



Flinders Mines Limited

ABN 46 091 118 044

**Financial report
for the half-year ended 31 December
2012**

Flinders Mines Limited ABN 46 091 118 044

Financial report - 31 December 2012

Contents

	Page
Directors' report	2
Auditor's Independence Declaration	3
Financial statements	
Consolidated statement of profit or loss and other comprehensive income	4
Consolidated statement of financial position	5
Consolidated statement of changes in equity	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8
Directors' declaration	13
Independent auditor's review report to the members	14

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, listed on the Australian Securities Exchange (ASX) under the code "FMS" and 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

The registered postal address is:

Flinders Mines Limited
PO Box 3065
Rundle Mall
Adelaide SA 5000

The financial statements were authorised for issue by the directors on 1 March 2013. 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, and during, the half-year ended 31 December 2012.

Directors

The following persons were directors of the Parent Entity during the whole of the half-year and up to the date of this report (unless otherwise indicated):

Robert Michael Kennedy (Non-executive chairman)
Gary David Sutherland (Managing 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)
John David Cooper (Non-executive director) (resigned 18 December 2012)

Review of operations

In the first half of FY 2013, Flinders Mines Limited (FMS) was advised by MMK that the Scheme Implementation Agreement (SIA) being executed between the Company and MMK to effect the acquisition by MMK of 100% of the issued shares in FMS, at A\$0.30 cash per share, had been terminated in accordance with the relevant clause of the SIA.

FMS immediately recommenced dialogue with third parties to move the Company's Pilbara Iron Ore Project (PIOP) forward, the scope of which included:

- Infrastructure access;
- Project financing;
- Ore marketing and off-take arrangements; and
- Joint ventures and corporate proposals.

Work continued on the PIOP Definitive Feasibility Study, with the focus largely on approvals, and mining, metallurgical and marketing studies. Commonwealth environmental approvals were granted for activities on the Blacksmith tenement. No drilling was completed on the PIOP during the half year.

Greenfields base metal exploration commenced at the Company's Canegrass project in Western Australia – drilling at the first two targets discovered a mineralised sulphide system, with intersections of up to 1.2% Ni and 0.7% Cu. A follow-up programme will be initiated once analysis of the new discovery is completed.

The Company remained in a strong cash position, with \$10.0m cash in hand at 31 December 2012 (30 June 2012: \$16.1m).

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

This report is signed and dated in Adelaide on this 1st day of March 2013 and made in accordance with a resolution of the directors.



Robert M Kennedy
Director

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.granthornton.com.au

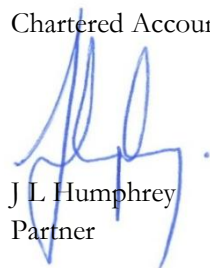
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FLINDERS MINES LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Flinders Mines Limited for the half-year ended 31 December 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



J L Humphrey
Partner

Adelaide, 1 March 2013

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

Flinders Mines Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2012

	Half-year	
	2012 \$	2011 \$
Revenue from continuing operations	334,560	1,039,614
Loss on disposal of assets	(98,646)	(23,417)
Marketing expenses	(656,005)	(693,554)
Administrative expenses	(2,291,960)	(2,567,694)
Finance costs	(11,438)	(12,689)
Exploration expenditure written off	<u>(2,435,008)</u>	<u>(123,963)</u>
Loss before income tax	(5,158,497)	(2,381,703)
Income tax benefit/(expense)	<u>242</u>	<u>(39,800)</u>
Loss for the half-year	<u>(5,158,255)</u>	<u>(2,421,503)</u>
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of available-for-sale financial assets	806	(128,639)
Income tax relating to these items	<u>(242)</u>	<u>38,592</u>
Other comprehensive income for the half-year (net of tax)	<u>564</u>	<u>(90,047)</u>
Total comprehensive income for the half-year	<u>(5,157,691)</u>	<u>(2,511,550)</u>
Loss for the half-year is attributable to:		
Equity holders of Flinders Mines Limited	<u>(5,158,255)</u>	<u>(2,421,503)</u>
	<u>(5,158,255)</u>	<u>(2,421,503)</u>
Total comprehensive income for the half-year is attributable to:		
Equity holders of Flinders Mines Limited	<u>(5,157,691)</u>	<u>(2,511,550)</u>
	<u>(5,157,691)</u>	<u>(2,511,550)</u>
Earnings per share for (loss) attributable to the ordinary equity holders of the Parent Entity:		
Basic earnings per share	(0.2832)	(0.1330)

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

Flinders Mines Limited
Consolidated statement of financial position
As at 31 December 2012

	Notes	31 December 2012 \$	30 June 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents		10,001,888	16,071,604
Trade and other receivables		174,184	1,087,031
Other current assets		<u>151,052</u>	<u>230,952</u>
Total current assets		<u>10,327,124</u>	<u>17,389,587</u>
Non-current assets			
Available-for-sale financial assets		111,528	110,722
Plant and equipment		1,238,817	1,471,198
Exploration and evaluation assets	5	61,874,809	59,596,807
Other non-current assets		<u>27,000</u>	<u>27,000</u>
Total non-current assets		<u>63,252,154</u>	<u>61,205,727</u>
Total assets		<u>73,579,278</u>	<u>78,595,314</u>
LIABILITIES			
Current liabilities			
Trade and other payables		766,451	1,101,656
Provisions		<u>362,795</u>	<u>278,850</u>
Total current liabilities		<u>1,129,246</u>	<u>1,380,506</u>
Non-current liabilities			
Provisions		<u>188,562</u>	<u>154,956</u>
Total non-current liabilities		<u>188,562</u>	<u>154,956</u>
Total liabilities		<u>1,317,808</u>	<u>1,535,462</u>
Net assets		<u>72,261,470</u>	<u>77,059,852</u>
EQUITY			
Contributed equity	6	105,277,581	105,277,581
Reserves	7(a)	1,672,607	1,312,734
Retained losses	7(b)	<u>(34,688,718)</u>	<u>(29,530,463)</u>
Total equity		<u>72,261,470</u>	<u>77,059,852</u>

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

Flinders Mines Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2012

Consolidated	Notes	Contributed equity \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2011		<u>105,266,776</u>	<u>638,788</u>	<u>(24,593,611)</u>	<u>81,311,953</u>
Total comprehensive income for the half-year:					
Loss for the half-year		-	-	(2,421,503)	(2,421,503)
Other comprehensive income	7	-	(90,047)	-	(90,047)
Total comprehensive income for the half-year		<u>-</u>	<u>(90,047)</u>	<u>(2,421,503)</u>	<u>(2,511,550)</u>
Transactions with owners in their capacity as owners:					
Contributions of equity	6	10,805	-	-	10,805
Rights expensed during the period	7	-	412,235	-	412,235
Rights expired during the period	7	-	(7,337)	-	(7,337)
		<u>10,805</u>	<u>404,898</u>	<u>-</u>	<u>415,703</u>
Balance at 31 December 2011		<u>105,277,581</u>	<u>953,639</u>	<u>(27,015,114)</u>	<u>79,216,106</u>
Consolidated	Notes	Contributed equity \$	Reserves \$	Retained losses \$	Total equity \$
Balance at 1 July 2012		<u>105,277,581</u>	<u>1,312,734</u>	<u>(29,530,463)</u>	<u>77,059,852</u>
Total comprehensive income for the half-year:					
Loss for the half-year		-	-	(5,158,255)	(5,158,255)
Other comprehensive income	7	-	564	-	564
Total comprehensive income for the half-year		<u>-</u>	<u>564</u>	<u>(5,158,255)</u>	<u>(5,157,691)</u>
Transactions with owners in their capacity as owners:					
Rights expensed during the period	7	-	362,978	-	362,978
Rights expired during the period	7	-	(3,669)	-	(3,669)
		<u>-</u>	<u>359,309</u>	<u>-</u>	<u>359,309</u>
Balance at 31 December 2012		<u>105,277,581</u>	<u>1,672,607</u>	<u>(34,688,718)</u>	<u>72,261,470</u>

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

Flinders Mines Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2012

	Half-year	
	2012	2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of goods and services tax)	(2,480,656)	(3,059,673)
Interest received	395,409	1,331,716
Research and Development tax incentive received	863,530	679,919
Other payments	-	(1,207)
Net cash (outflow) from operating activities	<u>(1,221,717)</u>	<u>(1,049,245)</u>
Cash flows from investing activities		
Payments for plant and equipment	(45,161)	(96,720)
Proceeds from sale of plant and equipment	16,150	15,582
Payments for exploration activities	<u>(4,818,988)</u>	<u>(11,537,047)</u>
Net cash (outflow) from investing activities	<u>(4,847,999)</u>	<u>(11,618,185)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	10,805
Net cash inflow from financing activities	<u>-</u>	<u>10,805</u>
Net (decrease) in cash and cash equivalents	(6,069,716)	(12,656,625)
Cash and cash equivalents at the beginning of the half-year	<u>16,071,604</u>	<u>36,321,300</u>
Cash and cash equivalents at end of the half-year	<u>10,001,888</u>	<u>23,664,675</u>

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

1 Basis of preparation of half-year report

This consolidated financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year report is for the consolidated entity consisting of Flinders Mines Limited and its subsidiaries.

This consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The annual financial report of the Group for the year ended 30 June 2012 is available upon request from the Company's registered office at Level 1, 136 Frome Street, Adelaide SA 5000 or the Company's website: www.flindersmines.com.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period.

New and revised accounting standards applicable for the first time to the current half-year reporting period

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the Group, including:

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* which requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its half-year financial statements.

2 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 base metals and iron mineralisation at the Canegrass Project, and a different style of iron mineralisation at the Pilbara Iron Ore Project. The costs associated with these operations are reported on in these segments.

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.

2 Segment information (continued)

(b) Primary reporting format - business segments

Half-year 2012	Pilbara Iron Ore \$	Canegrass Magnetite \$	Other Minerals \$	Total \$
Segment revenue for half-year 2012	-	-	-	-
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) for half-year 2012	-	-	(2,435,008)	(2,435,008)
Capital expenditure written off / impaired for half-year 2012	-	-	(2,435,008)	(2,435,008)
Segment assets at 31 December 2012	<u>56,521,924</u>	<u>4,999,570</u>	<u>353,315</u>	<u>61,874,809</u>
Segment asset movements for the half-year ended 31 December 2012:				
Capital expenditure	3,478,292	1,146,296	88,422	4,713,010
Capital expenditure written off / impaired	-	-	(2,435,008)	(2,435,008)
Total movement for the half-year	<u>3,478,292</u>	<u>1,146,296</u>	<u>(2,346,586)</u>	<u>2,278,002</u>
Segment assets				61,874,809
Unallocated assets				11,704,469
Total assets				<u>73,579,278</u>
Half-year 2011	Pilbara Iron Ore \$	Canegrass Magnetite \$	Other Minerals \$	Total \$
Segment revenue for half-year 2011	-	-	-	-
Adjusted EBITDA for half-year 2011	-	-	(123,963)	(123,963)
Capital expenditure written off / impaired for half-year 2011	-	-	(123,963)	(123,963)
Segment assets at 30 June 2012	<u>53,043,632</u>	<u>3,853,274</u>	<u>2,699,901</u>	<u>59,596,807</u>
Segment asset movements for the year ended 30 June 2012:				
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	<u>15,863,048</u>	<u>358,302</u>	<u>(96,507)</u>	<u>16,124,843</u>
Segment assets				59,596,807
Unallocated assets				18,998,507
Total assets				<u>78,595,314</u>

2 Segment information (continued)

(i) Adjusted EBITDA

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

	Half-year 2012 \$	2011 \$
Allocated:		
Adjusted EBITDA	(2,435,008)	(123,963)
Unallocated:		
Interest revenue	334,560	1,039,614
Loss on disposal of assets	(98,646)	(23,417)
Marketing expenses	(656,005)	(693,554)
Administrative expenses	(2,291,960)	(2,567,694)
Finance costs	(11,438)	(12,689)
(Loss) before income tax	<u>(5,158,497)</u>	<u>(2,381,703)</u>

3 Contingencies

Contingent liabilities

The Group had no known contingent liabilities as at 31 December 2012 (30 June 2012: Nil).

4 Commitments

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 31 December 2012, the Group had \$715,678 of bank guarantees in place for these purposes (30 June 2012: \$727,700).

5 Non-current assets - Exploration and evaluation assets

	31 December 2012 \$	30 June 2012 \$
Exploration and evaluation assets		
Movement:		
Opening balance	59,596,807	43,278,950
Expenditure incurred	4,713,010	16,570,774
Less: expenditure written off / impaired	(2,435,008)	(252,917)
Closing balance	<u>61,874,809</u>	<u>59,596,807</u>
Closing balance comprises:		
Exploration and evaluation - 100% owned	55,597,060	53,315,269
Exploration and evaluation phases - Joint Ventures	6,277,749	6,281,538
	<u>61,874,809</u>	<u>59,596,807</u>

6 Contributed equity

	31 December 2012 Shares	30 June 2012 Shares	31 December 2012 \$	30 June 2012 \$
(a) Share capital				
Ordinary shares				
Fully paid	<u>1,821,300,404</u>	<u>1,821,300,404</u>	<u>105,277,581</u>	<u>105,277,581</u>

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	\$
1 July 2011	Opening 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	32,500	\$0.084	2,730
7 October 2011	Exercise of employee options			
	Proceeds received	28,333	\$0.045	1,275
30 June 2012	Balance	<u>1,821,300,404</u>		<u>105,277,581</u>
31 December 2012	Balance	<u>1,821,300,404</u>		<u>105,277,581</u>

7 Reserves and retained losses

	31 December 2012 \$	30 June 2012 \$
(a) Reserves		
Available-for-sale investments revaluation reserve	(240,606)	(241,170)
Share-based payments	<u>1,913,213</u>	<u>1,553,904</u>
	<u>1,672,607</u>	<u>1,312,734</u>

Movements:

<i>Available-for-sale investments revaluation reserve</i>		
Opening balance	(241,170)	(150,909)
Revaluation of financial assets (net of tax)	564	(90,261)
Closing balance	<u>(240,606)</u>	<u>(241,170)</u>
<i>Share-based payments</i>		
Opening balance	1,553,904	789,697
Rights expensed during the period	362,978	771,544
Rights expired during the period	(3,669)	(7,337)
Closing balance	<u>1,913,213</u>	<u>1,553,904</u>

7 Reserves and retained losses (continued)

(b) Retained losses

Movements in retained losses were as follows:

	31 December 2012 \$	30 June 2012 \$
Opening balance	(29,530,463)	(24,593,611)
Net loss for the period	<u>(5,158,255)</u>	<u>(4,936,852)</u>
Closing balance	<u>(34,688,718)</u>	<u>(29,530,463)</u>

8 Events occurring after the reporting period

There has not arisen in the interval between 31 December 2012 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 12 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 31 December 2012 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

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

Robert M Kennedy
Director

Adelaide
1st March 2013

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.granthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FLINDERS MINES LIMITED

We have reviewed the accompanying half-year financial report of Flinders Mines Limited ("Entity"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Flinders Mines Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Flinders Mines Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Flinders Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

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

Independence

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

Conclusion

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

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



J.L. Humphrey
Partner

Adelaide, 1 March 2013