating the positive interest in the project because of exactly where we are at and how well advanced our project is on the project development curve.

The PIOP remains one of the Pilbara's largest independently owned iron deposits of significant strategic importance. Our potential infrastructure options remain flexible and external to current supply slowdowns in the sector.

While numerous Australian sector contributors look to exit or downscale their iron operations in line with China's slowing demand, the PIOP is unfettered by any previous Memorandums of Understanding, Heads of Agreement, or binding deals on mine-gate sales, rail consignment obligations, or port access.

We retain, fully, our ability to deliver high quality, predominantly Direct Shipping iron ore. The PIOP retains its strong project economics, including robust operating margins and low projected operating costs, even within the lower ore price environment that dominated the September 2012 quarter.

It is in this environment that your management team is focusing on the key deliverables now required to commercialise the PIOP on the back of project gains made in FY2012.

These priorities include infrastructure access, financing of mine development and associated capital costs, ore marketing and off-take arrangements, and joint venture and corporate proposals aimed at securing binding development path proposals.

Our advisers are assisting in this dialogue with stakeholders as they conduct their due diligence.

While there is certainly a spotlight on what FMS does in the future, your Board and Management are focussed on securing a company defining transaction that is deliverable and that achieves a measurable and excellent outcome for our shareholders.

While our flagship project remains the PIOP, you will note updates later in this report on our other WA project.

In closing, I reiterate strongly the enormous value of the efforts and focus made by your management team to successfully mature the PIOP in the past year under extraordinary market circumstances. The support of your Board has been of the highest calibre and I record my thanks for their contribution in every way in the last year.

The efforts of Board and Management have defined and assured for our loyal shareholders, a positive and clear way forward in 2012-2013.

Bob Kennedy
Chairman

Managing Director's Report

Dear fellow shareholders,

Magnitogorsk Iron and Steel Works' (MMK) failure to complete its takeover bid by June 30, 2012 ended a trying time for the Company's shareholders. The planned takeover dominated eight months of Flinders Mines' corporate activities in the 2011-2012 financial year.

The MMK bid price was attractive and created short-term windows of opportunity for those selling into the market – but, like all investments in equities markets, trading remains a matter of personal choice, risk and timing.

Irrespective of the challenges emanating from that protracted transaction, the management team with the full support of the Board retained an independent business philosophy that, irrespective of the status of the MMK proposal, it was "business as usual" for the development of our wholly-owned Pilbara Iron Ore Project (PIOP).

As a result, we have ensured that the development of the project was not unduly delayed or compromised during the scheme process and have continued to work as closely as possible to schedule – unless, of course, the provisions of the Scheme document limited such activity.

In real terms we have been able to continue to enhance, over this period, our publicly detailed aspirations for the PIOP – importantly Flinders Mines was able to commence the 2012-2013 financial year with no commercial impediments to the strategic development of our key iron ore asset.

We do not make light of the fact that the scheme process delayed the prospects for commercialisation of the PIOP's full potential.

What did materialise by balance date, despite the restrictions of the Scheme process, were measurable, value-adding, long-term benefits to Flinders Mines. One advantage is that Flinders Mines has retained flexibility in its infrastructure choices – our capacity to influence decisions relating to any new iron ore export network in the Pilbara is strong. Many potential infrastructure solutions are under consideration.

We note the WA Government's efforts in continuing to create new independent, multi-user port facilities at the proposed 350 Mtpa Anketell Point site – one of our export gateway options.

We signed a non-binding Heads of Agreement with an independent rail provider with significant experience in large, bulk commodity transport in Australia. This agreement allows us to investigate varying solutions for the transportation of our iron ore on a multi-user rail line to nearby ports.

Importantly, a number of necessary pre-development decision milestones were achieved on PIOP during the year:

- A Mining Lease was granted for our prime PIOP lease, M47/1451, adjacent to the world class deposits owned by major Pilbara iron ore producers, Rio Tinto and Fortescue Metals Group.
- We expanded our hematite resource to 917Mt at 55.2% Fe, including a maiden Measured resource of 101Mt @ 56.4%Fe.
- A Native Title Mining Agreement was put in place with the Wintawari Guruma Aboriginal Corporation in a very collaborative and mutually understanding negotiation process.
- All key environment approval processes were progressed to schedule.

The Management team continued the PIOP Definitive Feasibility Study (DFS) during FY2012. The DFS includes a focus on completing detailed mine planning, metallurgical testwork and marketing so that capital and operating costs can be estimated accurately.

Significantly, since balance date, Flinders Mines has re-opened the online data room for the PIOP. Pleasingly, the level of engagement and activity in the room with very high quality counterparties has been excellent.

The strong level of interest from parties undertaking due diligence reflects the significant marketing activity undertaken by your management team during the year. We have also successfully marketed the PIOP's

product potential during the year to more than 30 steel mill groups in China and their feedback was overwhelmingly positive.

We note that irrespective of a softening in iron ore pricing, our high quality, iron ore resource at the PIOP has resulted in increased appetite for deposits such as ours where capital costs are relatively low and operating margins can remain strong. This is indeed a case of the 'cream rising to the top' when compared to lower quality deposits.

I reiterate that Flinders Mines is well positioned with the current level, intensity and calibre of corporations expressing interest in the PIOP. We firmly believe this interest will generate value-accretive commercial development outcomes for the PIOP.

While our focus is predominantly on the PIOP, it was rewarding to announce a maiden resource inventory at your company's Canegrass high grade vanadium and magnetite project in Western Australia's mid west region. Flinders Mines remains excited about the options for value-adding partnerships for this project.

We move into the new financial year as one of the last independent iron ore developers in the Pilbara and with total ownership of high quality direct shipping, easily processed ore.

Our study outcomes to date continue to reinforce the PIOP as a low cost, relatively low capex iron ore development in the West Pilbara.

I thank the Board for their guidance and support, our executive team and all of the dedicated Flinders Mines employees for their devoted and enthusiastic commitment to our Company.

Thanks also to you, our shareholders, for both your interest and loyalty. It is valued by all members of the Flinders team.



Gary Sutherland
Managing Director

Pilbara Iron Ore Project

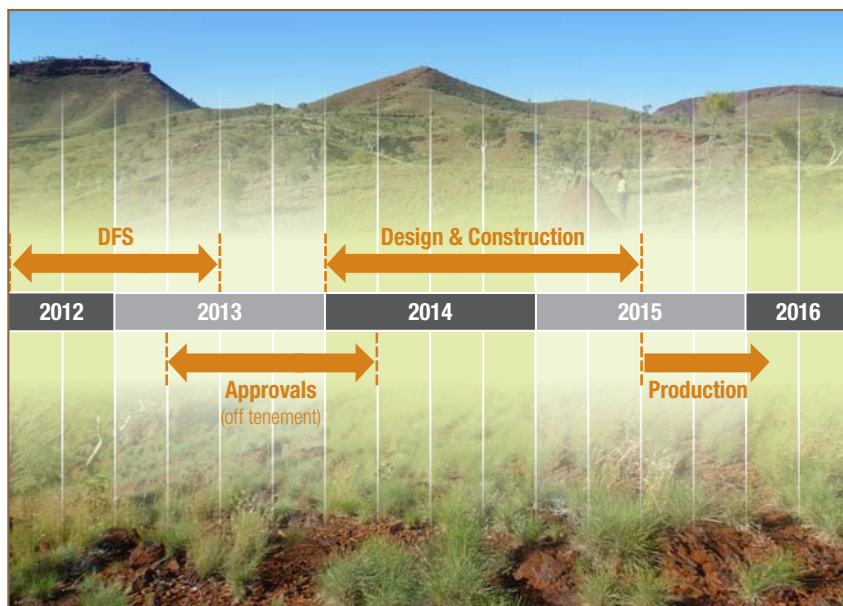
During the 2012 financial year the Definitive Feasibility Study (DFS) for the Pilbara Iron Ore Project continued with a focus on metallurgical test work, mine planning and marketing taking priority. The outputs of these studies are the key drivers for the remaining DFS work and will enable engineering and design processes and the development of capital and operating costs for the project.

During this period discussions with existing and proposed infrastructure providers were suspended due to the requirements of the Scheme Implementation Agreement (SIA). These discussions have now recommenced and an updated project timeline has been developed that reflects current expectations for project development, as shown in the adjacent diagram.

DEFINITIVE FEASIBILITY STUDY (DFS)

Metallurgical test work has continued during the last year with completion of both the phase 3 and CID testwork programmes. The phase 3 programme provided for further definition of the selected processing solution and generates sample material for ongoing sinter testwork that is being completed in China. The CID testwork programme supports the same simple beneficiation solution that has been proposed for the DID material, potentially eliminating the need for significant redesign of the final processing facility. The final stage of testwork has commenced and will provide final inputs for DFS level processing design.

Development Timeline



Marketing activities have been initiated with a customer engagement programme initially aimed at raising the profile of Flinders Mines in China. To date the Flinders team has targeted and visited 32 Chinese steel mills that are well suited to treat the potential products from our PIOP. The initial response has been overwhelmingly positive, with many requests for further technical data for PIOP product sinter performance. The marketing team has instigated a China based sinter testwork programme at the University of Science & Technology-Beijing, and will use these results as the basis for commercial discussions with the high priority steel mill customers.

Results from the first phase of the DFS level mining study have shown promising results. These studies have shown that the life of mine strip ratio can be decreased to approximately 3:1. This is a significant improvement over the 5.4:1 strip ratio that was developed during the PFS and means that 45% less waste material will need to be mined to produce the same amount of ore. This is a great result that will further improve the cost competitiveness of the PIOP when compared to its competitors. Preliminary mine scheduling has shown that it will be possible to develop the mine in such a way that enables in-pit dumping of waste material. This will provide further benefit to the operation as it will reduce haulage distances, reduce rehabilitation effort and minimise environmental impacts.

ENVIRONMENTAL STUDIES SUMMARY

All baseline environmental studies required for environmental assessment and approval of the PIOP mining activities were completed. The following on-tenement studies have now been undertaken:

- Subterranean fauna – including terrestrial (troglofauna) species (Figure 2), which occur in underground cavities, fissures and interstitial spaces above the water table and aquatic (stygo fauna) species, which inhabit areas inundated with groundwater;
- Flora and vegetation – a level 2 flora and vegetation survey of ML 47/1451 and mapping of Groundwater Dependent Ecosystems;
- Vertebrate and Short Range Endemic (SRE) fauna – desktop assessments, literature review, reconnaissance surveys, targeted trapping, targeted surveys and SRE invertebrate surveys;
- Geochemical characterisation of waste rock and tailings – both static and kinetic testwork; and
- Groundwater – completion of groundwater models for proposed pits, pump tests, establishment of production wells in Eagle and Delta and installation of a network of groundwater monitoring bores in Eagle, Delta and Champion.

These studies lead FMS to conclude that the mining related component of the PIOP can be implemented in a manner that is considered to be environmentally acceptable.

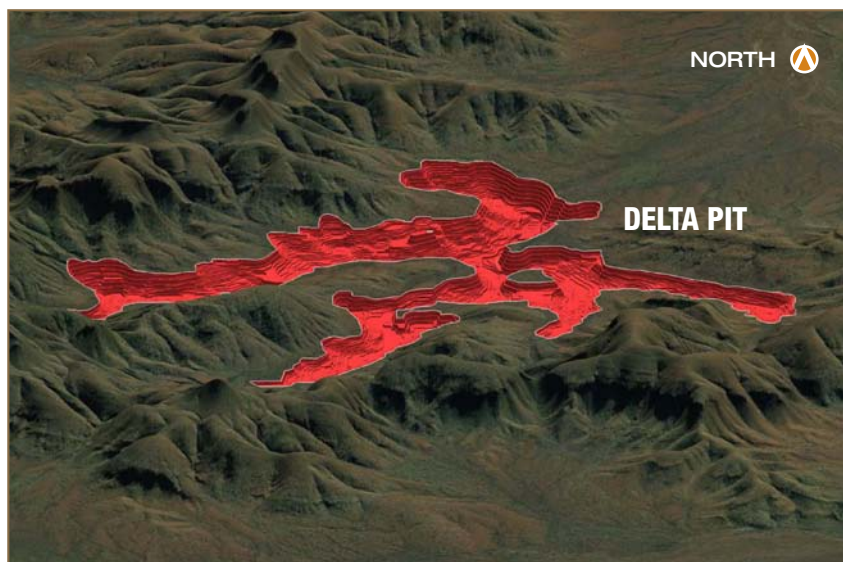


Figure 1 : Conceptual DFS level design of Delta pit.



Figure 2 : Troglofauna Bembidiinae sp. - Recorded from the Delta Deposit – Photo by Bennelongia Pty Ltd 2011.

Pilbara Iron Ore Project *(cont.)*

APPROVALS

A Native Title Mining Agreement was reached in March, 2012, following 12 months of constructive consultation with the Eastern Guruma. The Native Title Mining Agreement reflects the strong relationship that the parties have developed since Flinders Mines commenced exploration for iron in the region almost four years ago. Following execution of the Native Title Agreement, the Government of Western Australia through the Department of Mines and Petroleum granted a Mining Lease (M47/1451) over the Blacksmith tenement.

FMS has initiated a comprehensive stakeholder consultation programme as part of its objective to develop the PIOP in an environmentally aware and sustainable manner. The stakeholder consultation programme is founded on the importance of early and transparent engagement with stakeholders to ensure their comments and input is considered during the development of the PIOP.



Regional geologist inspecting iron ore outcrops within the PIOP tenements.

The mining related component of the PIOP i.e. pits, waste rock dumps and interconnecting haul roads was referred to the Commonwealth and State Governments for assessment and approval during 2011. The status of these assessments and approvals is as follows:

- The Commonwealth Department of Sustainability, Environment, Water, Population and Communities have provided FMS with a proposed approval notice which contains 10 draft conditions. Final approval from the Commonwealth Government is expected in Q3, 2012.
- The Office of the Western Australian Environmental Protection Authority is currently in the final stages of completing their assessment of the PIOP. Approval from the Environmental Protection Authority is expected in Q4, CY 2012.

Exploration - Pilbara Iron Ore Project

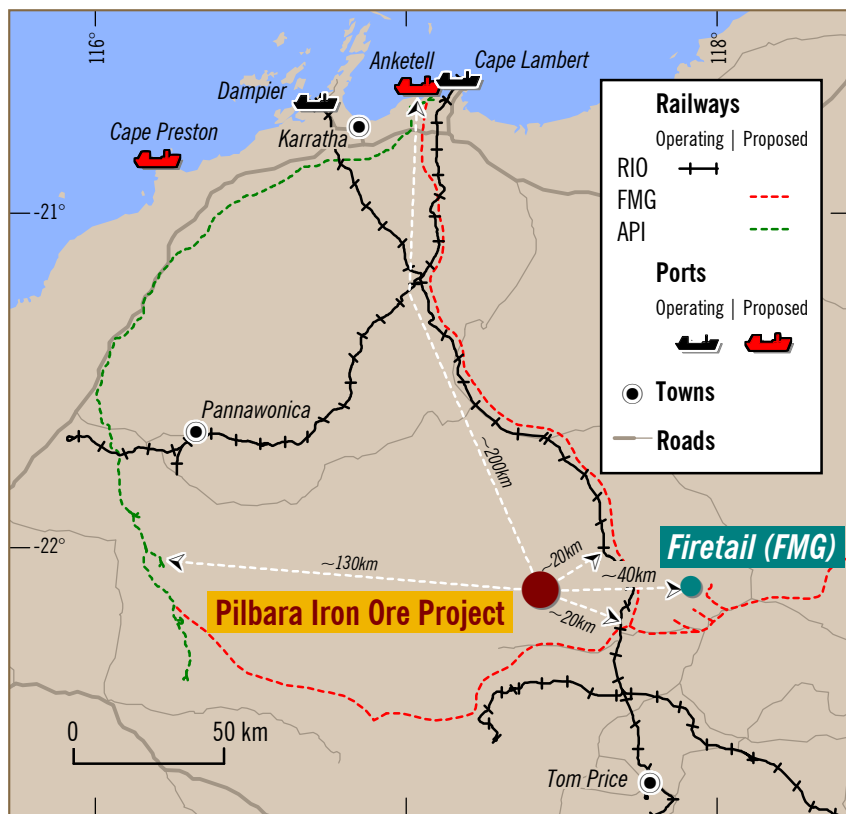


Figure 1 : Regional location of the Pilbara Iron Ore Project, relative to infrastructure.

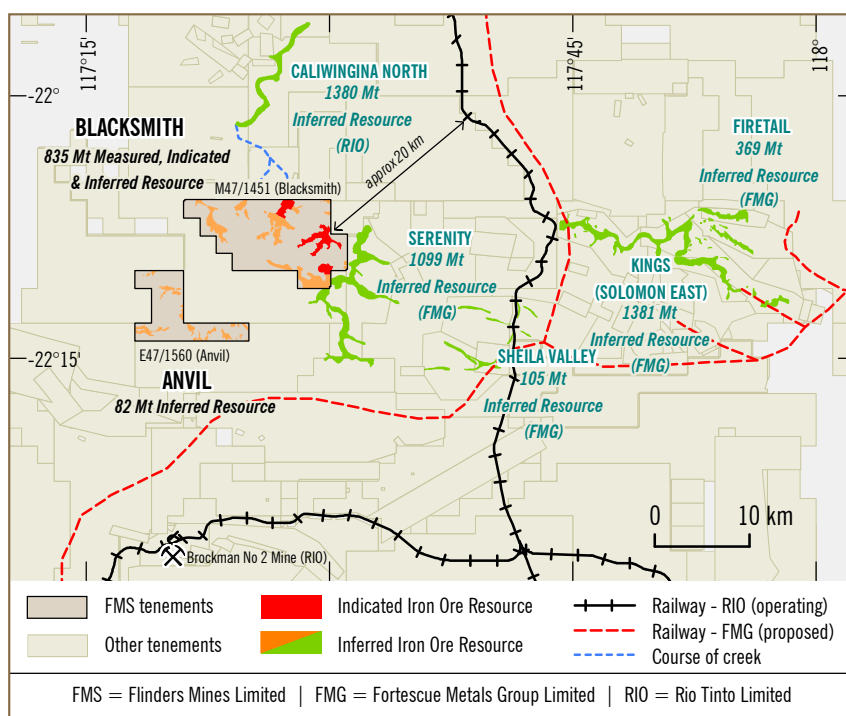


Figure 2 : Local precinct of the Pilbara Iron Ore Project.

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, M47/1451 (Blacksmith) and E47/1560 (Anvil). The key tenements are located approximately 20km west of Rio Tinto's Paraburdoo to Dampier rail track. Iron mineralisation on the main project tenement (M47/1451) is laterally associated with both Rio Tinto's (RIO) Caliwingina North deposit and Fortescue Metals Group's (FMG) Serenity deposit, part of the Solomon hub (Figure 2).

EXPLORATION & EVALUATION

Flinders successfully completed its planned 2011 drilling programme at its flagship Pilbara Iron Ore Project (PIOP), ahead of schedule, in Q4 2011 (Figure 3). No exploration drilling has been carried out in 2012.

During 2011 a total of 263 drill holes were completed for 14,542m bringing the total number of holes drilled at the PIOP to 2,968 drill holes for 150,199m. The drilling carried out in 2011 provided the basis for:

- A new resource estimate
- A maiden Measured Mineral Resource to provide sufficient resource for the Definitive Feasibility Study (DFS)
- Upgrade of some Inferred Mineral Resource to Indicated
- Further testing of BID targets on the margins of the channels

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

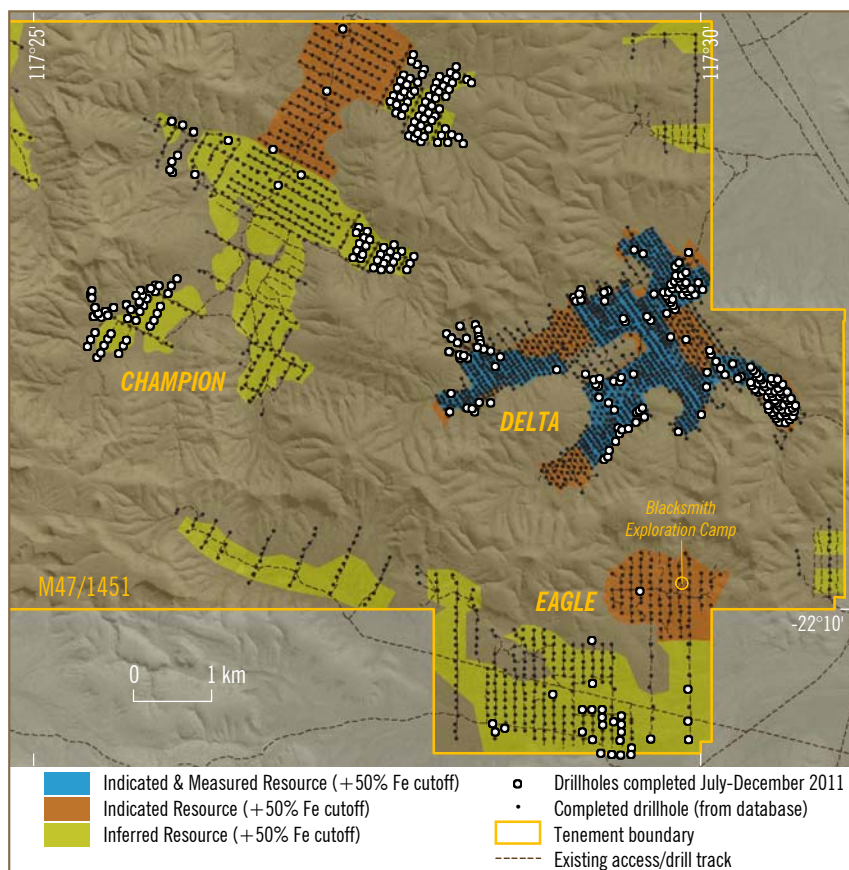
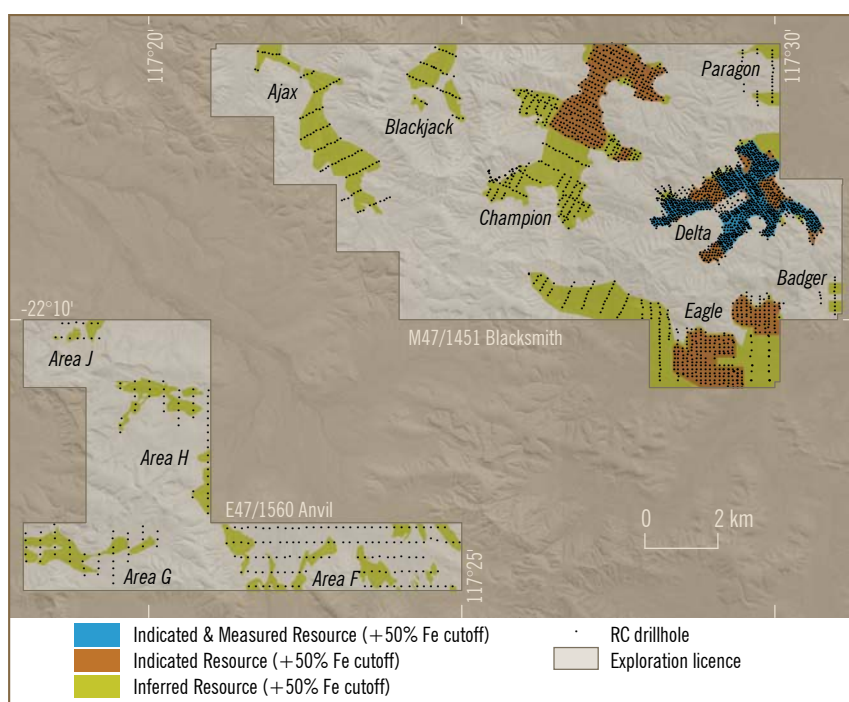


Figure 3 : Location of Delta, Champion and Eagle deposits, Pilbara Iron Ore Project, showing all completed RC drilling in 2011.



RESOURCE ESTIMATE

On the 14th of November 2011 Flinders announced a further significant increase in the Mineral Resource at the Company's 100%-owned Pilbara Iron Ore Project. Flinders' global Mineral Resource for the project increased by a further 23% to 917Mt @ 55.2% Fe (Tables 1 & 2). The increase was based on updates to the Champion, Delta and Eagle deposits only – there were no changes to the other deposits (Figure 4).

The upgraded Mineral Resource was based on a +50% iron cut-off and now consists of a Measured Resource of 101 Mt @ 56.4% Fe, an Indicated Resource of 343.7 Mt @ 55.5% Fe and an Inferred Resource of 472.6 Mt @ 54.7% Fe (Table 1).

The Mineral Resource is comprised of 190.5 Mt of BID at 56.3% Fe, 545.5 Mt of DID @ 55.2% Fe and 181.3 Mt of CID at 54.0% Fe (Table 2).

This upgraded Mineral Resource was compiled in accordance with the 2004 JORC (Joint Ore Reserves Committee) code.

Figure 4 : Location of PIOP Global Measured, Indicated and Inferred Resource.

Table 1 : Pilbara Iron Ore Project Global Resource, by deposit.

Global Mineral Resource for Fe > 50% (11/11/2011)						
JORC Classification	Tonnage Mt	Fe %	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
Ajax Inferred	68.5	55.2	10.6	5.1	0.060	4.5
Blackjack Inferred	44.7	55.3	12.8	4.6	0.057	2.7
Champion Inferred	61.1	55.6	10.1	4.6	0.069	4.7
Champion Indicated	112.4	55.2	9.6	4.9	0.075	5.5
Delta Inferred	12.1	56.0	8.2	4.6	0.085	6.2
Delta Indicated	111.8	56.3	7.9	3.9	0.100	6.8
Delta Measured	101.0	56.4	10.5	5.1	0.054	2.8
Eagle Inferred	173.4	54.0	9.5	5.0	0.076	7.7
Eagle Indicated	119.5	55.0	9.3	4.8	0.074	6.4
Badger Inferred	8.7	57.5	6.3	3.4	0.092	7.3
Paragon Inferred	21.7	58.0	6.6	3.9	0.080	5.5
Anvil Inferred	82.4	53.6	11.4	5.8	0.050	4.9
Total Inferred	472.6	54.7	10.2	5.0	0.067	5.7
Total Indicated	343.7	55.5	8.9	4.5	0.083	6.2
Total Measured	101.0	56.4	10.5	5.1	0.054	2.8
TOTAL	917.3	55.2	9.7	4.8	0.072	5.6

The updated resource estimates were prepared by independent geological consultants, Optiro Pty Ltd (Optiro), 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 500m between the lines and 100m 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.

Table 2 : Pilbara Iron Ore Project Mineral Resource summary of deposit types.

Deposit Type	Inferred Resource (Mt)	Indicated Resource (Mt)	Measured Resource (Mt)
Brockman Iron Deposit (BID)	99.1	91.4	–
Detrital Iron Deposit (DID)	287.8	156.7	101.0
Channel Iron Deposit (CID)	85.7	95.6	–
TOTAL	472.6	343.7	101.0

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

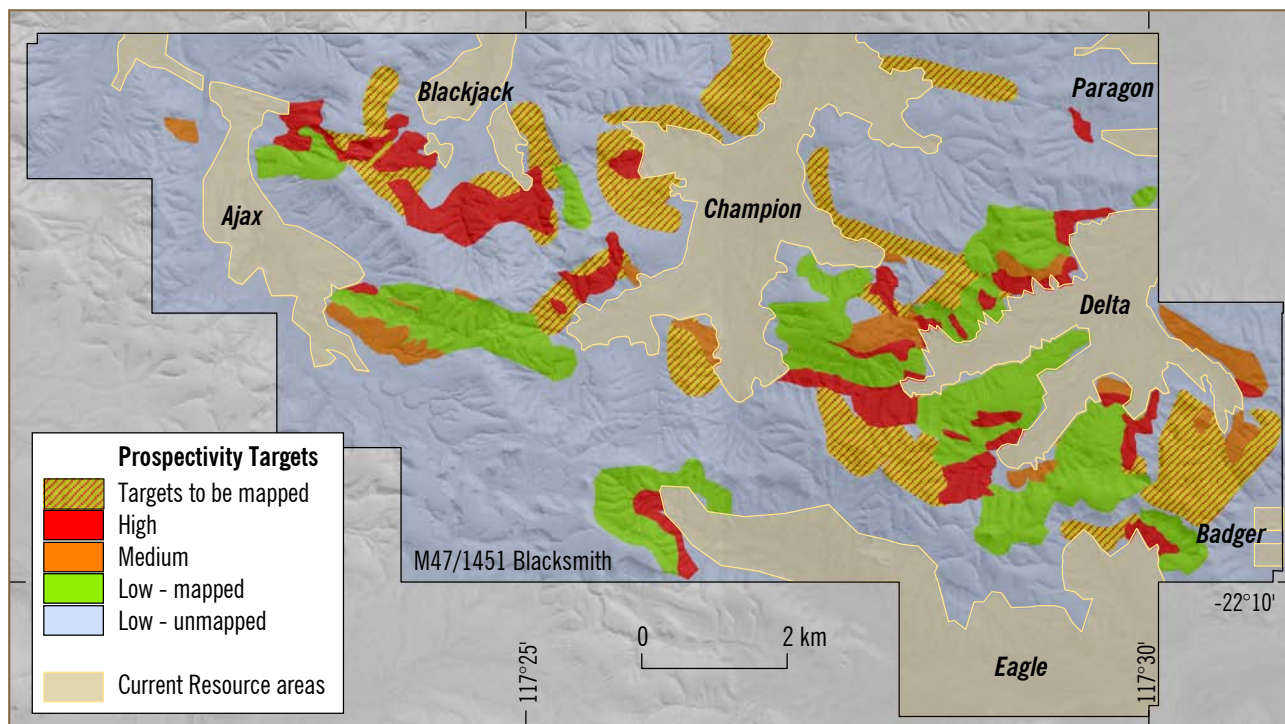


Figure 5 : *PIOP prospectivity targets highlighting potential BID Exploration Targets*.*

PLANNED ACTIVITIES

Flinders has progressed planning for drilling at PIOP targeting primarily BID targets and necessary Mineral Resource conversions where the mining plan dictates. Heritage surveys are completed for this work and Programmes of Work (PoW) are either completed or in progress.

The importance of targeting BID is that this style of mineralisation has the benefit of being direct shipping ore (DSO) in its own right, such that a high proportion would be expected to convert into the saleable ore inventory. Further, the BID typically outcrops or is close to surface leading to a low strip ratio and therefore relatively low mining costs.

On 22 November 2011, Flinders announced an Exploration Target* for BID mineralisation at PIOP (110 to 160Mt between 55 and 58% Fe). Since defining this Exploration Target*, Flinders has identified additional target areas which would see this target increase (Figure 5).

* Exploration Targets

Exploration targets are reported according to Clause 18 of the JORC Code. This means that the potential quantity and grade is conceptual in nature and that considerable further exploration, particularly drilling, is necessary before any Identified Mineral Resource can be reported. It is uncertain if further exploration will lead to a larger, smaller or any Mineral Resource.

Exploration - Canegrass Project

The Canegrass Project area is located in Western Australia's Mid-West region approximately 60km 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 700km² and hosts an extensive mafic/ultramafic intrusive package; the Windimurra Complex. The project hosts Fe-V-Ti mineralisation and has the potential for base metal and precious metal mineralisation.

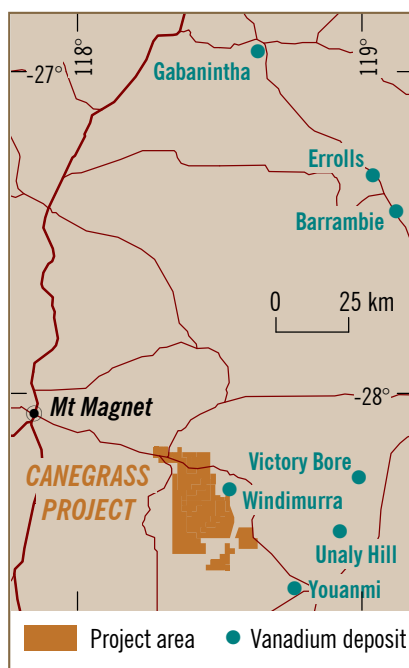


Figure 6 : Canegrass Project located near Mt Magnet, WA.

Table 3 : Canegrass vanadium Inferred Mineral Resource tonnage and grade report by area.

Inferred Mineral Resource for V ₂ O ₅ > 0.5% (5/8/2011)							
Area	Mt	V ₂ O ₅ %	TiO ₂ %	Fe%	SiO ₂ %	Al ₂ O 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 4 : 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 ₂ O ₅ %	SiO ₂ %	Al ₂ O 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

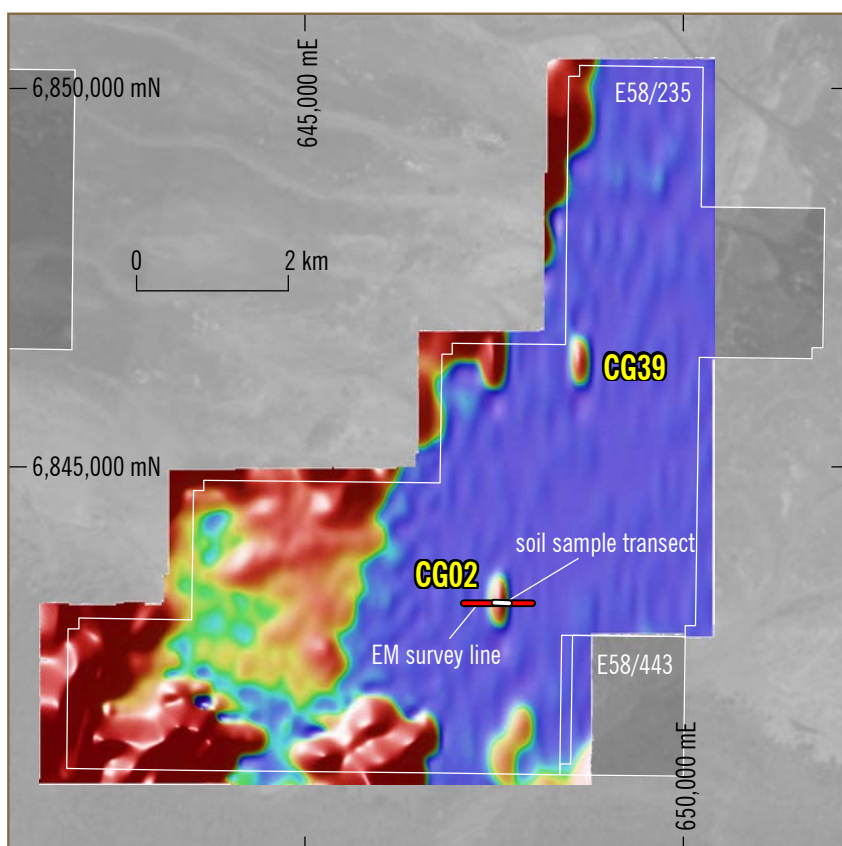


Figure 7 : Location of airborne electromagnetic anomalies on E58/235.

Exploration - Canegrass Project *(cont.)*

EXPLORATION & EVALUATION

A resource estimate is current for the magnetite mineralisation at Canegrass (Tables 3 & 4).

A significant amount of work has been carried out reviewing existing geological datasets and historical reports to identify and refine exploration targets. Detailed work programmes have been developed and reviewed for the priority target areas, covering tasks such as mapping, soil sampling, ground-based geophysics and drilling.

Preliminary ground electromagnetic (EM) surveys undertaken in late 2011 highlighted high quality targets that require further investigation. Two of these are located on tenement E58/235 (Figure 7). A single line of soil samples was undertaken over one of the anomalies with encouraging results. Coincident anomalous Cu (1080 ppm), Ni (1030 ppm), Co (230 ppm) and Au (29 ppb) values were identified immediately over one of the EM anomalies (Figure 8).

PLANNED ACTIVITIES

Preparations are underway to commence exploration over the Canegrass Project exploring for base metals and precious metals. Several excellent targets have already been identified and will be refined/enhanced by additional ground based work.

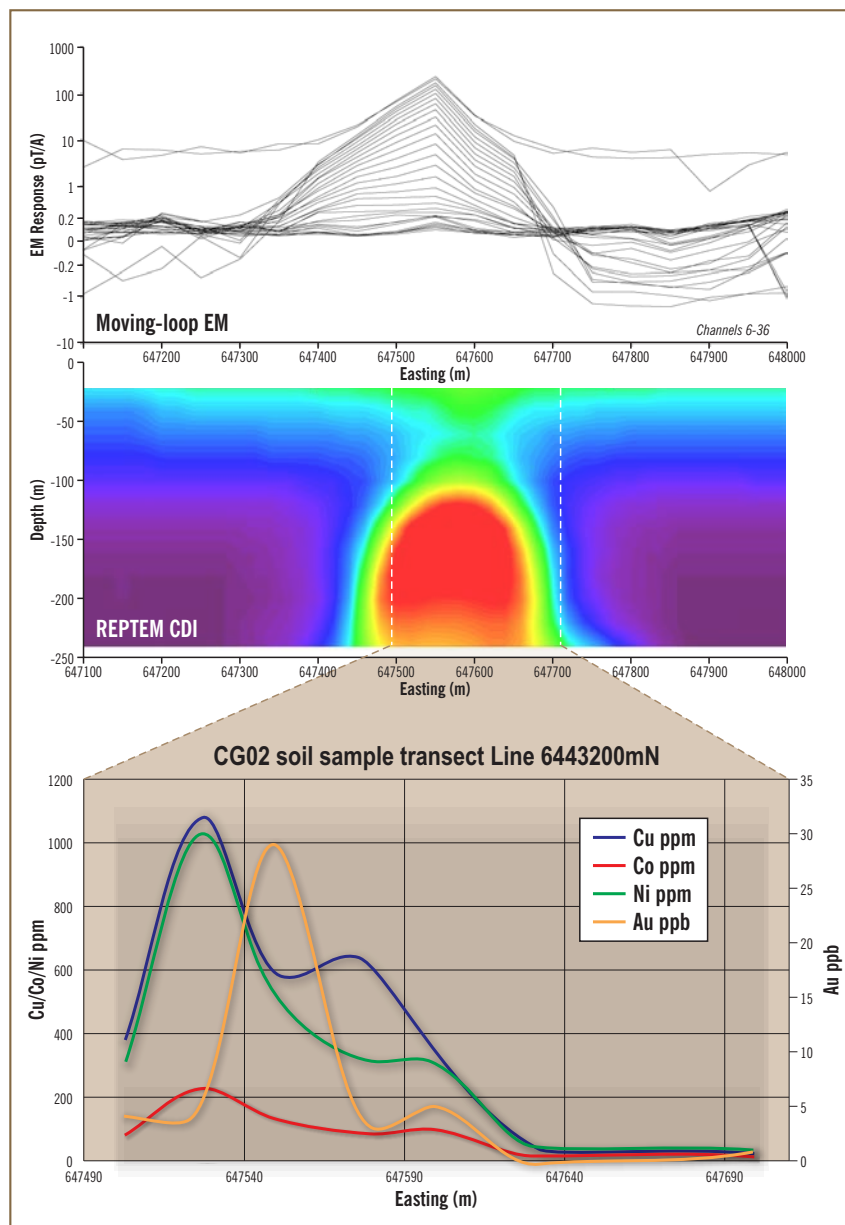


Figure 8 : Coincident ground electromagnetic anomaly and surface soil geochemistry anomaly.

Tenement Schedule

Tenement Application/ No.	Tenement Name	Grant/Application Date	Expiry Date	Area (sq Km)	Registered Holder/ Applicant	Related Agreement
WESTERN AUSTRALIA						
Pilbara Iron Ore Project						
M47/1451	Blacksmith ML	26/03/2012	25/03/2033	111.6	Flinders Mines Limited	Prenti and Fortescue Agreements
E47/1016-I	Mulga Downs	19/07/2002	18/07/2012	124.0	Flinders Mines Limited	Prenti and Fortescue Agreements
E47/1306-I	Hamersley West	17/11/2005	16/11/2012	139.5	Flinders Mines Limited	Prenti and Fortescue Agreements
E47/1333-I	Satellite Spring	28/07/2007	27/07/2012	164.3	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1334-I	Satellite Spring East	2/06/2007	1/06/2014	158.1	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1352	Hamersley Station West	16/02/2008	15/02/2013	34.1	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1372-I	Hamersley Range	16/05/2007	15/05/2014	195.3	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1398	Fortescue Valley	8/07/2011	7/07/2016	213.9	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1399	Range Bore	8/07/2011	7/07/2016	210.8	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1436-I	Malay Well	31/03/2006	30/03/2013	108.5	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1523-I	Mt Brockman West	16/02/2008	15/02/2013	77.5	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1524-I	Mt Brockman North	15/06/2007	14/06/2014	130.2	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1560-I	Anvil	6/09/2007	5/09/2012	43.4	Flinders Iron Pty Ltd	Prenti and Fortescue Agreements
M47/663-672	Mulga Downs FMG	24/06/2005	N/A		Flinders Mines Limited	Prenti and Fortescue Agreements
P47/1291-I	Gap area E47/882 & 1306	27/09/2007	26/09/2015	0.2	Flinders Mines Limited	Prenti and Fortescue Agreements
M47/1407	Hamersley West FMG	13/09/2007	N/A		Flinders Mines Limited	Prenti and Fortescue Agreements
Canegrass Project						
E58/232-I	Boulder Well	29/07/2002	28/07/2012	55.8	Flinders Mines Limited	Maximus Canegrass Agreement
E58/235-I	Canegrass Well	29/07/2002	28/07/2012	55.8	Flinders Mines Limited	Maximus Canegrass Agreement
E58/236-I	Challa	22/03/2002	21/03/2012	55.8	Flinders Mines Limited	Maximus Canegrass Agreement
E58/271-I	Gingier Pool	7/11/2005	6/11/2012	145.7	Flinders Mines Limited	Maximus Canegrass Agreement
E58/282-I	Honey Pot	3/05/2007	2/05/2014	27.9	Flinders Mines Limited	Maximus Canegrass Agreement
E58/307-I	Challa Homestead	7/02/2007	6/02/2014	3.1	Flinders Mines Limited	Maximus Canegrass Agreement
E58/308-I	Challa South	7/02/2007	6/02/2014	3.1	Flinders Mines Limited	Maximus Canegrass Agreement
E58/358-I	Pipeline	22/03/2010	21/03/2015	145.7	Flinders Mines Limited	Maximus Canegrass and Corporate Group Agreements
E58/359-I	Bundy Well	26/02/2010	25/02/2015	217.0	Flinders Mines Limited	Maximus Canegrass and Corporate Group Agreements
P58/1174	Windimurra W4	3/04/2007	2/04/2011	1.3	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1175	Windimurra W5	3/04/2007	2/04/2011	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1176	Windimurra W6	3/04/2007	2/04/2011	1.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1302	Challa H3	18/09/2006	17/09/2010	0.8	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1327	Challa H4	1/11/2006	31/10/2010	0.7	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1328	Challa H5	1/11/2006	31/10/2010	0.7	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1329	Challa H6	1/11/2006	31/10/2010	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1330-I	Challa H7	1/11/2006	31/10/2010	0.2	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
P58/1403	Challa A	3/03/2010	2/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1404	Challa A	3/03/2010	2/03/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1425	Challa	28/06/2010	27/06/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1426	Challa	28/06/2010	27/06/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1427	Challa	28/06/2010	27/06/2014	0.4	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1428	Canegrass Well	28/06/2010	27/06/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1436	Canegrass Well	26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1438	Canegrass Well	26/02/2010	25/02/2014	0.5	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1439	Canegrass Well	26/02/2010	25/02/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1440	Canegrass Well	4/03/2010	3/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P58/1445	Canegrass Well	4/03/2010	3/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P59/1851	Canegrass Well	21/04/2010	20/04/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P59/1865	Canegrass Well	8/03/2010	7/03/2014	0.2	Flinders Mines Limited	Maximus Canegrass Agreement
P59/1866	Canegrass Well	8/03/2010	7/03/2014	1.2	Flinders Mines Limited	Maximus Canegrass Agreement
E58/438	Challa New Application	18/06/2012	N/A	0.6	Flinders Mines Limited	Maximus Canegrass Agreement

Tenement Schedule (cont.)

Tenement Application/ No.	Tenement Name	Grant/Applic- ation Date	Expiry Date	Area (sq Km)	Registered Holder/ Applicant	Related Agreement
NORTHERN TERRITORY						
Strangways Woolanga Project						
SEL25055	Strangways	13/06/2006	12/06/2010	967.0	Flinders Mines Limited	Maximus Agreement
SEL25056	Mud Tank-Alcoota	13/06/2006	12/06/2010	498.0	Flinders Mines Limited	Maximus Agreement
SOUTH AUSTRALIA						
Adelaide Hills Project						
EL4303	Lobethal	1/09/2009	31/08/2013	222.0	Flinders Mines Limited	Maximus Agreement
EL4641	Echunga	7/01/2011	6/01/2014	173.0	Flinders Mines Limited	Maximus Agreement
EL4712	Mt Pleasant	30/03/2011	29/03/2014	452.0	Flinders Mines Limited	Maximus Agreement
EL4091	Mt Barker	25/02/2008	24/02/2013	118.0	Flinders Mines Limited	Maximus Agreement
EL4131	Kapunda	28/04/2008	27/04/2013	626.0	Flinders Mines Limited	Maximus Agreement
EL4227	Brunkunga	25/02/2009	24/02/2014	94.0	Flinders Mines Limited	Maximus Agreement
Billa Kalina Project						
EL4463	Billa Kalina	13/04/2010	12/04/2014	1023.0	Flinders Mines Limited	Maximus Agreement
EL4899	Bamboo Lagoon	31/05/2012	30/05/2014	412.0	Flinders Mines Limited	Maximus Agreement
EL4854	Millers Creek	27/04/2012	26/04/2014	771.0	Flinders Mines Limited	Maximus Agreement
Central Gawler Craton Project						
EL3343 (ELA59/10)	Sandstone	1/01/2010		322.0	Tasman Resources NL	Tasman Agreement
EL3423 (ELA233/10)	Wildingi Claypan	1/01/2010		215.0	Tasman Resources NL	Tasman Agreement
EL4868	Galaxy Tank	11/05/2012	10/05/14	295.0	Tasman Resources NL	Tasman Agreement
Flinders Ranges Manganese Project						
EL4709	Murray Town	29/03/2011	28/03/2013	212.0	Flinders Iron Pty Ltd	
EL4710	Mt Ragless	29/03/2011	28/03/2013	242.0	Flinders Iron Pty Ltd	
Jamestown Project						
EL4367	Slippery Corner	10/11/2009	9/11/2012	156.0	Flinders Mines Limited	Tarcowie Phosphate Agreement
EL4368	Caltowie	10/11/2009	9/11/2012	670.0	Flinders Mines Limited	Tarcowie Phosphate and Copper Range Agreements
EL4369	Jamestown	10/11/2009	9/11/2012	190.0	Flinders Mines Limited	
EL4370	Washpool	10/11/2009	9/11/2012	209.0	Phoenix Copper Ltd	Phoenix Copper Agreement
EL4371	Steves Gap	10/11/2009	9/11/2012	110.0	Flinders Mines Limited	
EL4372	Pekina	9/11/2009	8/11/2012	326.0	Flinders Mines Limited	
EL4374	Amyton	10/11/2009	9/11/2012	142.0	Flinders Mines Limited	
Southern Gawler Craton Project						
EL4290	Flinders Island	3/08/2009	2/08/2014	16.0	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
ELA85/00	Offshore Flinders Island	1/01/2000		364.0	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
EL4183	Flinders Island Coastal	8/09/2008	7/09/2013	24.0	Orogenic Exploration P/L & Tawana Resources NL	Tawana Orogenic Agreement
Springfield Project						
EL3919	Springfield	3/09/2007	2/09/2012	340.0	Flinders Mines Limited	
EL4404	Kanyaka	23/12/2009	22/12/2013	251.0	Flinders Mines Limited	
EL4184	Glen Oak	18/09/2008	17/09/2013	186.0	Flinders Mines Limited	
EL4209	Willochra	18/11/2008	17/11/2013	35.0	Flinders Mines Limited	
EL4208	Gilbert Hill	18/11/2008	17/11/2013	864.0	Flinders Mines Limited	



Financial Report

for the year ended 30 June 2012

Contents

Directors' Report	18
Auditor's Independence Declaration	28
Corporate Governance Statement	29
Financial Statements	
Consolidated Statement of Comprehensive Income	35
Consolidated Statement of Financial Position	36
Consolidated Statement of Changes in Equity	37
Consolidated Statement of Cash Flows	38
Notes to the Consolidated Financial Statements	39
Directors' Declaration	64
Independent Auditor's Report to the Members	65
ASX Additional Information	68

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

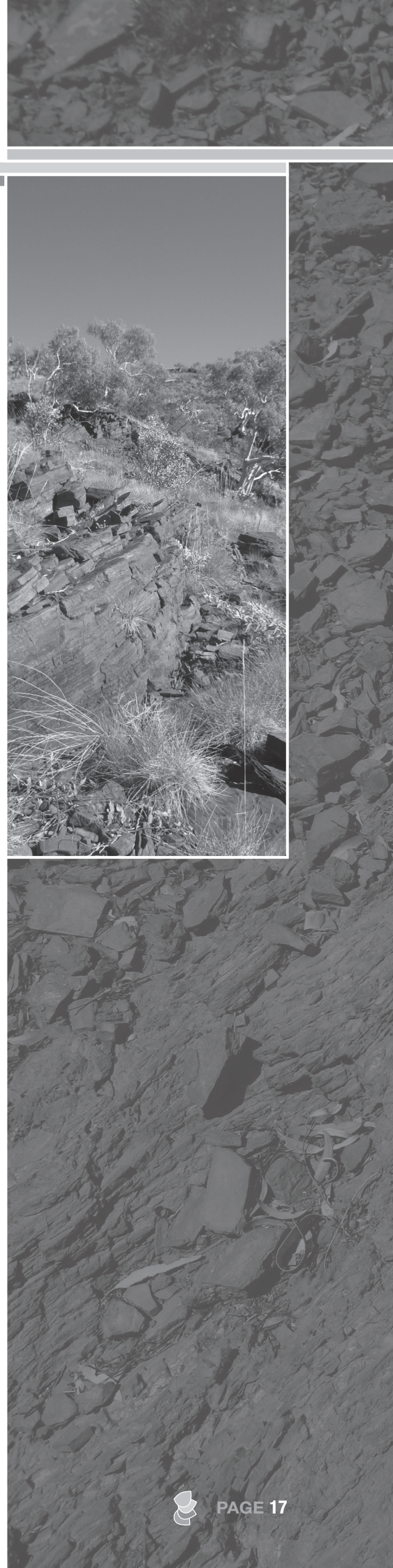
Registered postal address is:

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 18 to 27, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 20 September 2012. 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 2012.

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)

John David Cooper
(Non-executive director)

Kevin John Malaxos
(Non-executive director)

Ewan John Vickery
(Non-executive director)

Gregory Mornington May
(Alternate director for E J Vickery)

Nicholas John Smart
(Alternate director for R M Kennedy)

PRINCIPAL ACTIVITIES

The principal 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 (2011: Nil).

OPERATING RESULTS AND FINANCIAL POSITION

The net result of operations for the financial year was a loss of \$4,936,852 (2011: \$7,964,256).

The net assets of the Group have decreased by \$4,252,101 during the financial year from \$81,311,953 at 30 June 2011 to \$77,059,852 at 30 June 2012.

REVIEW OF OPERATIONS

The 2012 financial year has been a significant one for Flinders Mines Limited (FMS) with respect to both corporate level and project based activities.

During the year Flinders Mines Limited commenced a strategic review process that resulted in Flinders Mines Limited and Magnitogorsk Iron & Steel Works OJSC (MMK) executing a Scheme Implementation Agreement (SIA) to effect the acquisition by MMK of 100% of the issued shares in FMS under a Scheme of Arrangement (Scheme). MMK offered to acquire 100% of the FMS issued shares at A\$0.30 cash per share. This offer was taken to shareholders who overwhelmingly supported the takeover. Legal proceedings by a minority MMK shareholder commenced in early April, resulting in a series of Russian legal proceedings extending beyond the Quit Date of the SIA. MMK elected to terminate the SIA on July 2nd 2012.

At our flagship project, the Pilbara Iron Ore Project (PIOP), the JORC compliant resource increased to 917 million tonnes (Mt) at 55% Fe, 23% higher than the previous year. In all, a total of 2,968 holes for 150,199 metres have now been drilled on the PIOP.

Further to this, a BID exploration target of 110 to 160Mt was announced for the Pilbara Iron Ore project which has the potential to further increase the global resource to well over 1 billion tonnes of Iron Ore.

The base case 15Mtpa PIOP DFS study has continued with progress made on a number of critical path activities. This has included mine planning, metallurgical test work, marketing activities, native title, hydrogeological studies and progress of environmental approvals. Of significant note is the signing of a Native Title Mining Agreement with the Wintawari Guruma Aboriginal Corporation (Eastern Guruma) and the granting of the Mining Lease. These are significant milestones in the company's progress to becoming a significant producer of iron ore.

A marketing program that has included engagement of potential customers is well under way. To date the marketing team has met in excess of 30 Chinese steel mills and received an overwhelmingly positive response to both the potential products and a new entrant into the iron ore market. To support this high level of customer interest Flinders Mines Limited has commenced a sinter testwork program at the University of Science & Technology in Beijing that will further support the acceptance of Flinders products by these mills.

During the financial year a maiden resource was also announced for the Canegrass Project. Drilling completed late in 2010 targeted magnetite iron mineralisation and a maiden Inferred Mineral Resource has revealed significant high grade vanadium mineralisation in association with magnetite iron mineralisation. The Mineral Resource for the vanadium mineralisation is 107 Mt @ 0.62% V₂O₅. This Mineral Resource is a subset of the larger iron Mineral Resource of 216Mt @ 25.4% Fe. Both Mineral Resources are contained within the same geological units.



SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 25 November 2011, the Company entered into a Scheme Implementation Agreement (SIA) with Magnitogorsk Iron and Steel Works OJSC (MMK), under which MMK offered to acquire all of the shares in Flinders at \$0.30 per share, pursuant to a scheme of arrangement (Scheme). The details of the offer were put to all shareholders at a Scheme Meeting on 30 March 2012, at which the Scheme received the necessary shareholder approvals, receiving overwhelming support of over 90% of votes cast.

Prior to the Scheme receiving the final approval of the Australian Federal Court, Flinders was advised by MMK that a minority shareholder of MMK had sought and been granted injunctive relief in the Arbitration Court of Chelyabinsk, Russian Federation, under which MMK was restrained from implementing its Directors' resolutions with respect to the acquisition of 100% of Flinders.

Following a series of disappointing and frustrating delays, denied appeals and adjournments by the Russian courts, it became apparent that a legal solution would not be possible until after the Quit Date of the SIA, being 30 June 2012. Due to the uncertainties and delays and the inability of MMK to complete the transaction, MMK notified Flinders that it was terminating the SIA on 2 July 2012 and as a consequence of MMK's termination, the SIA effectively ceased.

There were no accounting consequences of the Scheme and its ultimate failure to proceed. The restrictions contained in the SIA and the lengthy delays caused by the legal actions in Russia meant that Flinders reduced its operations during the period from November 2011 to early July 2012. Whilst Flinders curtailed its exploration activities and restricted its Definitive Feasibility Study endeavours to only those areas critical to the ongoing development path of the Pilbara Iron

Ore Project, thereby doing its utmost to preserve its cash reserves, the Company concludes that there was no significant change in the state of affairs.

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

PIOP

Flinders' Pilbara Iron Ore Project remains unique amongst independent Pilbara based iron ore developers offering multiple infrastructure and project development options, an ability to deliver 15 Mtpa of high quality ore, strong project economics and a large, contiguous resource position.

Over FY2013, Flinders' focus will be on the strategic development of the PIOP. Flinders has resumed dialogue with counterparties, and a full data room will be made available to allow those groups interested in the strategic development of the PIOP to conduct due diligence as required.

The scope of development will include:

- Infrastructure access
- Project financing
- Ore marketing and off-take arrangements
- Joint venture and corporate proposals

CANEGRASS PROJECT

A targeted exploration programme on Canegrass tenements will commence in H2 FY13.

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

He conducts the review of the Board including the Managing Director in his executive role. Mr Kennedy leads the development of strategies for the development and future growth of the Company. Apart from his attendance at Board and Committee meetings Mr Kennedy leads the Board's external engagement of the Company, meeting with Government, investors and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms and is a regular presenter on topics relating to directors with the AICD and the CSA. During the year he attended the Masterclass of the Australian Institute of Directors with members of top ASX200 company boards.

Directors' Report *(cont.)*

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, now enhanced by his resignation from the Somerton Energy Ltd Board and his not seeking re-election to the Board of Beach Energy Ltd. 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 the Board. 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) and Ramelius Resources Limited (since 2003). Mr Kennedy was previously a director of ASX listed company Somerton Energy Limited (from April 2010 until May 2012).

Special responsibilities

Chairman of the Board.

Chairman of the Nominations 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), AAI CD.
Managing Director.

Experience and expertise

A director since April 2011, Mr Sutherland has 26 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.

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.

8,403,700 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 September 2010, Mr Cooper has over 36 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 Electrical Engineering Limited (Director since 2007, Chairman since 2011), NRW Holdings Limited (since 2011), Neptune Marine Services Limited (since April 2012) and QR National Limited (since April 2012). Mr Cooper was previously a director of listed company Clough Limited (2006 to 2010).

Special responsibilities

Member of the Audit Committee.

Member of the Risk Committee.

Member of the Corporate Development Committee.

Chairman of the Corporate Governance Committee.

Interests in shares, options and rights

1,200,000 ordinary shares in Flinders Mines Limited.



Kevin John Malaxos

BEng Mining Engineering.
Non-executive Director.

Experience and expertise

A director since December 2010, Mr Malaxos, a mining engineer, has over 26 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.

Interests in shares, options and rights

Nil.

Ewan John Vickery

L.L.B.
Non-executive Director.

Experience and expertise

A director since June 2001, Mr Vickery is a corporate and business lawyer with over 31 years' experience in private practice in Adelaide. He has acted as an advisor to companies on a variety of corporate and business issues including capital and corporate restructuring, native title and land access issues, and as lead native title advisor and negotiator for numerous mining and petroleum companies.

He is a member of the Exploration Committee of the South Australian Chamber of Mines and Energy Inc, the International Bar Association Energy and Resources Law Section, the Australian Institute of Company Directors and is a past national president and Life Member of Australian Mining and Petroleum Law Association (AMPLA Limited).

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 Nominations 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.L.B. 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 General Counsel 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 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.)*

Interests in shares, options and rights

838,095 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 26 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 November 2008.

Interests in shares, options and rights

338,769 ordinary shares in Flinders Mines Limited.

2,022,300 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 2012, and the numbers of meetings attended by each director were:

	Full meetings of directors		Audit committee		Corporate governance committee		Nomination and remuneration committee		Risk committee	
	A	B	A	B	A	B	A	B	A	B
Robert Michael Kennedy	19	20	2	2	-	-	2	2	-	-
Gary David Sutherland	20	20	-	-	-	-	-	-	1	1
John David Cooper	20	20	2	2	1	1	-	-	1	1
Kevin John Malaxos	20	20			1	1	-	-	-	-
Ewan John Vickery	19	20	2	2	1	1	2	2	1	1
Gregory Mornington May*	-	20	-	-	-	-	-	-	-	-
Nicholas John Smart*	-	20	-	-	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Alternate director

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 \$88,221 to insure the directors and officers in respect of directors' and officers' liability and legal expenses insurance contracts. In addition, a further premium of \$122,609 was paid for run-off cover over the next four years for officers' liability and legal expenses.

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 *Corporations 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 2012.

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.

Directors' Report *(cont.)*

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 regularly. 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. 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
- Mr N J Corlis – General Manager - Business Development
- Mr M Rapaic – General Manager - Project Development
- Mr M Anstey – General Manager - HSEC and HR
- Mr D W Godfrey – Company Secretary and Chief Financial Officer

Key management personnel of the Group

2012	Short-term employee benefits		Post-employment benefits	Share-based payments		Total \$
	Directors' Fees \$	Salary \$	Superannuation \$	Options \$	Rights \$	
Robert Michael Kennedy	165,138	-	14,862	-	-	180,000
Gary David Sutherland [^]	-	524,999	25,000	-	318,022	868,021
John David Cooper	82,569	-	7,431	-	-	90,000
Kevin John Malaxos [*]	90,000	-	-	-	-	90,000
Ewan John Vickery	82,569	-	7,431	-	-	90,000
Gregory Mornington May	-	-	-	-	-	-
Nicholas John Smart	-	-	-	-	-	-
Nicholas John Corlis [^]	-	267,644	24,088	-	82,236	373,968
Miro Rapaic [^]	-	279,999	25,200	-	78,022	383,221
Michael Anstey [^]	-	249,999	22,500	-	66,480	338,979
David Wayne Godfrey [^]	-	211,926	19,073	-	63,139	294,138
Total key management personnel compensation	420,276	1,534,567	145,585	-	607,899	2,708,327

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

[^] 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 29.

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

Key management personnel of the Group

2011	Short-term employee benefits		Post-employment benefits	Share-based payments		Total
	Directors' Fees	Salary	Superannuation	Options	Rights	
	\$	\$	\$	\$	\$	\$
Robert Michael Kennedy	165,138	-	14,862	-	-	180,000
Gary David Sutherland [^]	-	370,147	25,000	-	318,022	519,470
John David Cooper	66,267	-	7,431	-	-	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 personnel 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 29.

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:

Name	Fixed remuneration		At Risk - STI [*]		At Risk - LTI ^{**}	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
Gary David Sutherland	63	76	-	-	37	24
Nicholas John Corlis	78	83	-	-	22	17
Miro Rapaic	80	83	-	-	20	17
Michael Anstey	80	82	-	-	20	18
David Wayne Godfrey	78	81	-	-	22	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 non-executive directors without formal employment agreements.

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

Executive performance and remuneration packages are reviewed on a regular basis by the Nominations and Remuneration Committee. The review process includes consideration of individual performance as well as overall performance of the group. To ensure the Nominations and Remuneration Committee is fully informed, it seeks external remuneration advice. The Board has appointed McDonald & Company (Australasia) Pty Ltd (McDonald) as a remuneration advisor to the Company. McDonald provides the Company with market data in relation to Managing Director and Executive remuneration and advice on remuneration trends for the Company's particular industry sector.

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 5,304,700 rights were issued to employees at a value of \$0.115 each, totalling \$610,041. 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 issues have a three year vesting period and are 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 Comparator Group of companies (see below).

The companies in the Comparator Group for FY2012 are as follows:

- Adamus Resources Limited
- Alcyone Resources Limited
- Alkane Resource Limited
- Arafura Resources Limited
- Aspire Mining Limited
- Base Resources Limited
- BC Iron Limited
- Blackgold International Holdings Limited
- Bougainville Copper Limited
- Centrex Metals Limited
- Cobar Consolidated Resources Limited
- Conquest Mining Limited
- Crusader Resources Limited
- Discovery Metals Limited
- Exco Resources Limited
- FerrAus Limited
- Flinders Resources Limited
- Focus Minerals Limited

- Galaxy Resources Limited
- Gold One International Limited
- Grange Resources Limited
- Highlands Pacific Limited
- Hillgrove Resources Limited
- Indo Mines Limited
- Industrial Minerals Corporation Limited
- Integra Mining Limited
- Iron Ore Holdings Limited
- Kagara Limited
- Kangaroo Resources Limited
- Metals X Limited
- MHM Metals Limited
- Mincor Resources NL
- Mineral Deposits Limited
- Murchison Metals Limited
- Nkwe Platinum Limited
- Northern Minerals Limited
- Northern Star Resources Limited
- Nucoal Resources NL
- OM Holdings Limited
- Panoramic Resources Limited
- Platinum Australia Limited
- Red 5 Limited
- Resource & Investments NL
- Saracen Mineral Holdings Limited
- Sphere Minerals Limited
- Summit Resources Limited
- Tribune Resources Limited
- White Energy Company Limited
- WPG Resources Limited
- YTC Resources Limited

No employee share options or rights were issued to the non-executive directors during the year (2011: 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 (2011: Nil).

Options granted as remuneration

No options were granted to directors, key management personnel or employees 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 19 of the financial statements.

Voting on remuneration report at the Company's last Annual General Meeting

At the Company's last Annual General Meeting, there were no comments or queries on the remuneration report and a proxy vote of only 6% against the resolution to adopt the remuneration report indicated strong support for the Company's remuneration structure and practices.

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	Exercise price	Number under option
6 March 2008	5 March 2013	\$0.084	240,000
4 February 2009	3 February 2014	\$0.045	1,121,666
26 August 2009	26 August 2014	\$0.055	300,000
11 February 2011	30 June 2015	\$0.085	320,000
			1,981,666

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

AUDITORS 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 28.

This report is signed and dated in Adelaide on this 20th day of September 2012 and made in accordance with a resolution of the directors.



Robert M Kennedy
Director

Auditor's Independence Declaration



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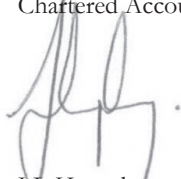
AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF FLINDERS MINES LIMITED

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 2012, 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


J.L. Humphrey
Partner

Adelaide, 20 September 2012

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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 with 2010 Amendments - 2nd Edition issued by the ASX Corporate Governance Council ("ASX Recommendations"). During the year the board formed a Corporate Governance Committee consisting of three non executive directors, whose objective is to ensure appropriate ethical and corporate governance standards and practices for the Company.

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 2012.

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 2012.

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 and financial reporting, a Risk Committee to deal with the control environment in the area

of operational risk and a Corporate Governance Committee to deal with ethical standards and corporate governance practices.

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.

Corporate Governance Statement *(cont.)*

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

- R M Kennedy (Chair)
- E J Vickery

A formal committee charter has been 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 Nominations and Remuneration Committee. The Board is committed to appointing as directors, a diverse range of qualified persons with the appropriate level of experience and skills, as and when vacancies on the Board may occur.



PRINCIPLE 3:

Promote ethical and responsible decision making

Recommendation 3.1

Recommendation followed

The Board acknowledges its responsibility to set the required standards and ethical tone of the Company. Accordingly, it clarified the standards of ethical and professional behaviour required of Directors, employees and contractors by establishment of a Code of Conduct.

The Code of Conduct addresses such matters as compliance with applicable laws, fitness for work, equal opportunity and diversity, appropriate standards of behaviour, the management of conflicts of interest and dealings in both employment and other situations.

A copy of the Code of Conduct is located on the Company's website.

Recommendation 3.2

Recommendation followed

During the year the Company established and adopted a Diversity & Equal Opportunity Policy which established the Company's commitment to recognising the benefits of attracting and retaining a diverse range of people based on merit, qualifications, experience, skills, knowledge and potential regardless of gender, ethnicity, age or other status.

The Diversity & Equal Opportunity Policy sets out the responsibility of the Board and every Company employee to support diversity and equal opportunity, by developing policy, monitoring outcomes and setting and disclosing measurable objectives.

A copy of the Diversity & Equal Opportunity Policy can be found on the Company's website.

Recommendation 3.3

Recommendation followed

In accordance with the policy, the Board has set a number of measurable objectives for achieving diversity in the workplace. Responsibility for implementation of each objective has been assigned to the relevant Board Committee or senior executive.

The measurable objectives are as follows:

Diversity Objective	Status as at 30 June 2012
Establish responsibility at Board level and amend Nominations & Remuneration Committee Charter to incorporate diversity as one of its objectives.	The Nominations & Remuneration Committee Charter will be amended at the earliest opportunity in FY2013, to include diversity as one of its objectives
Appoint a member of the executive management group with responsibility for diversity and equal opportunity.	The Managing Director and the General Manager HR & HSEC have been appointed by the Board with the responsibility for diversity.
Develop and distribute Equal Opportunity and Diversity Guidelines to the Flinders Mines workforce.	Guidelines, including a complaints and grievances process, have been developed and distributed to the entire workforce.
Publish the Diversity and Equal Opportunity Policy on the Company's website.	The policy is now included in the Corporate section of the Company's website.
Conduct an annual review of the objectives and measure progress against them.	This is an ongoing commitment. The Company will continue to review and update measurable objectives to promote diversity during the 2013 reporting period.
Conduct workforce reviews and analysis to develop further measurable objectives in 2013 for achieving diversity.	Annual remuneration reviews are conducted to ensure no disparity or bias exists. 2013 Diversity Objectives will be agreed by the Nominations & Remuneration Committee in early FY 2013.
Update all Company policies to reflect the Company's commitment to diversity.	During the year, a comprehensive review of all Company policies was undertaken by the specially formed Corporate Governance Committee, to ensure that all policies reflect the Company's values.
Develop Company-wide diversity communication, training and induction procedures.	The Company's updated policies, including diversity policy and objectives, were communicated to all employees. No cases of discrimination or harassment were reported during the period.
Appoint a diversity of Board members.	The Board remains committed to identifying suitably qualified persons for appointment to the Board and should a vacancy occur, women applicants will be favourably viewed.
Implement career and development planning as an integral part of employees' annual performance appraisal plan.	Development planning is included as part of the Company's performance appraisal process for all employees. Flinders Mines encourages all employees to achieve their potential through the provision of career development opportunities, including: • Certified training; • Participation at conferences and seminars; and • Membership of professional societies and networks.

Corporate Governance Statement *(cont.)*

Recommendation 3.4

Recommendation followed

As at 30 June 2012, women represented 41.7% of the Company's total workforce. There were no female senior executives (Managing Director's direct reports) and no female directors on the Board. The Board remains committed to identifying suitably qualified people regardless of gender, should a vacancy occur and for consideration as part of the Board's succession planning, however, women applicants will be favourably viewed.

Recommendation 3.5

Recommendation followed

The Company's Code of Conduct and Diversity & Equal Opportunity Policy have been posted to the Company's website.

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.

PRINCIPLES 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".

Corporate Governance Statement *(cont.)*

Recommendation 8.2

Recommendation not followed

A remuneration committee has been established, consisting solely of independent directors and chaired by an independent director. The committee has only two members, which is at variance with the ASX Recommendations. Given the stage of life of the entity and the relative size of the Company and its Board, the Board does not believe that a larger remuneration committee is warranted. The Board will consider enlarging the remuneration committee as the Company continues to grow in future years.

Recommendation 8.3

Recommendation followed

In accordance with ASX Recommendation 8.3 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 a 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.

Recommendation 8.4

Recommendation followed

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 2012

		Consolidated	
	Notes	30 June 2012 \$	30 June 2011 \$
Revenue from continuing operations	4	1,503,241	2,909,225
Loss on disposal of assets		(37,308)	(23,502)
Marketing expenses		(1,241,889)	(1,043,293)
Administrative expenses	5	(5,710,317)	(4,437,695)
Finance costs	5	(22,509)	(20,281)
Exploration expenditure impaired	5	(252,917)	(6,017,328)
(Loss) before income tax		(5,761,699)	(8,632,874)
Income tax benefit/(expense)	6	824,847	668,618
(Loss) for the year		(4,936,852)	(7,964,256)
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets (net of tax)	18(a)	(90,261)	(24,014)
Other comprehensive income for the year (net of tax)		(90,261)	(24,014)
Total comprehensive income for the year		(5,027,113)	(7,988,270)
(Loss) is attributable to:			
Owners of Flinders Mines Limited		(4,936,852)	(7,964,256)
		(4,936,852)	(7,964,256)
Total comprehensive income for the year is attributable to:			
Owners of Flinders Mines Limited		(5,027,113)	(7,988,270)
		(5,027,113)	(7,988,270)
	Notes	Cents	Cents
Earnings per share for (loss) attributable to the ordinary equity holders of the Parent Entity:			
Basic earnings per share	28	(0.2711)	(0.4375)

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 2012

	Notes	30 June 2012 \$	Consolidated 30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	16,071,604	36,321,300
Trade and other receivables	8	1,087,031	1,748,263
Other current assets	9	230,952	45,545
Total current assets		17,389,587	38,115,108
Non-current assets			
Available-for-sale financial assets	10	110,722	239,667
Plant and equipment	11	1,471,198	1,670,970
Exploration and evaluation assets	12	59,596,807	43,278,950
Other non-current assets	13	27,000	27,000
Total non-current assets		61,205,727	45,216,587
Total assets		78,595,314	83,331,695
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,101,656	1,720,061
Provisions	15	278,850	203,165
Total current liabilities		1,380,506	1,923,226
Non-current liabilities			
Provisions	16	154,956	96,516
Total non-current liabilities		154,956	96,516
Total liabilities		1,535,462	2,019,742
Net assets		77,059,852	81,311,953
EQUITY			
Contributed equity	17	105,277,581	105,266,776
Reserves	18(a)	1,312,734	638,788
Retained losses	18(b)	(29,530,463)	(24,593,611)
Total equity		77,059,852	81,311,953

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 2012

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)	18	-	(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	18	-	53,979	-	53,979
Rights expensed during the year	18	-	469,684	-	469,684
Contributions of equity	17	41,850	-	-	41,850
Transaction costs (net of tax)	17	(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
Consolidated	Notes	Consolidated equity \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2011		105,266,776	638,788	(24,593,611)	81,311,953
Total comprehensive income for the year:					
Loss for the year		-	-	(4,936,852)	(4,936,852)
Revaluation of financial assets (net of tax)	18	-	(90,261)	-	(90,261)
		-	(90,261)	(4,936,852)	(5,027,113)
Transactions with owners in their capacity as owners:					
Rights expensed during the year	18	-	771,544	-	771,544
Rights expired during the year	18	-	(7,337)	-	(7,337)
Contributions of equity	17	10,805	-	-	10,805
		10,805	764,207	-	775,012
Balance at 30 June 2012		105,277,581	1,312,734	(29,530,463)	77,059,852

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 2012

	Notes	30 June 2012 \$	Consolidated 30 June 2011 \$
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)		(6,234,923)	(4,818,833)
Interest received		2,248,680	3,026,625
Research and Development tax incentive received		679,919	104,494
Other payments		(1,812)	(2,368)
Net cash (outflow) from operating activities	27	(3,308,136)	(1,641,282)
Cash flows from investing activities			
Proceeds from purchase of subsidiary		-	351,162
Payments for plant and equipment		(154,697)	(208,060)
Loans to related parties		-	(150,000)
Proceeds from sale of plant and equipment		29,491	15,000
Payments for exploration activities		(16,827,159)	(16,894,639)
Net cash (outflow) from investing activities		(16,952,365)	(16,886,537)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		10,805	41,850
Net cash inflow from financing activities		10,805	41,850
Net (decrease) in cash and cash equivalents		(20,249,696)	(18,485,969)
Cash and cash equivalents at the beginning of the financial year		36,321,300	54,807,269
Cash and cash equivalents at the end of the financial year	7	16,071,604	36,321,300

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



Notes to the Consolidated Financial Statements

30 June 2012

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 and interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Flinders Mines Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

These consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments (refer to note 22).

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

These financial statements have been prepared on an accruals 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 plant and equipment.

(v) 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

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Flinders Mines Limited ("Company" or "Parent Entity") as at 30 June 2012 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 or the consolidated entity.

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.

(ii) Joint ventures

Jointly controlled assets

The Group's share of the assets, liabilities and expenses of joint venture operations are incorporated in the appropriate items of the consolidated financial statements. Details of the Group's interests are set out in note 25.

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 profit or loss, and the share of movements in reserves is recognised in other comprehensive income. Details relating to the joint venture entities are set out in note 25.

(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.

Notes to the Consolidated Financial Statements *(cont.)*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

(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 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. Any bank overdrafts the Group have 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) 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.

Notes to the Consolidated Financial Statements *(cont.)*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

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.

(k) Plant and equipment

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

Plant and equipment

Plant and equipment is measured on a cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the 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.

(l) 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.

(m) 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.

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

(iii) Share-based payments

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

The cost of equity-settled transactions is measured by the fair value at the date at which the equity instruments are granted. The fair value is determined using the Black-Scholes or Binomial pricing model. The cost is recognised as an

expense in the statement of comprehensive income with a corresponding increase in the share-based payments reserve or issued capital when the options, rights or shares are issued.

(n) 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.

(o) Exploration and evaluation expenditure

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

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

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

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

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

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

(p) 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.

(q) Comparative figures

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

(r) 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.

(s) 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.

Notes to the Consolidated Financial Statements *(cont.)*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

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 (o). 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 12.

Share-based payments

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

(t) 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, 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 (December 2010) (effective from 1 January 2013)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

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.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, revised AASB 127: Separate Financial Statements and AASB 128: Investments in Associates and Joint Ventures and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.



AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

AASB 12 integrates and makes consistent the disclosure requirements for various types of

investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13: (effective 1 January 2013)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

Revised AASB 119: Employee Benefits, AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11: Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income (effective 1 July 2012)

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The interpretation will have no impact on the Group as it has no mining activities.

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

(u) 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.

Notes to the Consolidated Financial Statements *(cont.)*

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont.)*

(v) Parent entity financial information

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

Investments in subsidiaries, associates and joint venture entities

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

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including 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 principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of financial instruments and investment of excess liquidity where appropriate.

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

The Group holds the following financial instruments:

	2012	Consolidated 2011
	\$	\$
Financial assets		
Cash and cash equivalents	16,071,604	36,321,300
Trade and other receivables	1,087,031	1,748,263
Available-for-sale financial assets	110,722	239,667
	17,269,357	38,309,230
Financial liabilities		
Trade and other payables	1,101,656	1,720,061
	1,101,656	1,720,061

(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:

	30 June 2012		30 June 2011	
Consolidated	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	5.13%	16,071,604	6.17%	36,321,300
Net exposure to cash flow interest rate risk		16,071,604		36,321,300



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 2012, 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	Carrying amount \$	Interest rate risk			
		Profit \$	Increase 2% Equity \$	Decrease 2% Profit \$	Equity \$
30 June 2012					
Financial assets					
Cash and cash equivalents	16,071,604	321,432	321,432	(321,432)	(321,432)
Total increase/ (decrease)		321,432	321,432	(321,432)	(321,432)

Consolidated	Carrying amount \$	Interest rate risk			
		Profit \$	Increase 2% Equity \$	Decrease 2% Profit \$	Equity \$
30 June 2011					
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)

(b) Credit risk

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

(c) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations. The Group manages liquidity risk by monitoring cash flows and ensuring that adequate funds are available to meet cash demands. At the reporting date the Group held deposits at call of \$15,100,000 (2011: \$34,619,801) 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements *(cont.)*

2 FINANCIAL RISK MANAGEMENT *(cont.)*

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 30 June 2012				
Assets				
Available-for-sale financial assets				
Maximus Resources Limited	65,222	-	-	65,222
Copper Range Limited	23,000	-	-	23,000
Phoenix Copper Limited	22,500	-	-	22,500
Total assets	110,722	-	-	110,722

	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

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

3 SEGMENT INFORMATION

(a) Description of segments

Identification of reportable segments

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

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

- external regulatory requirements
- geographical and geological styles

Operations

The Group has exploration operations in 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

2012	Pilbara Iron Ore \$	Canegrass Magnetite \$	Diamonds \$	Other Minerals \$	Total \$
Segment revenue	-	-	-	-	-
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	-	-	-	(252,917)	(252,917)
Impairment	-	-	-	(252,917)	(252,917)
Segment assets	53,043,632	3,853,274	-	2,699,901	59,596,807
Segment asset movements for the year:					
Capital expenditure	15,863,048	358,302	-	156,410	16,377,760
Capital expenditure written off / impaired	-	-	-	(252,917)	(252,917)
Total movement for the year	15,863,048	358,302	-	(96,507)	16,124,843
Segment assets					59,596,807
Unallocated assets					18,998,507
Total assets					78,595,314
Segment liabilities	605,626	14,533	-	-	620,159
Unallocated liabilities					915,303
Total liabilities					1,535,462

2011	Pilbara Iron Ore \$	Canegrass Magnetite \$	Diamonds* \$	Other Minerals* \$	Total \$
Segment revenue	-	-	-	-	-
Adjusted 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

* During the 2011 financial 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 resulted in the category 'Diamonds and Phosphate' becoming 'Diamonds' and the category 'Other' becoming '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.

Notes to the Consolidated Financial Statements (cont.)

3 SEGMENT INFORMATION (cont.)

(i) Segment revenue

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

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Total segment revenue	-	-
Interest revenue	1,503,241	2,819,375
Management fees	-	88,800
Other income	-	1,050
Total revenue from continuing operations (note 4)	1,503,241	2,909,225

(ii) Adjusted EBITDA

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

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Allocated:		
Adjusted EBITDA	(252,917)	(6,017,328)
Unallocated:		
Interest revenue	1,503,241	2,819,375
Management fees	-	88,800
Other income	-	1,050
Loss on disposal of assets	(37,308)	(23,502)
Marketing expense	(1,241,889)	(1,043,293)
Administrative expense	(5,710,317)	(4,437,695)
Finance costs	(22,509)	(20,281)
Profit/(loss) before income tax	(5,761,699)	(8,632,874)

(iii) Segment assets

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

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Allocated:		
Segment assets	59,596,807	43,278,950
Unallocated:		
Cash and cash equivalents	16,071,604	36,321,300
Trade and other receivables	1,087,031	1,748,263
Other current assets	230,952	45,545
Available-for-sale financial assets	110,722	239,667
Plant and equipment	1,471,198	1,670,970
Other non-current assets	27,000	27,000
Total assets as per the consolidated statement of financial position	78,595,314	83,331,695

(iv) Segment liabilities

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

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Allocated:		
Segment liabilities	620,159	1,061,540
Unallocated:		
Trade and other payables	481,497	658,521
Provisions	433,806	299,681
Total liabilities as per the consolidated statement of financial position	1,535,462	2,019,742

4 REVENUE

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
From continuing operations		
Other revenue		
Interest received	1,503,241	2,819,375
Management fees	-	88,800
Other income	-	1,050
	1,503,241	2,909,225

5 EXPENSES

	Consolidated	
	30 June 2012 \$	30 June 2011 \$
Profit/(loss) before income tax includes the following specific expenses:		
Finance costs		
Bank fees	22,509	20,281
	22,509	20,281
Exploration expenses		
General exploration written off	209,068	453,381
Capitalised exploration expenditure impaired	43,849	5,563,947
	252,917	6,017,328
Marketing		
Marketing and promotion	1,241,889	1,043,293
	1,241,889	1,043,293
Administration		
Compliance	484,297	469,997
Depreciation	211,842	168,743
Administration costs	1,603,342	2,113,724
Legal fees	73,865	145,811
Employment costs	1,621,212	1,476,679
Scheme of arrangement costs	1,673,148	-
Other	42,611	62,741
	5,710,317	4,437,695

6 INCOME TAX (BENEFIT)/EXPENSE

	Consolidated	
	30 June 2012 \$	30 June 2011 \$
(a) Income tax (benefit)/expense:		
Current tax	-	-
Deferred tax	38,683	11,302
Adjustments for Research and Development tax concession	(863,530)	(679,920)
	(824,847)	(668,618)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) from continuing operations before income tax expense	(5,761,699)	(8,632,874)
Tax at the Australian tax rate of 30% (2011: 30%)	(1,728,510)	(2,589,862)
<i>Tax effect of amounts which are not deductible (assessable) in calculating taxable income:</i>		
Entertainment expenses	-	2,930
Share-based payments expensed during the year	229,262	157,099
Other non-deductible expenses	5,583	23,568
Recognition of timing differences not brought to account	1,532,348	2,417,567
Adjustment for Research and Development tax offset	(863,530)	(679,920)
Income tax (benefit)/expense	(824,847)	(668,618)

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

The Group has net DTAs arising in Australia of \$8,987,062 (2011: \$8,134,998) 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%

Notes to the Consolidated Financial Statements *(cont.)*

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Cash at bank and in hand	971,604	1,701,499
Term deposits	15,100,000	34,619,801
	16,071,604	36,321,300

(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 5.13% (2011: 6.17%). The term deposits have an average period to repricing of 62 days (2011: 63 days).

8 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Net trade receivables		
Trade receivables	1,156,619	1,733,724
Provision for impairment of receivables	(73,922)	-
	1,082,697	1,733,724
Other receivables		
GST clearing account	-	12,017
Income tax receivables	4,334	2,522
	4,334	14,539
	1,087,031	1,748,263

(a) Past due but not impaired

As at 30 June 2012 there were no material trade and other receivables that were considered to be past due and not impaired (2011: Nil).

9 CURRENT ASSETS - OTHER CURRENT ASSETS

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Pre-paid insurance	230,952	45,545
	230,952	45,545

10 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 2012	30 June 2011
	\$	\$
Shares in listed companies	110,722	239,667
	110,722	239,667

(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.

(c) Investments in related parties

Available-for-sale financial assets include shares in Maximus Resources Limited with a fair value of \$65,222 (2011: \$195,667). Messrs Kennedy, Malaxos and Vickery are directors of Maximus.



11 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 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
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	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
Consolidated	Plant and equipment \$	Furniture, fittings and equipment \$	Machinery and vehicles \$	Computer hardware \$	Computer software \$	Total \$
Year ended 30 June 2012						
Opening net book amount	907,959	112,094	428,289	172,037	50,591	1,670,970
Additions	13,282	148,158	15,000	22,042	32,725	231,207
Disposals	-	(6,071)	(59,537)	(1,191)	-	(66,799)
Depreciation charge	(155,339)	(43,138)	(48,126)	(76,599)	(40,978)	(364,180)
Closing net book amount	765,902	211,043	335,626	116,289	42,338	1,471,198
At 30 June 2012						
Cost or fair value	1,284,916	316,913	616,768	473,635	463,496	3,155,728
Accumulated depreciation	(519,014)	(105,870)	(281,142)	(357,346)	(421,158)	(1,684,530)
Net book amount	765,902	211,043	335,626	116,289	42,338	1,471,198

Notes to the Consolidated Financial Statements *(cont.)*

12 NON-CURRENT ASSETS - EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Movement:		
Opening balance	43,278,950	32,102,683
Expenditure incurred	16,570,774	17,193,595
Less: expenditure written off / impaired	(252,917)	(6,017,328)
Closing balance	59,596,807	43,278,950
Closing balance comprises:		
Exploration and evaluation		
- 100% owned	53,315,269	38,640,969
Exploration and evaluation phases		
- Joint Ventures	6,281,538	4,637,981
	59,596,807	43,278,950

13 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Security bonds	27,000	27,000
	27,000	27,000

14 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Trade payables	615,805	1,707,458
Accrued expenses	415,439	37,350
Credit cards	70,412	(24,747)
	1,101,656	1,720,061

15 CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Employee entitlements	278,850	203,165
	278,850	203,165

16 NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Employee entitlements	154,956	96,516
	154,956	96,516



17 CONTRIBUTED EQUITY

	30 June 2012 Shares	30 June 2011 Shares	30 June 2012 \$	30 June 2011 \$
(a) Share capital				
Ordinary shares - Fully paid	1,821,300,404	1,820,839,571	105,277,581	105,266,776

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
1 July 2010	Opening 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
	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
16 September 2011	Exercise of employee options Proceeds received	200,000	\$0.017	3,400
7 October 2011	Exercise of employee options Proceeds received	200,000	\$0.017	3,400
7 October 2011	Exercise of employee options Proceeds received	32,50	\$0.084	2,730
7 October 2011	Exercise of employee options Proceeds received	28,333	\$0.045	1,275
30 June 2012	Balance	1,821,300,404		105,277,581

(c) Ordinary shares

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

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

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

(d) Options and rights

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

Notes to the Consolidated Financial Statements (cont.)

17 CONTRIBUTED EQUITY (cont.)

(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.

18 RESERVES AND RETAINED LOSSES

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
(a) Reserves		
Available for sale investments revaluation reserve	(241,170)	(150,909)
Share-based payments	1,553,904	789,697
	1,312,734	638,788

Movements:

Available-for-sale investments revaluation reserve		
Opening balance at 1 July	(150,909)	(126,895)
Revaluation of financial assets (net of tax)	(90,261)	(24,014)
Closing balance at 30 June	(241,170)	(150,909)
Share-based payments		
Opening balance at 1 July	789,697	266,034
Options issued during the year	-	53,979
Rights expensed during the year	771,544	469,684
Rights expired during the year	(7,337)	-
Closing balance at 30 June	1,553,904	789,697

(b) Retained losses

Movements in retained losses were as follows:

Opening balance at 1 July	(24,593,611)	(16,629,355)
Net loss for the year	(4,936,852)	(7,964,256)
Closing balance at 30 June	(29,530,463)	(24,593,611)

(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(j) 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.

19 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*

(iii) Non-executive directors

J D Cooper

K J Malaxos

E J Vickery

G M May, Alternate director E J Vickery

N J Smart, 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:

M Rapaic *General Manager - Project Development, Flinders Mines Limited*

M Anstey *General Manager - HSEC & HR, Flinders Mines Limited*

N J Corlis *General Manager - Business Development, Flinders Mines Limited*

D W Godfrey *Chief Financial Officer/ Company Secretary, FME Exploration Services Pty Ltd*

(c) Key management personnel compensation

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Short-term employee benefits	1,945,843	2,008,047
Post-employment benefits	145,585	143,971
Share-based payments	607,899	337,757
	2,708,327	2,489,775

Detailed remuneration disclosures are provided in sections A to D of the remuneration report on pages 23 to 26.



(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.

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
2012							
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	-	-	-	-	-	-	-
N J Corlis	495,000	-	-	-	495,000	495,000	-
M Rapaic	-	-	-	-	-	-	-
M Anstey	200,000	-	-	-	200,000	200,000	-
D W Godfrey	-	-	-	-	-	-	-

2011							
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	-	-	-	-	-	-	-
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)	-	-	-	-

(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.

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
2012							
R M Kennedy	-	-	-	-	-	-	-
G D Sutherland	4,287,000	4,116,700	-	-	8,403,700	-	8,403,700
J D Cooper	-	-	-	-	-	-	-
K J Malaxos	-	-	-	-	-	-	-
E J Vickery	-	-	-	-	-	-	-
G M May	-	-	-	-	-	-	-
N J Smart	-	-	-	-	-	-	-
N J Corlis	1,946,000	673,100	-	-	2,619,100	-	2,619,100
M Rapaic	1,850,000	635,800	-	-	2,485,800	-	2,485,800
M Anstey	1,542,000	567,700	-	-	2,109,700	-	2,109,700
D W Godfrey	1,541,000	481,300	-	-	2,022,300	-	2,022,300

Notes to the Consolidated Financial Statements *(cont.)*

19 KEY MANAGEMENT PERSONNEL DISCLOSURES *(cont.)*

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
2011							
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	-	-	-	-	-	-	-
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

(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.

Name	Balance at the start of the year	Received as compensation	Exercise of options	Acquired/ (disposed)	Balance at the end of the year
2012 Ordinary shares					
R M Kennedy	31,500,000	-	-	-	31,500,000
G D Sutherland	115,000	-	-	-	115,000
J D Cooper	1,000,000	-	-	200,000	1,200,000
K J Malaxos	-	-	-	-	-
E J Vickery	4,700,000	-	-	-	4,700,000
G M May	633,571	-	-	-	633,571
N J Smart	838,095	-	-	-	838,095
N J Corlis	-	-	-	-	-
M Rapaic	-	-	-	-	-
M Anstey	-	-	-	-	-
D W Godfrey	338,796	-	-	-	338,796
2011 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
N J Corlis	-	-	-	-	-
M Rapaic	-	-	-	-	-
M Anstey	-	-	-	-	-
D W Godfrey	168,796	-	170,000	-	338,796



20 REMUNERATION OF AUDITORS

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

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Grant Thornton		
Audit and other assurance services		
Audit and review of financial reports	32,250	27,000
Review of internal controls	4,400	-
Total remuneration for audit and other assurance services	36,650	27,000

There were no other services provided.

21 CONTINGENCIES

Contingent liabilities

The Group had no known contingent liabilities as at 30 June 2012 (2011: Nil).

22 COMMITMENTS

(a) Lease commitments

Non-cancellable operating leases

At 30 June 2012 the Group leased one office under a non-cancellable operating lease. This lease is due to expire within two years of the end of the 2012 financial year. On renewal, the terms of the lease will be renegotiated.

	Consolidated	
	30 June 2012	30 June 2011
	\$	\$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	317,120	401,385
Later than one year but not later than five years	331,390	606,928
Later than five years	-	-
	648,510	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 \$2,960,000 during the year ending 30 June 2013 (2012: \$4,073,000) to meet minimum expenditure requirements.

(c) Bank guarantees

The State Government departments responsible for mineral resources require performance bonds for the purposes of rehabilitation of areas disturbed by exploration activities. Financial institutions similarly require guarantees for credit card automatic payment facilities. At 30 June 2012, the Group had \$727,700 of bank guarantees in place for these purposes (2011: \$522,700).

23 RELATED PARTY TRANSACTIONS

(a) Parent Entity

The Parent Entity within the Group is Flinders Mines Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

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

(d) Transactions with other related parties

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

Transactions between the Parent Entity and its wholly owned subsidiaries, which are related parties of the Parent, are eliminated on consolidation and are not disclosed in this note.

There were no transactions with related parties other than those listed above during the year ended 30 June 2012.

24 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):

Equity holding*				
Name of entity	Country of incorporation	Class of shares	2012 %	2011 %
FME Exploration Services Pty Ltd	Australia	Ordinary	100	100
Flinders Diamonds Pty Ltd	Australia	Ordinary	100	100
Flinders Iron Pty Ltd	Australia	Ordinary	100	100

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

Notes to the Consolidated Financial Statements *(cont.)*

25 INTERESTS IN JOINT VENTURES

The Group has the following interests in unincorporated joint ventures:

State	Agreement Name	Parties	Summary	Consideration
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. FMS has now sold the diamond rights on Billa Kalina to MXR.	
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 earned 100% of the diamond rights in exploration licences EL3692 and EL3378 by expenditure of \$250,000. Agreement expired 4 September 2011.	FMS has withdrawn from this agreement.
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.	FMS has withdrawn from EL4401 in September 2011.
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, EL4294 and EL3434 for a cash purchase price of \$1.5 million. Option expired 27 July 2011.	FMS has withdrawn from this agreement.
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 over a 4 year period.	Tasman have farmed out their interest to Trafford Resources.
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.	Currently in dispute. FMS believe they have earned a 50% interest, which Tawana is disputing.
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 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.
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' retains 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 Royalty Agreement	FMS and Prenti Exploration Pty Ltd	FMS has earned a 100% interest in mining licence ML47/1451 and exploration licences E47/1011, E47/1016 and E47/1306 by spending \$2 million on exploration.	Prenti retain a right to a 5% net profit production royalty on all non iron ore commodities.



26 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.

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

	Consolidated	
	30 June 2012 \$	30 June 2011 \$
Profit/(loss) for the year	(4,936,852)	(7,964,256)
Depreciation	211,842	184,123
Non-cash employee benefits expense - share-based payments	764,208	523,663
Deferred tax asset written off	38,683	11,303
Exploration expenditure written off	252,917	462,411
Impairment of exploration expenditure	-	5,554,917
Net loss on disposal of non-current assets	37,308	23,502
<i>Change in operating assets and liabilities (net of effects from purchase of controlled entity):</i>		
Decrease/(increase) in trade and other receivables	661,232	213,717
(Increase)/decrease in other current assets	(185,407)	(13,540)
(Decrease)/increase in trade payables and accruals	(286,192)	(666,065)
Increase/(decrease) in provisions	134,125	28,943
Net cash (outflow) from operating activities	(3,308,136)	(1,641,282)

28 EARNINGS PER SHARE

	Consolidated	
	30 June 2012 \$	30 June 2011 \$
Basic earnings per share		
Loss attributable to the ordinary equity holders	(4,936,852)	(7,964,256)
Weighted average number of ordinary shares outstanding during the year used to calculate basic earnings per share	1,821,187,228	1,820,330,653
Basic earnings per share (cents)	(0.2711)	(0.4375)

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 \$4,936,852 this financial year (2011: \$7,964,256), the options have not been included in the determination of earnings per share. Details relating to the options are set out in note 29.

29 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The following options arrangements existed at 30 June 2012:

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 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 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 11 February 2011 320,000 options were issued to employees under the Company's employee option plan. The options are exercisable at 8.5 cents on or before 30 June 2015.

Notes to the Consolidated Financial Statements *(cont.)*

29 SHARE-BASED PAYMENTS *(cont.)*

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

	Number of options	Weighted average exercise price \$
2012		
Outstanding at beginning of the year	2,592,499	0.052
Granted	-	-
Exercised	(460,833)	0.023
Expired	(150,000)	0.068
Outstanding at end of the year	1,981,666	0.058

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

The options outstanding at 30 June 2012 had a weighted average exercise price of \$0.058 and a weighted average remaining contractual life of 22 months. Exercise prices range from \$0.045 to \$0.085 in respect of options outstanding at 30 June 2012.

Fair value of options granted

There were no options granted during the year ended 30 June 2012. The fair value of options 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.

(b) Employee Incentive Rights Plan

The following incentive rights arrangements existed at 30 June 2012:

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.

On 1 July 2011 5,304,700 rights were issued to employees under the Company's Employee Incentive Rights Plan. The rights have a fair value of 11.5 cents per right and expire on 30 June 2014, with a vesting period of three years.

On 1 December 2011 a further 1,825,000 rights were issued to the Managing Director under the Company's Employee Incentive Rights Plan following shareholder approval at the Annual General Meeting. 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.

Total number of Employee Incentive Rights at 30 June 2012 is 23,072,700 (2011: 15,976,000).

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

	Number of rights
2012	
Outstanding at beginning of the year	15,976,000
Granted	7,129,700
Exercised	-
Expired / lapsed	(33,000)
Outstanding at end of the year	23,072,700

	Number of rights
2011	
Outstanding at beginning of the year	-
Granted	16,196,000
Exercised	-
Expired / lapsed	(220,000)
Outstanding at the end of the year	15,976,000



30 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 2012 \$	30 June 2011 \$
Statement of financial position		
Current asset	18,005,678	38,533,870
Non-current assets	61,081,544	45,035,278
Total assets	79,087,222	83,569,148
Current liabilities	1,622,643	2,086,449
Non-current liabilities	112,851	33,599
Total liabilities	1,735,494	2,120,048
Net Assets	77,351,728	81,449,100
<i>Shareholders' equity</i>		
Contributed equity	105,277,580	105,266,776
Reserves	1,312,734	638,788
Retained losses	(29,238,586)	(24,456,464)
	77,351,728	81,449,100
(Loss) for the year	(4,782,122)	(7,827,109)
Total comprehensive income	(4,872,383)	(7,851,123)

(b) Guarantees entered into by the parent entity

The Parent Entity did not provide any guarantees during the year ended 30 June 2012 (2011: Nil).

(c) Contingent liabilities of the parent entity

The Parent Entity did not have any known contingent liabilities as at 30 June 2012 (2011: Nil). For information about guarantees given by the Parent Entity, please see above.

(d) Contractual commitments

As at 30 June 2012, the Parent Entity had no contractual commitments for the acquisition of property, plant or equipment (2011: Nil).

Directors' Declaration *30 June 2012*

In the directors' opinion:

- (a) the financial statements and notes set out on pages 35 to 63 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2012 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

20 September 2012

Independent Auditor's Report to the Members

30 June 2012



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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 "Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, 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 Entity 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 Entity 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.

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Independent Auditor's Report to the Members *(cont.)*



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 Entity'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 Entity'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 2012 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 2012. The Directors of the Entity are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.





Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Flinders Mines Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

A handwritten signature in dark ink, appearing to read 'J.L. Humphrey'.

J.L. Humphrey
Partner

Adelaide, 20 September 2012



ASX Additional Information

The shareholder information set out below was applicable as at 12 September 2012.

A. Distribution of equity securities

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

Holding	Shares	Options/ rights
1 – 1000	415	-
1,001 – 5,000	1,228	-
5,001 – 10,000	1,794	-
10,001 – 100,000	5,950	45
100,001 – and over	1,847	22
	11,234	67

There were 1,682 holders of less than a marketable parcel of ordinary shares. At a share price of 9.6 cents, an unmarketable parcel is 5,209 shares.

B. Equity security holders

Unquoted equity securities

Unlisted options over ordinary shares

	Number on issue	Number of holders
Options @ \$0.84, expiring 5 March 2013	240,000	5
Options @ \$0.045, expiring 3 February 2014	1,121,666	12
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	17,768,000	22
Incentive rights, expiring 30 June 2014	5,304,700	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:

Name	Ordinary shares Number held	Percentage of issued shares
JP Morgan Nominees Australia Limited <Cash Income A/c>	269,938,830	14.82
HSBC Custody Nominees (Australia) Limited	143,560,609	7.88
National Nominees Limited	107,064,622	5.88
JP Morgan Nominees Australia Limited	63,480,826	3.49
Citicorp Nominees Pty Ltd	45,973,533	2.52
HSBC Custody Nominees (Australia) Limited <A/c 3>	42,826,968	2.35
RMK Super Pty Ltd <RMK Personal S/F A/c>	26,080,000	1.43
Nefco Nominees Pty Ltd	22,565,000	1.24
Ms Shuohang Wang	21,410,162	1.18
Mr Ian Drummond & Mrs Janice Drummond <Instil Enterprises S/F A/c>	13,046,428	0.72
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd Nominee A/c>	12,969,269	0.71
Ohn & On Pty Ltd	11,000,000	0.60
Brispot Nominees Pty Ltd <House Head Nominee No1 A/c>	10,540,398	0.58
Mr Grant R McGarry	9,350,001	0.51
Mr John B Roberts	8,359,244	0.46
Kirk Group Holdings Pty Ltd	8,000,000	0.44
Mr Kie Yik Wong	6,720,000	0.37
Crownace Pty Ltd	6,000,000	0.33
Zero Nominees Pty Ltd	5,950,000	0.33
Triple Eight Gold Pty Ltd <The Blue Sky A/c>	5,433,613	0.30
	840,269,503	46.14

C. Substantial holders

	Number held	Percentage
Ordinary shares		
UBS AG	130,942,847	7.19%

D. Voting rights

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

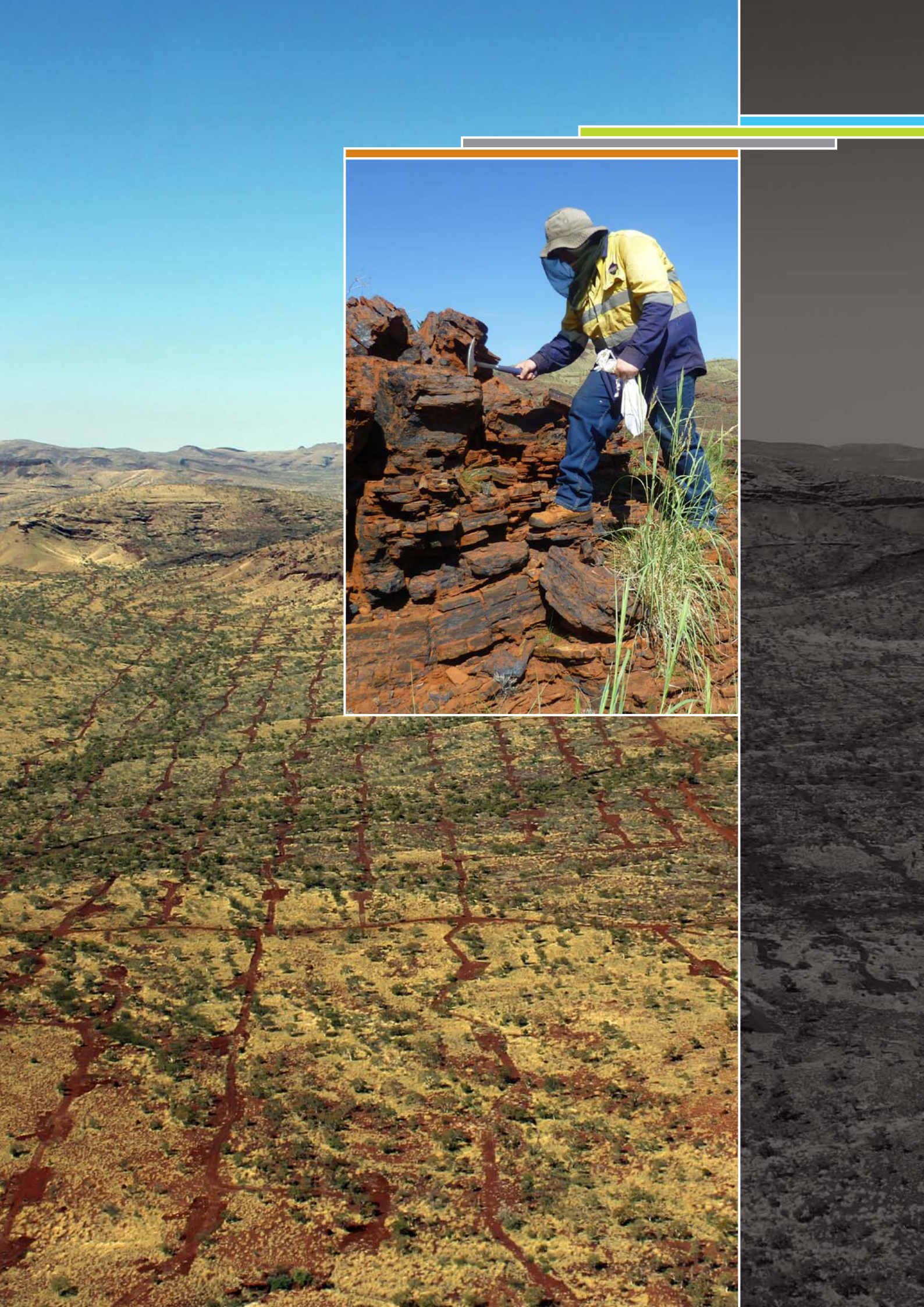
(a) Ordinary shares

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

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