telephone +61 8 8132 7950 email info@flindersmines.com

28 October 2013

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

Dear Sir/Madam

2013 Annual Report

Please find attached for release to the market, the 2013 Annual Report for Flinders Mines Limited (ASX: FMS).

The 2013 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 2013 Annual Report is available on the Company's website at: www.flindersmines.com.

Yours faithfully

David W Godfrey
Company Secretary

2013 Annual Report

Flinders Mines

An emerging Australian iron ore mining company

Flinders Mines Limited *ABN 46 091 118 044*

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.

CONTENTS

CORPORATE DIRECTORY

Directors

Robert M Kennedy *(Executive Chairman)*
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 8236 2300
Facsimile +61 8 8236 2305

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Grant Thornton
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Wayville, South Australia 5034

Banker

National Australia Bank
161-167 Glynburn Road, Firle, 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

- Key environmental approvals granted by Commonwealth and State Governments for ‘on-tenement’ mining and mining-related activities
- Excellent results from sinter pot testwork on PIOP single fines product
- Limited, short drilling program undertaken at PIOP targeting BID mineralisation
- Value Improvement Studies undertaken, resulting in potential development cost and timing advantages
- Groundwater Operating Strategy provided to WA DoW to support application for Section 5C licence
- Upgraded the Exploration Target* to between 180 – 280 Mt of 55-58% Fe

CANEGRASS PROJECT

- Greenfields exploration commenced in Q1, FY 2013
- Mineralised sulphide system and elevated levels of Ni and Cu identified
- VTEM survey flown over target areas

SOUTH AUSTRALIA/NORTHERN TERRITORY

- Continued divestment of diamonds assets in South Australia and Northern Territory

CORPORATE

- Scheme Implementation Agreement with MMK terminated early July 2012
- Flinders immediately resumed discussions with third parties regarding PIOP development and rail/port infrastructure access
- Dialogue with a number of parties has reached due diligence stage
- To date, 10 MOUs signed with Chinese steel mills allowing them to undertake technical and commercial evaluations of PIOP ore
- Post balance date, MOU signed with Brockman Mining to work towards an Aggregation Agreement covering the respective companies’ iron ore assets

* ***Exploration Targets***
Exploration targets are reported according to Clause 18 of the 2004 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.

Executive Chairman's Report

Dear fellow shareholders,

Your Company's wholly-owned Pilbara Iron Ore Project (PIOP) in Western Australia remains our flagship asset and continues as the main focus of your Board and management.

The near billion tonne PIOP resource is, in our view, the best iron ore resource of the juniors with assets in the Pilbara. However, without a port and rail solution, it remains a stranded asset.

As has been well communicated, the bid for all of our issued shares by Russian-based Magnitogorsk Iron and Steel Works (MMK) terminated in July 2012.

Since the disappointing MMK outcome, we have engaged widely with interested third parties with a view to securing equitable access to rail and port infrastructure and development of our PIOP. We have signed a Memorandum of Understanding (MOU) with another Australian iron ore participant, Brockman Mining Ltd, post balance date with a view of working towards an aggregation agreement. Also, we have reached the due diligence stage with a number of parties and your Board is hopeful of presenting shareholders with a proposal prior to our 2013 Annual General Meeting.

In the past year, iron ore has continued to have a significant impact on domestic and international equities markets, including marked variations in price in what has proven to be the toughest year since the commencement of the Global Financial Crisis (GFC). For the time being, the iron ore price seems to have stabilised and the long term outlook is supportive of new projects.

To ameliorate our position in such testing times, Flinders Mines ceased exploration after our recent drilling program and has reduced staff levels in a number of stages to a minimum that would allow us to restart when the Company consummates an equitable transaction for all shareholders.

We have continued the process of preparing the market in China with 10 MOUs signed with Chinese steel companies, allowing them to undertake technical and commercial evaluations of PIOP ore with a view to entering into supply agreements.

PILBARA IRON ORE PROJECT

Our focus on the PIOP has continued and we have:

- *Been granted key environment approvals by Commonwealth and State Governments for 'on-tenement' mining and mining related activities*
- *Received excellent results from sinter pot testwork on PIOP single fines product*
- *Undertaken a short drilling program at PIOP successfully targeting BID mineralisation*
- *Performed Value Improvement Studies which resulted in potential development cost and timing advantages*
- *Provided WA Department of Water with a Groundwater Operating Strategy to support the application for a Section 5C licence; and*
- *Upgraded the Exploration Target* to between 180 – 280 Mt of 55-58% Fe material.*

* ***Exploration Targets***
Exploration targets are reported according to Clause 18 of the 2004 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.

Whilst our main focus has been on the PIOP, your Company also undertook a greenfields exploration program on the Canegrass project in WA which resulted in the discovery of a mineralised sulphide system and the identification of elevated levels of Nickel (“Ni”) and Copper (“Cu”).

We have continued the divestment of diamond assets in South Australia and the Northern Territory.

Following the resignation of the Company’s Managing Director, I was appointed by the Board as Executive Chairman with the intention that as soon as negotiations with strategic parties were concluded, the Board would seek to appoint a new Managing Director. It remains the Board’s intention to implement that change as soon as such a transaction is consummated. Also during the past financial year, Mr John Cooper resigned as a Director. In order to keep costs at a reduced level, no attempt has been made to replace Directors until an appropriate PIOP deal has been consummated at which time the Board will seek to appoint new Directors with relevant experience.

We retain, fully, our ability to deliver high quality, predominantly Direct Shipping Ore from the PIOP. The project retains its strong project economics, including robust estimated operating margins and low projected operating costs, even within the fluctuating iron ore price environment that dominated the 2012 – 2013 financial year.

On behalf of the Flinders Mines Board, I acknowledge the efforts by your management team to add value to the PIOP and in particular in the management of the scaling down of operations and personnel.
I particularly acknowledge the support provided by Mr Ewan Vickery and Mr Kevin Malaxos whose efforts as non-executive Directors have made it possible for us to meet the demands of the Company with a reduced number of Directors.

While the future of Flinders Mines and its PIOP remain under the spotlight, your Board and management are steadfastly focussed on securing a company-defining transaction that is deliverable and that achieves a measurable outcome for all of our shareholders.

Bob Kennedy
Executive Chairman

Pilbara Iron Ore Project

During the 2013 financial year project studies have been limited and solely focussed on activities that are the key inputs into the Definitive Feasibility Study (DFS) or have potential to add significant value to the existing project.

The Flinders Mines marketing and customer engagement program is well advanced with Flinders having appointed a representative in China to facilitate Flinders marketing activities. To date Flinders have engaged in discussions regarding the supply of iron ore with over 40 Chinese steel mills and have signed Memoranda of Understanding (MOUs) with ten of these mills. These MOUs will allow the mills to undertake commercial and technical evaluation of the Pilbara Iron Ore Project (PIOP) product with a view to signing a Letter of Intent (LOI) to purchase Flinders' product.

The product that Flinders has offered to market has been extremely well received and given the initial feedback, there is expectation that many more mills will be seeking to enter into a MOU with Flinders.

The marketing activities and market feedback gives the project team more confidence than ever that the product is not only saleable, but has a very high level of demand both in the current and long- term iron ore markets.

The success of the customer engagement program has been to some extent supported by a sinter pot testwork program that was completed at the University of Science & Technology in Beijing.

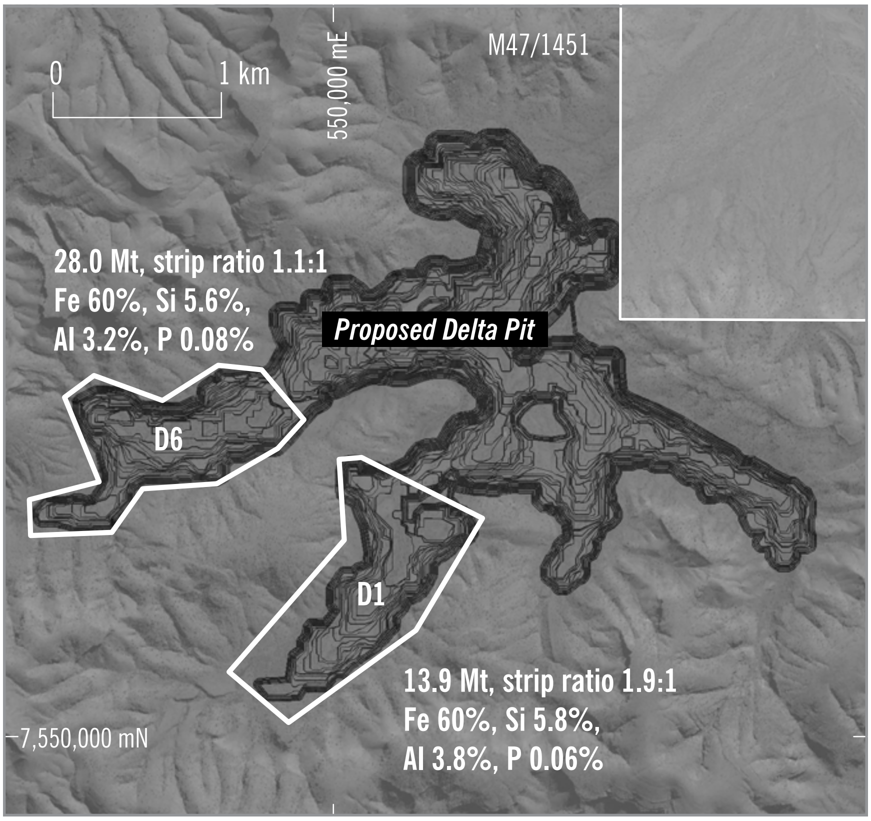


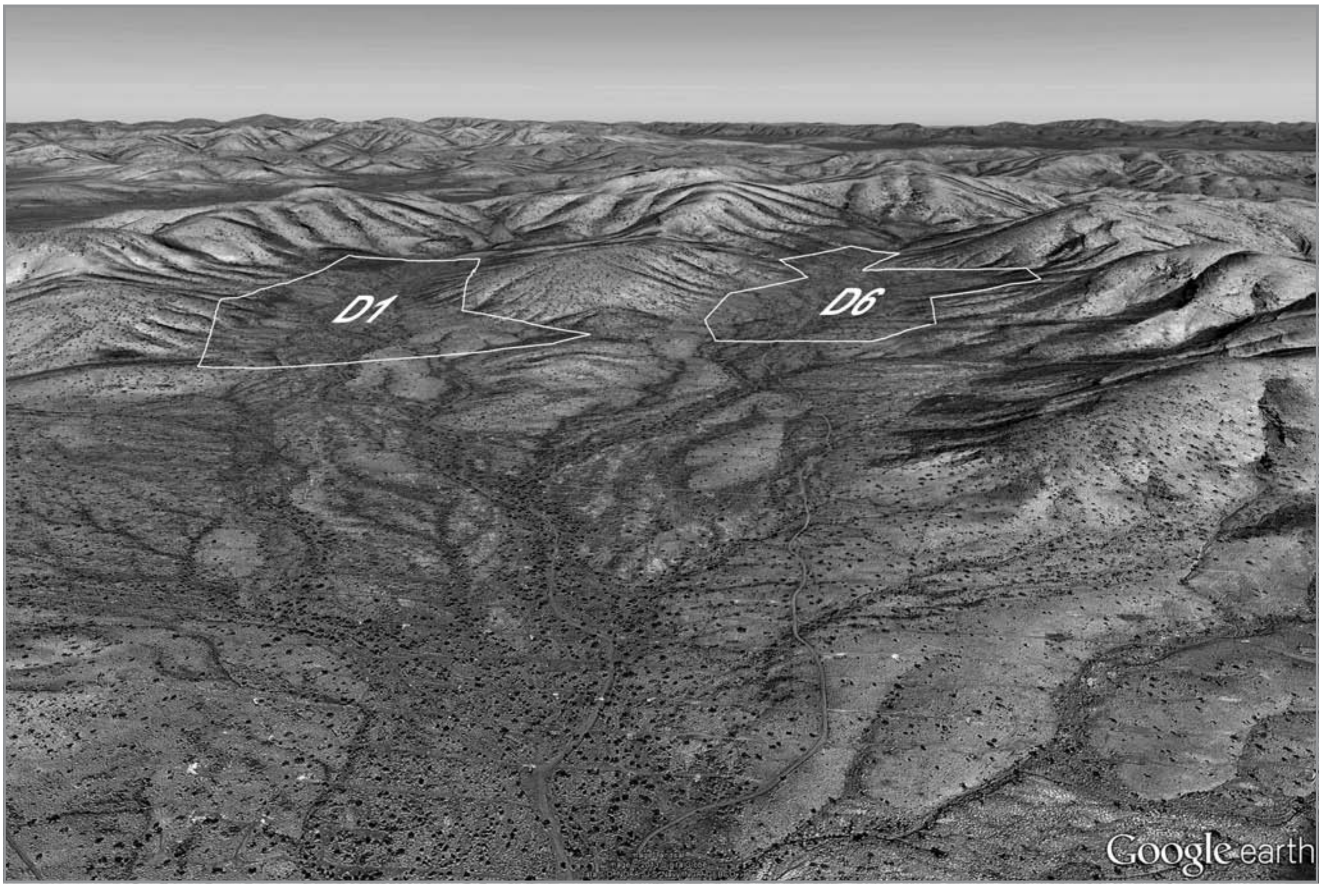
Figure 1 : *Location of conceptual D1 and D6 pits in Delta deposit.*

This program tested a number of alternative product options for the PIOP and all showed excellent results on a number of performance criteria, especially sinter productivity which was shown to be significantly higher than a variety of commonly used fines products.

The results of this testwork program in conjunction with parallel mine planning and testwork scenarios resulted in Flinders deciding to pursue the single product strategy which has been extremely well received by the target market.

The Phase 4 metallurgical testwork program was completed during the year and has resulted in minor changes to the process flow diagram with a scrubbing and de-sliming circuit replacing the previously selected wet screening process. This change together with a single product significantly simplifies the process plant and will result in a more efficient operation.

The project team has conducted an investigation into the potential of the PIOP to support a smaller scale (5 Mtpa) operation that minimises the capital expenditure and allows for early cash flow, if infrastructure could be accessed quickly.



Delta Valley looking SW towards D1 and D6 conceptual pits.

This investigation showed that Flinders could deliver a Direct Shipping Ore (DSO) product of 60% Fe from regions D1 and D6 within the existing Delta deposit (*see Figure 1*) at a rate of 5 Mtpa for at least 8 years. More importantly this ore could be delivered at a strip ratio of just over 1:1 resulting in a significant reduction in operating costs to that of the base-case operation.

Due to the simplicity of both the mining operation and processing plant, a project such as this could be developed very quickly and at a very low capital cost.

This puts Flinders in a position where upon finalising infrastructure access arrangements the project could be brought into production within 18 months.

APPROVALS

Early in 2013 Flinders was granted key Commonwealth and Western Australian Government environmental approvals for the development of the PIOP. Flinders now has both Federal and State environmental approvals for the “on-tenement” component of the PIOP – this represents significant de-risking for the project.

A Groundwater Operating Strategy was provided to the WA Department of Water to support an existing application submitted for a Section 5C licence (to take water and manage its use per the *Rights in Water and Irrigation Act, 1914*) for four (4) gigalitres (Gl) per annum.

The Section 5C licence is for the purpose of on-tenement (M47/1451) dewatering and water supply for the PIOP mining and associated activities. The above mentioned approvals for a 15 Mtpa iron ore operation significantly further de-risk the PIOP. The existing approvals also reinforce that the PIOP can be developed in an environmentally acceptable manner.

Flinders will continue to progress remaining approvals pending the finalisation of infrastructure access arrangements and the commencement of mine construction activities. Native title and mining lease approvals have already been granted for the PIOP, based on a current iron resource of 917 million tonnes.

Exploration

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 of Western Australia (*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 1*).

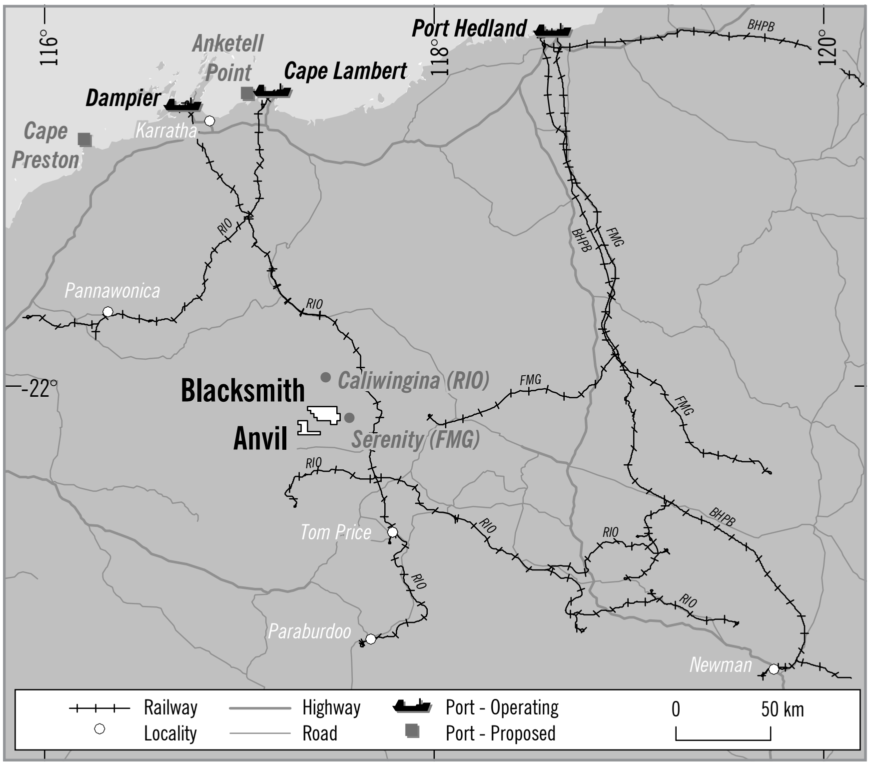
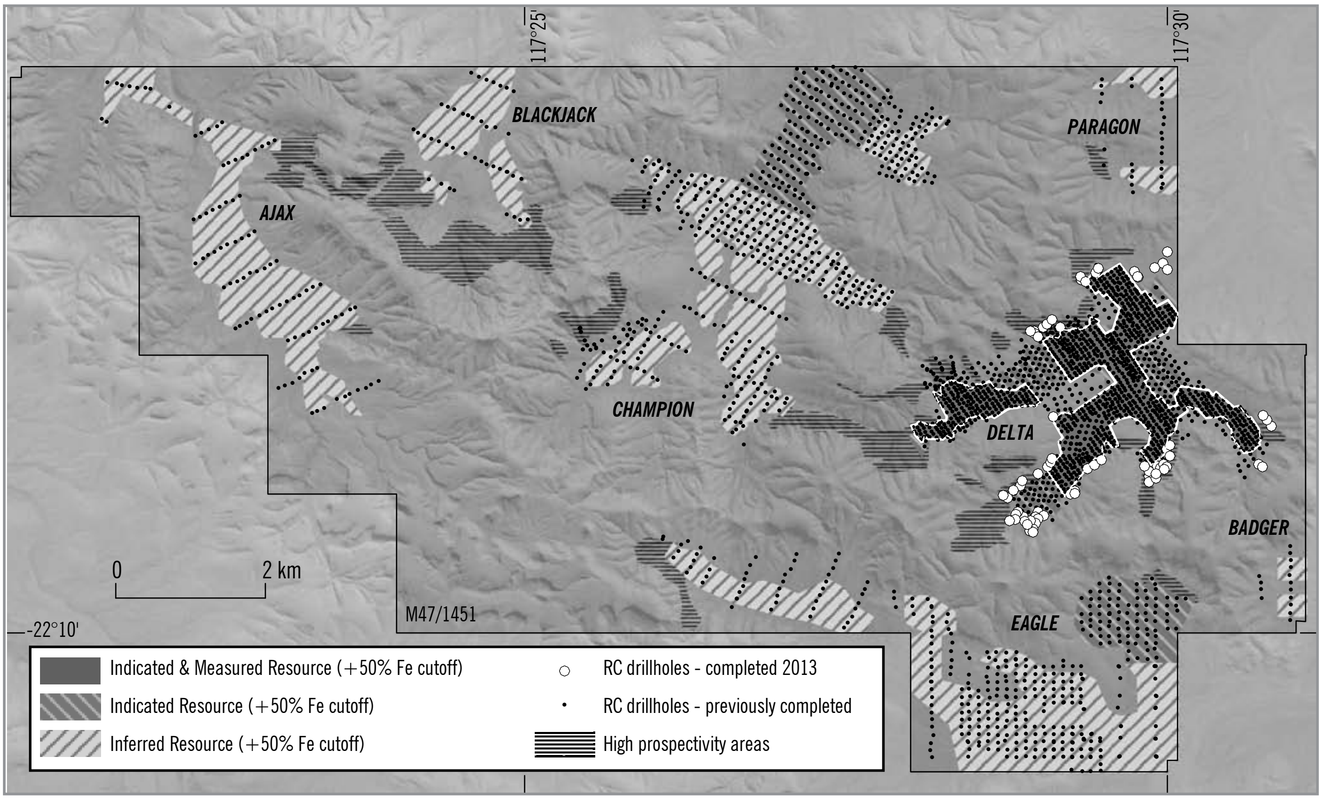


Figure 1 : *Regional location of the Pilbara Iron Ore Project, relative to infrastructure.*

Figure 2 : *Showing the relationship between the recent significant RC drilling intersections, the BID prospectivity areas and the existing Mineral Resource estimate on the Blacksmith tenement.*



Exploration & Evaluation

Drilling at the PIOP during 2013 was limited to a short program targeting Brockman Iron Deposit (BID) mineralisation. BID mineralisation at the PIOP has cost and timing advantages to Flinders Mines. This is due to the BID mineralisation being direct shipping ore (DSO) quality requiring no beneficiation, thus reducing processing costs.

In addition, this BID material would likely be mined at a lower strip ratio than other parts of the PIOP global resource, leading to lower mining costs.

A significant number of high quality (BID) intersections were obtained from the drilling (*Table 1*), targeting the Delta deposit on the eastern side of the Blacksmith tenement (*Figure 2*).

The mineralisation intersected in this drilling program lies outside the existing resource and will form part of the next resource estimate. This work represents part of testing the upgraded PIOP Exploration Target* of 180 – 280Mt (at 55 to 58% Fe), announced on 23 May 2013. Additional extensions and high priority targets still remain untested (*Figure 2*).

Table 1 : *Pilbara Iron Ore Project significant 2013 reverse circulation drilling intersections.*

Hole	Easting (MGA Zone 50)	Northing (MGA Zone 50)	From (m)	To (m)	Interval (m)	Fe %	SiO_2%	Al_2O_3%	P%	LOI%
HPRC5482	549788	7550184	0	10	10	61.32	3.42	2.88	0.087	4.63
HPRC5483	549822	7550161	0	18	18	58.68	2.94	2.60	0.127	9.58
HPRC5503	551549	7551082	0	12	12	61.39	6.30	3.00	0.056	1.72
HPRC5509	551310	7550721	0	26	26	59.20	2.29	2.52	0.138	9.59
HPRC5510	551309	7550648	0	18	18	61.47	1.50	1.57	0.121	8.13
HPRC5511	551311	7550786	0	18	18	61.27	2.76	1.74	0.116	6.77
HPRC5514	551254	7550857	0	10	10	58.12	4.35	1.67	0.083	9.92
HPRC5529	550401	7553382	0	30	30	59.16	2.43	2.53	0.147	9.51
HPRC5530	550473	7553311	4	34	30	57.34	7.07	3.36	0.089	6.57
incl			10	22	12	61.64	2.61	2.09	0.094	5.90
HPRC5531	550608	7553430	2	52	50	56.17	7.09	5.71	0.084	5.85
incl			24	48	24	60.14	2.76	3.37	0.099	6.81
HPRC5533	551127	7553443	22	62	40	56.97	7.77	4.40	0.084	5.55
incl			34	60	26	59.32	3.71	3.84	0.103	6.81
HPRC5535	551169	7553374	30	76	46	57.94	8.21	4.03	0.091	4.02
incl			44	76	32	60.42	4.43	3.39	0.111	4.89
HPRC5539	549829	7552577	0	16	16	59.31	3.66	3.06	0.128	7.71
HPRC5540	549734	7552653	0	16	16	59.07	4.95	2.32	0.104	7.96
HPRC5543	552824	7550841	0	30	30	56.67	3.96	2.89	0.101	11.38

During 2013 a total of 71 drill holes were completed for 2,484m bringing the total number of holes drilled at the PIOP to 3,039 drill holes for 152,683m.

* ***Exploration Targets***
Exploration targets are reported according to Clause 18 of the 2004 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 PILBARA IRON ORE PROJECT *(cont.)*

Resource Estimate

No resource estimates were carried out for Flinders' PIOP in 2013, with the global Mineral Resource for the project remaining at 917Mt @ 55.2% Fe (*Tables 2 & 3*). The current Mineral Resource is based on a +50% iron cut-off and 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 3*). 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 3*).

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

Planned Activities

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

Further drilling is likely to await the outcome of ongoing discussions with third parties. This dialogue has centred on access to rail and port infrastructure as well as the provision of project funding and off-take contracts. Continuing discussions with third parties have now advanced to the due diligence phase.

Table 2 : *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_2O_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 2,813 reverse circulation (RC) holes drilled at the project between July 2008 and October 2011. 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 and a nominal 50m by 50m grid for Measured Resource. Average in situ densities were derived via direct measurement from the diamond holes drilled in 2009 and 2010 for geometallurgical test work. In the absence of adequate information an average density of 2.7 was used.

Table 3 : *Pilbara Iron Ore Project Mineral Resource summary of deposit types.*

Deposit Type	**Inferred Resource**	**Indicated Resource**	**Measured Resource**	**Total (Mt)**
Brockman Iron Deposit (BID)	99.1	91.4	–	190.5
Detrital Iron Deposit (DID)	287.8	156.7	101.0	545.5
Channel Iron Deposit (CID)	85.7	95.6	–	181.3
Total	**472.6**	**343.7**	**101.0**	**917.3**

CANEGRASS

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 3*). The Canegrass project covers an area of approximately 700km^2 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.

Late in 2012 the Company discovered significant nickel and copper sulphide mineralisation in its maiden drilling program. This represents the most significant base metal discovery in the Windimurra Complex. Coincident electromagnetic and surface geochemistry targets were identified in an Airborne Electromagnetic (AEM) survey, and followed up with ground electromagnetic (GEM) surveys.

A total of 7 reverse circulation (RC) drill holes were completed at two discrete targets, CG02 and CG39. All holes intersected sulphides with the best intersection from CPRC0004:

- 13m at 0.91% Ni, 0.58% Cu, 0.08% Co from 104m, including
- 4m at 1.23% Ni, 0.69% Cu, 0.10% Co from 112m.

The drilling was followed up with 3 diamond holes targeting off-hole electromagnetic conductors. Despite mineralisation being encountered at targeted depths, no economic intersections were observed.

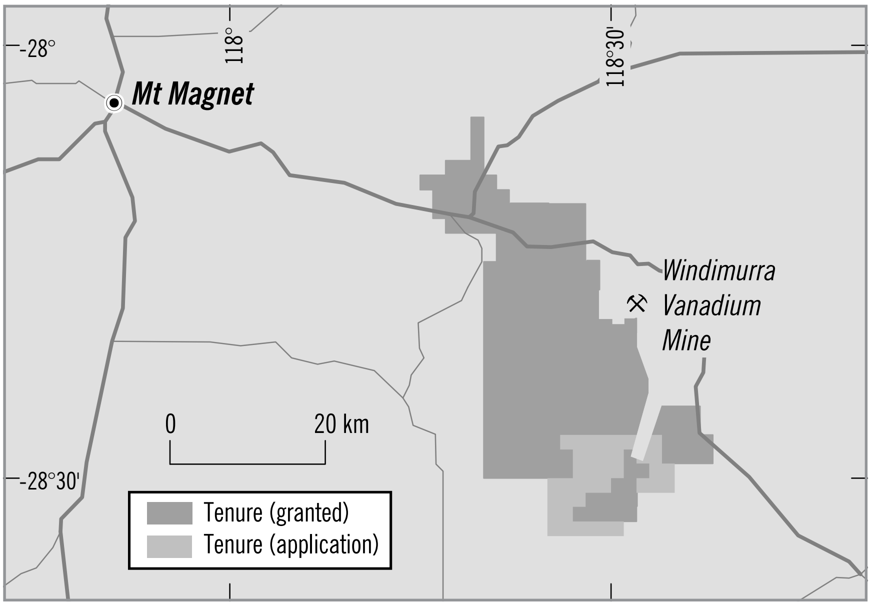


Figure 3 : *Canegrass Project located near Mt Magnet, WA.*

All drill holes intersected distinctive ultramafic (pyroxenite) units, which are host to a zone of disseminated to massive sulphides. Sulphide composition has been noted as being pyrrhotite dominant, with varying quantities of chalcopyrite, pyrite and pentlandite.

In March 2013, Flinders commissioned a high powered versatile time domain electromagnetic (VTEM) survey on a tighter line spacing (150m) than the existing survey, to identify both shallow and deep conductive bodies at a higher resolution. The preliminary results of this survey are shown in *Figure 4*.

In addition to the anomalies at CG02 and CG39, there are additional multiple conductive anomalies within the immediate area. Many of these anomalies are along strike and within similar lithologies to the mineralisation already identified. Also of interest is a large anomaly located immediately to the north and at the margin of the Corner Well Ultramafic Intrusive complex (*Figure 4*). The Corner Well intrusion has previously been the focus of exploration efforts with anomalous levels of Ni, Cu, PGE and Au having been identified in both surface sampling and drilling.

RC drilling at Canegrass.

Exploration CANEGRASS *(cont.)*

In addition to the base metal exploration Flinders have also been exploring the Canegrass tenement package for gold. Particular attention has been paid to areas identified from historic rock chip and soil samples. Mapping identified rock chip samples from outcropping quartz veins containing visible sulphides (pyrite and chalcopyrite) as well as iron oxides that returned assays up to 24.8 g/t Au. Soil sampling results highlighted multiple zones of anomalous gold in soil and lag fractions.

Resource Estimate

A resource estimate is current for the magnetite mineralisation at Canegrass (*Tables 4 & 5*).

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.

SOUTH AUSTRALIA / NORTHERN TERRITORY

Flinders continued its divestment process of its diamonds assets in South Australia and the Northern Territory, withdrawing from several joint ventures. Flinders has no interest in the following projects:

- Billa Kalina
- Central Gawler Craton
- Southern Gawler Craton

Flinders is in the process of withdrawing from the Adelaide Hills joint venture and surrendering the Strangways project. The Springfield project is currently undergoing divestment with a sale agreement in preparation. Work at the Jamestown project is suspended pending an ongoing issue over a proposed wind farm.

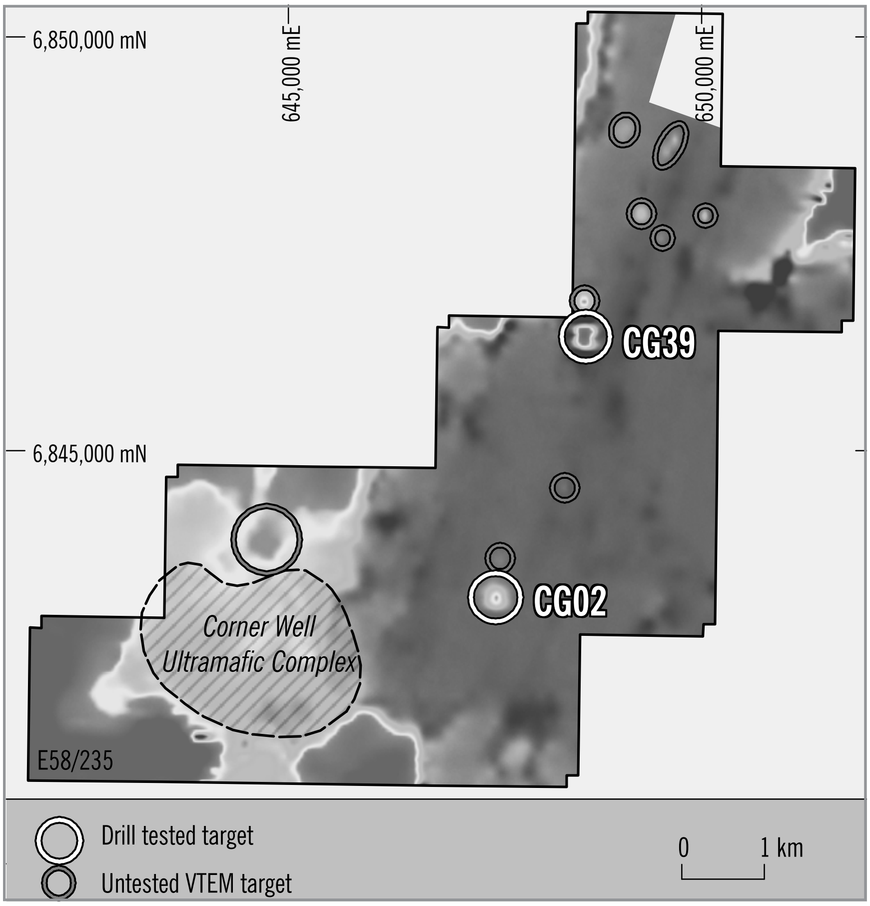


Figure 4 : *VTEM Survey image with anomalous conductive bodies highlighted on E58/235.*

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

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

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

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

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						
E47/1011	Bold Cliff	19/06/2001	18/06/2014	10.8	Flinders Mines Ltd	Prenti and Fortescue Agreements
E47/1016	Mulga Downs	19/07/2002	18/07/2014	124.0	Flinders Mines Ltd	Prenti and Fortescue Agreements
E47/1306	Hamersley West	17/11/2005	16/11/2014	139.5	Flinders Mines Ltd	Prenti and Fortescue Agreements
E47/1333	Satellite Spring	28/07/2007	27/07/2014	164.3	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1334	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	15/02/2015	34.1	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1372	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	Malay Well	31/03/2006	30/03/2015	108.5	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1523	Mt Brockman West	16/02/2008	15/02/2015	77.5	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1524	Mt Brockman North	15/06/2007	14/06/2014	130.2	FMG Pilbara Pty Ltd	Prenti and Fortescue Agreements
E47/1560	Anvil	6/09/2007	5/09/2014	43.4	Flinders Iron Pty Ltd	Prenti Agreement
M47/663-672	Mulga Downs FMG	24/06/2005	N/A		Flinders Mines Ltd	Prenti and Fortescue Agreements
M47/1407	Hamersley West FMG	5/10/2012	4/10/2033	17.8	Flinders Mines Ltd	Prenti and Fortescue Agreements
M47/1451	Blacksmith ML	26/03/2012	25/03/2033	111.6	Flinders Mines Ltd	Prenti Agreement
P47/1291	Gap Area	27/09/2007	26/09/2015	0.2	Flinders Mines Ltd	Prenti Agreement
Canegrass Project						
E58/232	Boulder Well	29/07/2002	28/07/2014	58.6	Flinders Mines Ltd	Maximus Resources Agreement
E58/235	Canegrass Well	29/07/2002	28/07/2014	57.8	Flinders Mines Ltd	Maximus Resources Agreement
E58/236	Challa	22/03/2002	21/03/2013	59.5	Flinders Mines Ltd	Maximus Resources Agreement
E58/271	Gingier Pool	7/11/2005	6/11/2014	142.0	Flinders Mines Ltd	Maximus Resources Agreement
E58/282	Honeypot	3/05/2007	2/05/2014	27.2	Flinders Mines Ltd	Maximus Resources Agreement
E58/307	Challa Homestead	7/02/2007	6/02/2014	3.0	Flinders Mines Ltd	Maximus Resources Agreement
E58/308	Challa South	7/02/2007	6/02/2014	3.0	Flinders Mines Ltd	Maximus Resources Agreement
E58/358	Pipeline	22/03/2010	21/03/2015	142.2	Flinders Mines Ltd	Maximus Resources Agreement
E58/359	Bundy Well	26/02/2010	25/02/2015	197.0	Flinders Mines Ltd	Maximus Resources Agreement
E58/448	Sandhill	28/06/2013	27/06/2018	41.2	Flinders Mines Ltd	
E58/449	Claypan	17/12/2012	N/A	117.7	Flinders Mines Ltd	
E59/1935	Warramboo	12/06/2013	11/06/2018	3.0	Flinders Mines Ltd	
P58/1403	Challa A	3/03/2010	2/03/2014	0.2	Flinders Mines Ltd	Maximus Resources Agreement
P58/1404		3/03/2010	2/03/2014	0.5	Flinders Mines Ltd	Maximus Resources Agreement

Tenement Schedule *(cont.)*

Tenement Application/ No.	Tenement Name	Grant/Application Date	Expiry Date	Area (Sq Km)	Registered Holder/ Applicant	Related Agreement
SOUTH AUSTRALIA						
Adelaide Hills Project						
EL 4131	Kapunda	28/04/2008	27/04/2013	626.0	Maximus Resources	Maximus Resources Agreement
EL 4227	Brukunga	25/02/2009	24/02/2014	94.0	Maximus Resources	Maximus Resources Agreement
EL 4303	Lobethal	1/09/2009	31/08/2013	222.0	Maximus Resources	Maximus Resources Agreement
EL 4641	Echunga	7/01/2011	6/01/2014	173.0	Maximus Resources	Maximus Resources Agreement
EL 4712	Mt Pleasant	30/03/2011	29/03/2014	452.0	Maximus Resources	Maximus Resources Agreement
EL 5214	Mt Barker	25/02/2013	24/02/2015	118.0	Maximus Resources	Maximus Resources Agreement
Flinders Ranges Manganese Project						
EL 4709	Murray Town	29/03/2011	28/03/2013	212.0	Flinders Iron Pty Ltd	
EL 4710	Mt Ragless	29/03/2011	28/03/2013	242.0	Flinders Iron Pty Ltd	
Jamestown Project						
EL 4367	Slippery Corner	10/11/2009	9/11/2014	156.0	Flinders Mines Ltd	Tarcowie Phosphate Agreement
EL 4368	Caltowie	10/11/2009	9/11/2014	670.0	Flinders Mines Ltd	Copper Range and Tarcowie Phosphate Agreements
EL 4370	Washpool	10/11/2009	9/11/2014	209.0	Phoenix Copper	Phoenix Copper Agreement
EL 4371	Steves Gap	10/11/2009	9/11/2014	110.0	Flinders Mines Ltd	
EL 4372	Pekina	9/11/2009	8/11/2014	326.0	Flinders Mines Ltd	
EL 4374	Amyton	10/11/2009	9/11/2014	142.0	Flinders Mines Ltd	
Springfield Project						
EL 4184	Glen Oak	18/09/2008	17/09/2013	137.0	Flinders Mines Ltd	
EL 4208	Gilbert Hill	18/11/2008	17/11/2013	864.0	Flinders Mines Ltd	
EL 4209	Willochra	18/11/2008	17/11/2013	35.0	Flinders Mines Ltd	
EL 4404	Kanyaka	23/12/2009	22/12/2013	251.0	Flinders Mines Ltd	
EL 5121	Springfield	3/09/2012	2/09/2014	340.0	Flinders Mines Ltd	
NORTHERN TERRITORY						
Strangways Woolanga Project						
SEL25055	Strangways	13/06/06	12/06/10	966.7	Flinders Mines Ltd	
SEL25056	Mud Tank-Alcoota	13/06/06	12/06/10	498.3	Flinders Mines Ltd	

Flinders Mines Limited
ABN 46 091 118 044

Financial Report

for the year ended 30 June 2013

Contents

These Financial Statements are the consolidated Financial Statements of the consolidated entity consisting of Flinders Mines Limited and its subsidiaries. The Financial Statements are presented in the Australian currency.

Flinders Mines Limited is a company limited by shares, is listed on the Australian Securities Exchange (ASX) under the code "FMS" and is incorporated and domiciled in Australia. Its registered office and principal place of business is:

Flinders Mines Limited
Level 1, 136 Frome Street
Adelaide, South Australia 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 page 14, which is not part of these Financial Statements.

The Financial Statements were authorised for issue by the Directors on 17 September 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, or Flinders) consisting of Flinders Mines Limited (Parent, or Company) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

DIRECTORS

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

Robert Michael Kennedy
(Non-executive Chairman)

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)

Gary David Sutherland
(Managing Director) (to 19 April 2013)

John David Cooper
(Non-executive Director) (to 18 December 2012)

PRINCIPAL ACTIVITIES

The Group's principal continuing activities during the year consisted of mineral exploration and development.

There were no significant changes in the nature of the activities of the Group during the year.

DIVIDENDS

No dividends have been declared or paid during the financial year (2012: $nil).

OPERATING RESULTS AND FINANCIAL POSITION

The net result of operations for the financial year was a loss of $12,426,086 (2012: $4,936,852).

The net assets of the Group have decreased by $12,481,299 during the financial year from $77,059,852 at 30 June 2012 to $64,578,553 at 30 June 2013.

REVIEW OF OPERATIONS

Corporate

The Scheme Implementation Agreement (Scheme) with Magnitogorsk Iron and Steel Works OJSC (MMK) under which MMK offered to acquire all of the shares in Flinders, effectively ceased after Flinders was advised by MMK that it had terminated the Scheme on 2 July 2012. Flinders was then free from any obligation under the Scheme that had restricted it dealing with third parties since the Scheme was initially implemented in late November 2011.

Following the termination of the Scheme, Flinders immediately re-engaged in dialogue with a number of interested third parties, under confidentiality agreements, to move forward with the development of the Pilbara Iron Ore Project (PIOP) in the Pilbara region of Western Australia. The Company continues to progress discussions aimed at de-risking the PIOP development path.

The scope of these discussions include:

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

Flinders continued to advance discussions under confidentiality with potential strategic partners with a view to entering into agreements with potential third party providers of critical rail and port infrastructure. Post balance date, Flinders executed a Memorandum of Understanding (MOU) with Brockman Resources to work towards an Aggregation Agreement covering their individually held iron ore assets in the Pilbara region of Western Australia. An aggregation of iron ore tonnage potentially places both groups in a strong position to move forward to deliver ore to market.

Towards the end of the year, the Company made significant moves to reduce project and administrative expenditure with a number of redundancies at head office and on site and a re-evaluation of exploration initiatives. It remains the Board's intent to appoint a Managing Director as soon as circumstances permit.

Pilbara Iron Ore Project

Definitive Feasibility Study

Early in the financial year, Definitive Feasibility Study (DFS) level activities were focussed on metallurgy, product sinter test work and China marketing. These aspects of the DFS had a significant bearing on design of the processing circuit and were completed before commencing detailed engineering.

In order to maximise the potential value of the PIOP, Flinders conducted a number of studies that can demonstrate alternative means to commence production, whilst minimising capital expenditure and reducing operating costs. The studies show there is potential to produce high quality direct shipping ore (DSO) (60%+ Fe) for an initial 5 to 10 year timeframe, which has potential to add significant value to the PIOP project.

Mining, Processing and Infrastructure

The drilling of five diamond drill holes to support the Phase 4 metallurgical test work program was completed during the September quarter with the Phase 4 test work program completed during the December quarter, the results of which form the basis of the selected process flow diagram for the Definitive Feasibility Study (DFS). Flinders has selected a single fines product as the basis of all future studies. The proposed processing of the PIOP ore will remain simple with a scrubbing and de-slime circuit. This change to the previously selected wet screening process results in a simplified process flow for the single product that is now the basis of the project.

The University of Science & Technology, Beijing, completed the sinter pot test work program on three samples of PIOP Detrital Iron Deposit (DID) and Brockman Iron Deposit (BID)/Channel Iron Deposit (CID), with excellent results shown on a number of performance criteria, especially sinter productivity which was shown to be significantly higher than a variety of commonly used international fines products.

The China marketing campaign continued throughout the year with discussions moving to technical and commercial evaluation of the PIOP product. These discussions led to the signing of four Memoranda of Understanding (MOUs) in April and a further six MOUs in July 2013. These MOUs allow potential customers of the sinter fines from the PIOP to undertake technical and commercial evaluations of the ore in order to assess its suitability for their iron making operations.

Environment and Approvals

In the September quarter, the Federal Government's Department of Sustainability, Environment, Water, Population and Communities (DSEWP&C) granted Flinders approval to proceed with its "on-tenement" mining and mining-related activities for the PIOP.

In January 2013, Flinders was granted key Commonwealth and Western Australian Government environmental approvals for the development of the Company's flagship project at PIOP. These approvals for a 15 Mtpa iron ore operation significantly further de-risked the PIOP. Flinders continues to progress remaining approvals pending the finalisation of infrastructure access arrangements and the commencement of mine construction activities.

A Groundwater Operating Strategy (GOS) was provided to the WA Department of Water (WADoW) to support an existing application submitted for a Section 5C licence (to take water and manage its use per the *Rights in Water and Irrigation Act 1914*), for the purpose of on-tenement dewatering and water supply for PIOP mining and associated activities. A follow-up, revised GOS was submitted following the results of Flinders' completed groundwater modelling and WADoW feedback.

Exploration and Evaluation Activities

Early in the year, the focus was on targeting higher grade BID DSO and advancing all the approvals required in preparation for extensional drilling. BID drill targeting was concentrated on extending known BID mineralisation into the hills around the PIOP's Delta deposit. A new BID target area, Blackjack Hills, was identified and a drilling program prepared to test this new zone.

Evaluation activities included developing a high quality 3D geological model of the Delta deposit, with significant field mapping and down-hole geophysics being conducted. This model proved extremely useful for targeting new BID zones.

Late in the year, final approvals were received from the WADMP for three Programs of Work (PoW) to extend existing and test new BID targets at PIOP. Flinders has undertaken a small drilling program targeting BID mineralisation in the Delta Hills and Blackjack Hills zones, to drill test and convert areas of interpreted mineralisation to increase the current global resource at PIOP. This BID mineralisation is high grade and shallow, leading to reduced strip ratios.

Canegrass Project

A Heritage Survey in conjunction with the Badamia People (Traditional Owners) was completed on three priority targets within the Company's Canegrass tenements in the mid-west region of Western Australia.

The Company discovered nickel and copper sulphide mineralisation in its maiden drilling program carried out during 2012. A total of seven reverse circulation (RC) and three diamond drill holes were completed at several discrete targets in the region. Drilling was undertaken with funding support of the Western Australian Department of Mines and Petroleum Exploration Incentive Scheme.

Although no economic intersections were observed, the Company believes the potential for base metals discovery remains in the area. There is no intention to carry out any exploration at Canegrass in the latter half of 2013, with the Company's key focus remaining on the Pilbara Iron Ore Project.

South Australia

No activities were carried out on any of the South Australia tenements. This is in line with Flinders' strategy to divest all diamond projects.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Scheme Implementation Agreement (Scheme) with Magnitogorsk Iron and Steel Works OJSC (MMK) under which MMK offered to acquire all of the shares in Flinders was terminated on 2 July 2012 and effectively ceased on that date. Flinders has re-engaged with a number of interested parties and negotiations are continuing in order to identify a strategic partner and determine an infrastructure solution for the development of its flagship asset, the Pilbara Iron Ore Project. There were no accounting consequences of the Scheme and its ultimate failure in the current financial year and the Company concludes that there was no significant change in the state of affairs.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In early July 2013, the Company executed a MOU with Brockman Mining Australia Pty Ltd (Brockman) with a view to working together towards an Aggregation Agreement covering the two companies' iron ore interests in the Pilbara region of Western Australia. Brockman, through its joint venture in North West Infrastructure, has joint rights to co-develop a 50 million tonne per annum marine facility at Port Hedland which, when constructed will include unloading, stockpiling and ship loading infrastructure (Port Project). Brockman has recently signed a Relationship Agreement appointing Aurizon to provide long term rail haulage and port solutions for its iron ore projects in the Pilbara. An aggregation of tonnage by Flinders and Brockman places both groups in a strong position to move forward to deliver ore to market.

Directors' Report *(cont.)*

Other than the above, no matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Flinders' PIOP 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 FY2014, Flinders' focus will remain on securing the strategic development of the PIOP. Flinders has resumed dialogue with counter parties and made significant progress in those discussions. A full data room has been made available to allow those groups interested in the strategic development of the PIOP to conduct due diligence as required.

Continued dialogue with interested parties will centre on access to rail and port infrastructure, as well as the provision of project funding and off-take agreements. Also included in these discussions will be the potential for mining joint ventures, as well as consolidation at the corporate level.

In the immediate future, the in-house management team will continue to investigate opportunities that improve project value through reduction in start-up capital expenditure, or operating cost, or both.

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 obligations.

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 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.

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 was temporarily appointed to the role of Executive Chairman and continues to carry out the duties and responsibilities of that role as at the date of this report.

Other current directorships

Mr Kennedy is also a director of ASX listed companies Tychean Resources Limited (formerly 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).

Former directorships in last 3 years

Adelaide Energy Limited (from December 2011 to January 2012)

Beach Energy Limited (from December 1991 to November 2012)

Impress Energy Limited (from November 2011 to April 2012)

Somerton Energy Limited (from April 2010 to June 2012)

Special responsibilities

Chairman of the Board.
Chairman of the Nominations and Remuneration Committee.

Member of the Audit Committee.

Interests in shares and options

32,161,000 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 27 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 large and small scale 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.

Other current directorships

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

Former directorships in last 3 years

None.

Special responsibilities

Member of the Audit Committee.
Member of the Corporate Governance Committee.

Interests in shares and options

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

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 40 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).

Other current directorships

Mr Vickery is also a Non-Executive Director of ASX listed company Maximus Resources Limited (since 2004) and he re-joined the Board of Tychean Resources Limited (formerly ERO Mining Limited) in May 2013.

Former directorships in last 3 years

ERO Mining Limited (from 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 and options

5,000,000 ordinary shares in Flinders Mines Limited.

Gregory Mornington May

L.L.B. GAICD 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 28 years. He was previously General Counsel of the Adelaide and Darwin partnership of Minter Ellison until establishing his own firm in July 2013. He practices predominantly in the areas of corporate law, revenue law, trusts and superannuation. 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.

Other current directorships

None.

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

743,571 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

Directors' Report *(cont.)*

beneficiation of low rank coals. Mr Smart currently consults to various public and private companies.

Other current directorships

Alternate director for Maximus Resources Limited (since 2005).

Former directorships in last 3 years

None.

Special responsibilities

None.

Interests in shares and options

838,095 ordinary shares in Flinders Mines Limited.

Gary David Sutherland

BAppSc (Hons), AAICD.
Managing Director until April 2013.

Experience and expertise

A director from April 2011 to April 2013, Mr Sutherland has 27 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.

Other current directorships

None

Former directorships in last 3 years

Flinders Mines Limited (to 2013).

Special responsibilities

Managing Director.
Member of the Risk Committee.

Interests in shares and options

115,000 ordinary shares in Flinders Mines Limited.

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

John David Cooper

BSc (Building), FIE Aust, FAICD, FAIM.
Non-executive Director until December 2012.

Experience and expertise

A director from September 2010 to December 2012, Mr Cooper has over 37 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.

Other current directorships

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 Aurizon Limited (since April 2012).

Former directorships in last 3 years

Clough Limited (to 2010)
Flinders Mines Limited (to 2012)

Special responsibilities

Member of the Audit Committee.
Member of the Risk Committee.
Chairman of the Corporate Governance Committee.

Interests in shares and options

1,200,000 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 27 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 the Chief Financial Officer since November 2008.

Interests in shares, options and rights

458,769 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 Company's board of Directors and of each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each Director were:

	Full meetings of Directors		Audit Committee		Nomination and Remuneration Committee		Corporate Governance Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B
Robert Michael Kennedy**	14	15	2	2	1	1	-	-	-	-
Kevin John Malaxos**	14	15	1	1	-	-	2	2	-	-
Ewan John Vickery**	14	15	2	2	1	1	2	2	-	-
Gregory Mornington May*	1	1	-	-	-	-	-	-	-	-
Nicholas John Smart*	-	-	-	-	-	-	-	-	-	-
John David Cooper	7	7	1	1	-	-	2	2	-	-
Gary David Sutherland	11	12	-	-	-	-	-	-	-	-

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 period

** = Alternate Director*

*** = These directors absented themselves from one meeting of Directors where remaining Directors and the Alternate Director considered matters where these directors were conflicted.*

SHARES UNDER OPTION

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

Date options granted	Expiry date	Issue price of shares	Number under options
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
			1,741,666

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

No options were granted to the directors or any of the five highest remunerated officers of the Company during the financial year.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Group is required to indemnify the directors and other officers of the Company and its Australian-based controlled entities against any liabilities incurred by the directors and officers that may arise from their position as directors and officers of the Group. No costs were incurred during the financial year pursuant to this indemnity.

The Parent Entity has 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 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 $61,006 to insure the directors and officers in respect of directors' and officers' liability and legal expenses insurance contracts.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to 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 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 received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out 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 impact 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 paid or payable for non-audit services provided by the auditor of the Parent, its related practices and non-related audit firms during the year ended 30 June 2013.

Directors' Report *(cont.)*

REMUNERATION REPORT - AUDITED

The Directors are pleased to present your Company's 2013 remuneration report which sets out remuneration information for Flinders Mines Limited's non-executive Directors, executive Directors and other key management personnel.

The remuneration report is set out under the following headings:

A Directors and key management personnel disclosed in this report
B Remuneration governance
C Use of remuneration consultants
D Executive remuneration policy and framework
E Non-executive director remuneration policy
F Voting and comments made at the company's 2012 Annual General Meeting
G Details of remuneration
H Service agreements
I 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 Directors and key management personnel disclosed in this report

Non-executive and executive Directors

- see pages 16 to 18 above

Robert Michael Kennedy
Kevin John Malaxos
Ewan John Vickery
Gregory Mornington May
Nicholas John Smart
Gary David Sutherland
(to 19 April 2013)
John David Cooper
(to 18 December 2012)

Other key management personnel

Nicholas John Corlis
General Manager - Business Development

Miro Rapaic
General Manager - Project Development

Mick Anstey
General Manager - HSEC & HR

David Wayne Godfrey
Chief Financial Officer and Company Secretary

B Remuneration governance

The Nominations & Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations and to assist the Board to:

- ensure that it is of an effective composition, size and commitment to adequately discharge its responsibilities and duties; and
- independently ensure that the Company adopts and complies with remuneration policies that attract, retain and motivate high calibre executives and directors so as to encourage enhanced performance by the Company; and
- motivate directors and management to pursue the long-term growth and success of the Company within an appropriate framework.

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.

The Corporate Governance Statement provides further information on the role of this committee.

C Use of remuneration consultants

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 adviser 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 staffing situation and industry sector. The Nominations and Remuneration Committee has also appointed Godfrey Remuneration Group Pty Ltd to provide advice on executive and staff incentive plans and non-executive director remuneration.

D Executive remuneration policy and framework

The Group's policy for determining the nature and amounts of emoluments of senior executives is as follows:

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value.

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 employment conditions of the Managing Director 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, or by mutual agreement. The Company may terminate the contract without notice in serious instances of misconduct. The remuneration of the other executive officers and employees is determined by the Managing Director 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 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.

Long-term incentives

The Company has an Employee Incentive Rights Plan (Plan) approved by shareholders at the 2010 Annual General Meeting 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 Employee Incentive Rights Plan is designed to focus executives and staff on delivering long-term shareholder returns. Under the Plan, participants are granted rights which vest only if positive Total Shareholder Return (TSR) performance conditions are met and the employees are still employed by the Group at the end of the vesting period. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan.

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 a positive return of the Company's TSR over the vesting period relative to that of a Comparator Group of peer companies (see below).

At the end of the Measurement Period the following vesting scale will be applied to Performance Rights based on the relative TSR achieved by the Company during the Measurement Period.

TSR Rank (provided it is positive)	Proportion of Performance Rights that vest
Less than 50% percentile	0%
50th percentile	25%
Between 50th and 62.5th percentile	Pro rata
62.5th percentile	50%
Between 62.5th and 75th percentile	Pro Rata
At or above 75th percentile	100%

No incentive rights were granted during the 2012 and 2013 financial years. For the incentive rights granted on 1 July 2011, the Comparitor Group includes the following peer companies:

- 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

Directors' Report *(cont.)*

E NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

Non-executive directors receive a Board fee and are eligible for fees for extra exertion or chairing or participating on Board Committees, at the discretion of the full Board. Fees provided to non-executive directors are inclusive of superannuation.

Fees are reviewed periodically by the Board's Nominations & Remunerations Committee taking into account comparable roles and market data provided by the Board's independent remuneration adviser. The current base fees were reviewed with effect from 1 January 2010 and have not been increased since that time.

Non-executive director's fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $750,000 per annum and was approved by shareholders at the Annual General Meeting on 6 November 2009. 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.

F VOTING AND COMMENTS MADE AT THE COMPANY'S 2012 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 84% for the resolution to adopt the remuneration report indicated a good level of support for, and understanding of the Company's remuneration structure and practices.

G DETAILS OF REMUNERATION

The following tables show details of the remuneration received by the Directors and the key management personnel of the Group for the current and previous financial year.

2013	Short-term employee benefits		Post-employment benefits	Share-based payments	
	Directors' Fees $	Salary $	Superannuation $	Rights $	Total $
Non-executive Directors					
Robert Michael Kennedy#	165,138	250,000	14,862	-	430,000
John David Cooper	41,284	-	3,716	-	45,000
Kevin John Malaxos*	90,000	-	-	-	90,000
Ewan John Vickery	82,569	-	7,431	-	90,000
Sub-total non-executive directors	**378,991**	**250,000**	**26,009**	**-**	**655,000**
Executive Directors					
Gary David Sutherland^^	-	619,930	25,000	-	644,930
Other key management personnel (Group)					
Nicholas John Corlis^	-	327,161	29,445	82,236	438,842
Miro Rapaic^	-	326,086	29,348	78,022	433,456
Michael Anstey^	-	298,357	26,852	66,480	391,689
David Wayne Godfrey^	-	269,953	24,293	63,139	357,385
Total key management personnel compensation (group)	**378,991**	**2,091,487**	**160,947**	**289,877**	**2,921,302**

2012	Short-term employee benefits		Post-employment benefits	Share-based payments	
	Directors' Fees $	Salary $	Superannuation $	Rights $	Total $
Non-executive Directors					
Robert Michael Kennedy#	165,138	-	14,862	-	180,000
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
Sub-total non-executive directors	**420,276**	**-**	**29,724**	**-**	**450,000**
Executive Directors					
Gary David Sutherland^^	-	524,999	25,000	318,022	868,021
Other key management personnel (Group)					
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 (group)	**420,276**	**1,534,567**	**145,585**	**607,899**	**2,708,327**

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

^ *During the 2012 financial 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.*

^^ *Mr Sutherland's incentive rights lapsed in April 2013 and he was paid 3 month's salary, plus his unused leave entitlements.*

\# *A provision has been made for an extra exertion payment to Mr Kennedy within the aggregate Directors' fee pool. Mr Kennedy was temporarily appointed to the role of Executive Chairman from mid-April 2013.*

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 - LTI *	
	2013 %	2012 %	**2013** %	2012 %
Other key management personnel of the group				
Gary David Sutherland	**-**	63	**-**	37
Nicholas John Corlis	**81**	78	**19**	22
Miro Rapaic	**82**	80	**18**	20
Michael Anstey	**83**	80	**17**	20
David Wayne Godfrey	**82**	78	**18**	22

* *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.*

Directors' Report *(cont.)*

H SERVICE AGREEMENTS

During the financial year, the Company reviewed the employment agreement of Mr Sutherland in respect of his services as Managing Director. The previous agreement with no fixed term and a salary set at $550,000 per annum inclusive of superannuation guarantee contributions was continued, to be reviewed periodically and with termination on one month's notice by either party. The Managing Director resigned from his position in April 2013 by mutual agreement. Messrs Kennedy, Vickery 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.

I SHARE-BASED COMPENSATION

Options

In past years, options over fully-paid ordinary shares in the capital of the Company were granted to employees under the Flinders Mines Limited Employee Share Option Plan (ESOP). The ESOP enabled the Board, at its discretion, to issue options to employees of the Company or its associated companies. Each option has a life of five years and was exercisable at a price determined by the Board. This price was not below the market price of a share at the time of issue. The options granted under the ESOP carry no voting or dividend rights. There were no options were granted under the ESOP during the year ended 30 June 2013.

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

Shares provided on exercise of remuneration options

No shares were issued to directors as a result of the exercise of remuneration options during the financial year (2012: Nil).

Options granted as remuneration

No options were granted to directors, key management personnel or employees of the Company during the financial year (2012: Nil).

Director's interests in shares and options

Directors' relevant interests in shares and options of the Company are disclosed in note 19 of the financial statements.

Employee Incentive Rights

The Company has an Employee Incentive Rights Plan 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 past years a total of 23,325,700 rights were issued to employees with 8,890,900 subsequently lapsing prior to vesting pursuant to the rules of the Plan.

During the current financial year no rights were issued to employees. The accounting value of the rights does not represent actual cash payments to the employees and is not related to or indicative of the benefit, if any, that individuals may ultimately realise should the rights vest, but is a recognition of the value of the rights at grant date progressively allocated over the vesting period.

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 25.

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

Robert Michael Kennedy
Director

Adelaide
17 September 2013

Auditor's Independence Declaration

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Flinders Mines Limited for the year ended 30 June 2013, 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, 17 September 2013

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"). To assist in the execution of its responsibilities the Board has established 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 2013.

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 2013.

From mid-April 2013, Mr Robert Kennedy was appointed by the Board to the role of Executive Chairman. This role as an executive of the Company is temporary in nature, albeit not in accordance with the ASX Recommendations. In the opinion of the independent Directors the Company, in departing from its policies, did not in any way compromise the Company's adherence to the good corporate governance practices and principles contained within the ASX Recommendations.

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

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

Directors and senior management. The Board evaluates the performance of the Managing Director/CEO and Company Secretary on a regular basis and encourages continuing professional development.

Recommendation 1.3

Recommendation followed

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

PRINCIPLE 2:

Structure the board to add value

Recommendation 2.1

Recommendation followed

The composition of the Board currently consists of three directors, all 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.

Corporate Governance Statement *(cont.)*

PRINCIPLE 3:

Promote ethical and responsible decision making

Code of conduct

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.

Diversity policy

Recommendation 3.2

Recommendation followed

The Company has established and adopted a Diversity & Equal Opportunity Policy which establishes 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 2013
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, to include diversity as one of its objectives
Appoint a member of the executive 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 2014 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. Diversity Objectives will be agreed by the Nominations & Remuneration committee in early FY 2014.
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.

Recommendation 3.4

Recommendation followed

As at 30 June 2013, women represented 33.3% 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 Malaxos 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 judgment.

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 AND 6:

Make timely and balanced disclosures and respect the rights of shareholders

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.

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;

Corporate Governance Statement *(cont.)*

- 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/Corporate/Governance.aspx

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 (until resignation in December 2012)
- Managing Director/CEO (until resignation in April 2013)
- General Manager HSEC & HR

Replacement of the committee members who resigned during the year will be considered and made at the appropriate time.

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

- R M Kennedy (Chair)
- E J Vickery

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

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

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

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

Recommendation 8.2

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/Corporate/Governance.aspx

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	Consolidated Year ended 30 June 2013 $	30 June 2012 $
Revenue from continuing operations			
Other revenue from ordinary activities	*4*	**520,968**	1,503,241
Other expenses from ordinary activities			
Loss on disposal of assets		**(98,646)**	(37,308)
Marketing expenses	*5*	**(1,409,232)**	(1,241,889)
Exploration expenditure written off	*5*	**(9,367,865)**	(252,917)
Administrative expenses	*5*	**(3,832,864)**	(5,710,317)
Finance costs	*5*	**(24,519)**	(22,509)
(Loss) before income tax		**(14,212,158)**	(5,761,699)
Income tax benefit/(expense)	*6*	**1,786,072**	824,847
(Loss) for the year		**(12,426,086)**	(4,936,852)
Item that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets	*18(a)*	**(46,979)**	(90,261)
Other comprehensive income for the year, net of tax		**(46,979)**	(90,261)
Total comprehensive income for the year		**(12,473,065)**	(5,027,113)
(Loss) is attributable to:			
Owners of Flinders Mines Limited		**(12,426,086)**	(4,936,852)
Total comprehensive income for the year is attributable to:			
Owners of Flinders Mines Limited		**(12,473,065)**	(5,027,113)
Total comprehensive income for the year attributable to owners of Flinders Mines Limited arises from Continuing operations		**(12,473,065)**	(5,027,113)

	Notes	Cents	Cents
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic earnings per share	*28*	**(0.682)**	(0.271)

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

Consolidated Statement of Financial Position

As at 30 June 2013

		Consolidated	
	Notes	**30 June 2013 $**	30 June 2012 $
ASSETS			
Current assets			
Cash and cash equivalents	*7*	**5,996,247**	16,071,604
Trade and other receivables	*8*	**219,830**	1,087,031
Other current assets	*9*	**67,736**	230,952
Total current assets		**6,283,813**	17,389,587
Non-current assets			
Available-for-sale financial assets	*10*	**43,611**	110,722
Plant and equipment	*11*	**1,083,841**	1,471,198
Exploration and evaluation	*12*	**58,375,649**	59,596,807
Other non-current assets	*13*	**27,000**	27,000
Total non-current assets		**59,530,101**	61,205,727
Total assets		**65,813,914**	78,595,314
LIABILITIES			
Current liabilities			
Trade and other payables	*14*	**810,524**	1,101,656
Provisions	*15*	**316,940**	278,850
Total current liabilities		**1,127,464**	1,380,506
Non-current liabilities			
Provisions	*16*	**107,897**	154,956
Total non-current liabilities		**107,897**	154,956
Total liabilities		**1,235,361**	1,535,462
Net assets		**64,578,553**	77,059,852
EQUITY			
Contributed equity	*17*	**105,277,581**	105,277,581
Reserves	*18(a)*	**1,257,521**	1,312,734
Retained losses	*18(b)*	**(41,956,549)**	(29,530,463)
Capital and reserves attributable to owners of Flinders Mines Limited		**64,578,553**	77,059,852
Total equity		**64,578,553**	77,059,852

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 2013*

		Attributable to owners of Flinders Mines Limited			
Consolidated entity	*Notes*	Consolidated equity $	Reserves $	Retained losses $	Total equity $
Balance at 1 July 2011		**105,266,776**	**638,788**	**(24,593,611)**	**81,311,953**
Loss for the year		-	-	(4,936,852)	(4,936,852)
Revaluation of financial assets (net of tax)		-	(90,261)	-	(90,261)
Total comprehensive income for the period		**-**	**(90,261)**	**(4,936,852)**	**(5,027,113)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	*17*	10,805	-	-	10,805
Rights expensed during the year	*18*	-	771,544	-	771,544
Rights expired during the year	*18*	-	(7,337)	-	(7,337)
		10,805	**764,207**	**-**	**775,012**
Balance at 30 June 2012		**105,277,581**	**1,312,734**	**(29,530,463)**	**77,059,852**
Balance at 1 July 2012		**105,277,581**	**1,312,734**	**(29,530,463)**	**77,059,852**
Loss for the year		-	-	(12,426,086)	(12,426,086)
Revaluation of financial assets (net of tax)		-	(46,979)	-	(46,979)
Total comprehensive income for the period		**-**	**(46,979)**	**(12,426,086)**	**(12,473,065)**
Transactions with owners in their capacity as owners:					
Rights expensed during the year	*18*	-	718,619	-	718,619
Rights expired during the year	*18*	-	(726,853)	-	(726,853)
		-	(8,234)	-	(8,234)
Balance at 30 June 2013		**105,277,581**	**1,257,521**	**(41,956,549)**	**64,578,553**

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 2013

	Notes	Consolidated Year Ended **30 June 2013** **$**	 30 June 2012 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		**(4,759,870)**	(6,234,923)
Research and Development tax incentive received		**2,671,547**	679,919
Interest received		**541,077**	2,248,680
Other payments		**-**	(1,812)
Net cash (outflow) from operating activities	*27*	**(1,547,246)**	(3,308,136)
Cash flows from investing activities			
Payments for plant and equipment	*11*	**(51,408)**	(154,697)
Proceeds from sale of plant and equipment		**16,150**	29,491
Payments for exploration activities		**(8,492,853)**	(16,827,159)
Net cash (outflow) from investing activities		**(8,528,111)**	(16,952,365)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**-**	10,805
Net cash inflow from financing activities		**-**	10,805
Net (decrease) in cash and cash equivalents		**(10,075,357)**	(20,249,696)
Cash and cash equivalents at the beginning of the financial year		**16,071,604**	36,321,300
Cash and cash equivalents at the end of the financial year	*7*	**5,996,247**	16,071,604

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

Notes to the Consolidated Financial Statements

30 June 2013

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 periods 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 2012 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 1(t)).

(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 2012.

(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 2013 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.

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.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

(d) Revenue recognition

Interest income

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

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Business combinations

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

The excess of any consideration transferred 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.

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

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

(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.

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 amounts 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

(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

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

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

- 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 judgments. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated 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.

(ii) 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 3.

(iii) 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.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
- The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
- The remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments (effective 1 January 2013)

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation - Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

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

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

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the Financial Statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

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

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

(iv) Revised AASB 119 Employee Benefits and, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group.

(v) AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining

This interpretation 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 102 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, (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted for reporting periods commencing from 1 January 2013.

(vi) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Group.

(vii)AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the Group as the Group does not have any netting arrangements in place.

(viii) AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(ix) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(x) IFRIC Interpretation 21 Levies

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

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

(u) 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.

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

2 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price 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:

	Consolidated	
	30 June 2013 $	30 June 2012 $
Financial assets		
Cash and cash equivalents	**5,996,247**	16,071,604
Trade and other receivables	**219,830**	1,087,031
Available-for-sale financial assets	**43,611**	110,722
	6,259,688	17,269,357
Financial liabilities		
Trade and other payables	**810,524**	1,101,656

(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.

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the balance sheet as available-for-sale. The Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Group marks-to-market its listed investments twice yearly and writes down any losses through profit and loss.

All of the Group's equity investments are publicly traded on the ASX and are therefore readily converted into cash.

(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 2013		30 June 2012	
Consolidated	**Weighted average interest rate %**	**Balance $**	Weighted average interest rate %	Balance $
Cash and cash equivalents	**4.16%**	**5,996,247**	5.13%	16,071,604
Net exposure to cash flow interest rate risk		**5,996,247**		16,071,604

Sensitivity

At 30 June 2013, if interest rates had increased by 200 or decreased by 200 basis points from the period end rates with all other variables held constant, post-tax profit for the period would have been $119,924 higher/$119,924 lower (2012 changes of 200 bps/200 bps: $321,432 lower/$321,432 higher), mainly as a result of higher/lower interest income from cash and cash equivalents. Other components of equity would have been $119,924 lower/$119,924 higher (2012: $321,432 lower/$321,432 higher) mainly as a result of an increase/decrease in the fair value of the cash and cash equivalents.

(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 $5,665,807 (2012: $15,100,000).

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2013 and 30 June 2012:

	Level 1 $	Level 2 $	Level 3 $	Total $
Consolidated entity - at 30 June 2013				
Assets				
Available-for-sale financial assets				
Maximus Resources Limited	**32,611**	-	-	**32,611**
Caravel Energy Ltd (formerly Copper Range Limited)	-	-	-	-
Phoenix Copper Limited	**11,000**	-	-	**11,000**
Total assets	**43,611**	-	-	**43,611**
Consolidated entity - at 30 June 2012				
Assets				
Available-for-sale financial assets				
Maximus Resources Limited	65,222	-	-	65,222
Caravel Energy Ltd (formerly Copper Range Limited)	23,000	-	-	23,000
Phoenix Copper Limited	22,500	-	-	22,500
Total assets	110,722	-	-	110,722

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.

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

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 two styles of iron mineralisation, gold and base metals. 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

Consolidated entity 2013

	Pilbara Iron Ore $	Canegrass Magnetite $	Other Minerals $	Total $
Revenue from	**-**	**-**	**-**	**-**
Segment Result / Adjusted EBITDA	**-**	**(6,455,783)**	**(2,912,082)**	**(9,367,865)**
Impairment of assets (note 5)	-	(6,455,783)	(2,912,082)	(9,367,865)
Capital expenditure	5,332,017	2,602,510	212,179	8,146,706
Capital expenditure written off / impaired for the year -	(6,455,783)	(2,912,082)	(9,367,865)	
Total segment assets	58,375,649	-	-	58,375,649
Total segment liabilities	**142,278**	**-**	**2,519**	**144,797**

Consolidated entity 2012

	Pilbara Iron Ore $	Canegrass Magnetite $	Other Minerals $	Total $
Segment result / Adjusted EBITDA	-	-	(252,917)	(252,917)
Impairment of assets	-	-	(252,917)	(252,917)
Capital expenditure	15,863,048	358,302	156,410	16,377,760
Capital expenditure written off / impaired for the year -	-	(252,917)	(252,917)	
Total segment assets	53,043,632	3,853,274	2,699,901	59,596,807
Total segment liabilities	605,626	14,533	-	620,159

(c) Other segment information

(i) Segment revenue

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

	Consolidated Year ended 30 June 2013 $	30 June 2012 $
Total segment revenue	**-**	-
Interest revenue	**520,968**	1,503,241
Total revenue from continuing operations (note 4)	**520,968**	1,503,241

(ii) Adjusted EBITDA

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

	Consolidated Year ended 30 June 2013 $	30 June 2012 $
Adjusted EBITDA	**(9,367,865)**	(252,917)
Interest revenue	**520,968**	1,503,241
Loss on disposal of assets	**(98,646)**	(37,308)
Marketing expenses	**(1,409,232)**	(1,241,889)
Administrative expenses	**(3,832,864)**	(5,710,317)
Finance costs	**(24,519)**	(22,509)
Profit/loss before income tax from continuing operations	**(14,212,158)**	(5,761,699)

(iii) Segment assets

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

	Consolidated 30 June 2013 $	30 June 2012 $
Segment assets	**58,375,649**	59,596,807
Unallocated:		
Cash and cash equivalents	**5,996,247**	16,071,604
Trade and other receivables	**219,830**	1,087,031
Other current assets	**67,736**	230,952
Available-for-sale financial assets	**43,611**	110,722
Plant and equipment	**1,083,841**	1,471,198
Other non-current assets	**27,000**	27,000
Total assets as per the consolidated statement of financial position	**65,813,914**	78,595,314

(iv) Segment liabilities

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

	Consolidated 30 June 2013 $	30 June 2012 $
Segment liabilities	**144,797**	620,159
Unallocated:		
Trade and other payables	**665,727**	481,497
Provisions	**424,837**	433,806
Total liabilities as per the consolidated statement of financial position	**1,235,361**	1,535,462

4 REVENUE

	Consolidated 30 June 2013 $	30 June 2012 $
From continuing operations		
Other revenue		
Interest received	**500,722**	1,503,241
Fuel tax rebate	**20,246**	-
	520,968	1,503,241

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

5 EXPENSES

	Consolidated 30 June 2013 $	30 June 2012 $
Profit before income tax includes the following specific expenses:		
Finance costs		
Bank fees	**24,519**	22,509
	24,519	22,509
Exploration expenses		
General exploration written off	**141,219**	209,068
Capitalised exploration expenditure impaired *	**9,226,646**	43,849
	9,367,865	252,917
Marketing expenses		
Marketing and promotion	**1,409,232**	1,241,889
	1,409,232	1,241,889
Administration expenses		
Compliance	**558,973**	484,297
Depreciation	**207,615**	211,842
Administration costs	**1,909,359**	1,603,342
Legal fees	**62,990**	73,865
Employment costs	**967,003**	1,621,212
Scheme of arrangement costs	**126,924**	1,673,148
Other	**-**	42,611
	3,832,864	5,710,317

* *Capitalised exploration expenditure impaired consists of the following projects: Canegrass ($6,455,783); Springfield ($2,374,564); Jamestown ($387,738); other projects ($8,561).*

6 INCOME TAX EXPENSE

(a) Income tax expense

	Consolidated Year ended 30 June 2013 $	30 June 2012 $
Deferred tax	**20,134**	38,683
Adjustments for Research & Development Tax Concession	**(1,806,206)**	(863,530)
	(1,786,072)	(824,847)
Income tax expense is attributable to:		
Loss from continuing operations	**(1,786,072)**	(824,847)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated Year ended 30 June 2013 $	30 June 2012 $
Loss from continuing operations before income tax expense	**(14,212,158)**	(5,761,699)
Tax at the Australian tax rate of 30% (2012 - 30%)	**(4,263,647)**	(1,728,510)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**(2,470)**	229,262
Other non-allowable items	**4,024**	-
Sundry items	**-**	5,583
Recognition of timing differences not brought to account	**4,282,227**	1,532,348
Adjustment for Research and Development tax offset	**(1,806,206)**	(863,530)
Income tax expense	**(1,786,072)**	(824,847)

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 $12,013,751 (2012: $8,987,062) that are available for offset indefinitely against future taxable profits of the companies in which the losses arose.

The tax rates applicable to each potential tax benefit are as follows:

- timing differences 30%
- tax losses 30%

7 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated	
	30 June 2013 $	30 June 2012 $
Cash at bank and in hand	**330,440**	971,604
Term deposits	**5,665,807**	15,100,000
	5,996,247	16,071,604

(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 the 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 4.16% (2012: 5.13%). The term deposits have an average period to repricing of 65 days (2012: 62 days).

8 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2013 $	30 June 2012 $
Trade receivables	**270,984**	1,156,619
Provision for impairment of receivables	**(73,922)**	(73,922)
	197,062	1,082,697
GST clearing account	**20,246**	-
Income tax receivables	**2,522**	4,334
	22,768	4,334
	219,830	1,087,031

(a) Past due but not impaired

As at 30 June 2013 there were no material trade and other receivables that were considered to be past due and not impaired (2012: Nil).

9 CURRENT ASSETS - OTHER CURRENT ASSETS

	Consolidated	
	30 June 2013 $	30 June 2012 $
Pre-paid insurance	**67,736**	230,952

10 NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	Consolidated	
	30 June 2013 $	30 June 2012 $
Listed securities		
Shares in listed companies	**43,611**	110,722

(a) Listed securities

Available for sale financial assets comprise investments in the ordinary capital of Maximus Resources Limited, Caravel Energy Limited (formerly 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.

(b) Investments in related parties

Available for sale financial assets include shares in Maximus Resources Limited with a fair value of $32,611 (2012: $65,222). Messrs Kennedy, Malaxos and Vickery are directors of Maximus.

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

11 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

Consolidated entity	Plant and equipment $	Furniture, fittings and equipment $	Machinery and vehicles $	Computer hardware $	Computer software $	Total $
At 1 July 2011						
Cost or fair value	1,271,634	174,826	661,305	430,771	452,783	2,991,319
Accumulated depreciation	(363,675)	(62,732)	(233,016)	(380,180)	(280,746)	(1,320,349)
Net book amount	907,959	112,094	428,289	50,591	172,037	1,670,970
Year ended 30 June 2012						
Opening net book amount	907,959	112,094	428,289	50,591	172,037	1,670,970
Additions	13,282	148,158	15,000	32,725	22,042	231,207
Disposals	-	(6,071)	(59,537)	-	(1,191)	(66,799)
Depreciation charge	(155,339)	(43,138)	(48,126)	(40,978)	(76,599)	(364,180)
Closing net book amount	765,902	211,043	335,626	42,338	116,289	1,471,198
At 30 June 2012						
Cost or fair value	1,284,916	316,913	616,768	463,496	473,635	3,155,728
Accumulated depreciation	(519,014)	(105,870)	(281,142)	(421,158)	(357,346)	(1,684,530)
Net book amount	765,902	211,043	335,626	42,338	116,289	1,471,198
Year ended 30 June 2013						
Opening net book amount	765,902	211,043	335,626	42,338	116,289	1,471,198
Additions	-	2,854	-	29,837	18,717	51,408
Disposals	(252,618)	-	-	-	-	(252,618)
Depreciation charge	18,438	(37,708)	(77,094)	(36,500)	(53,283)	(186,147)
Closing net book amount	531,722	176,189	258,532	35,675	81,723	1,083,841
At 30 June 2013						
Cost1,032,298	319,767	616,768	493,332	492,352	2,954,517	
Accumulated depreciation	(500,576)	(143,578)	(358,236)	(457,657)	(410,629)	(1,870,676)
Net book amount	531,722	176,189	258,532	35,675	81,723	1,083,841

12 NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

	Consolidated **30 June 2013 $**	30 June 2012 $
Exploration and evaluation assets		
Movement:		
Opening balance	**59,596,807**	43,278,950
Expenditure incurred	**8,146,706**	16,570,774
Less: expenditure written off / impaired	**(9,367,864)**	(252,917)
Closing balance	**58,375,649**	59,596,807
Closing balance comprises		
Exploration and evaluation - 100% owned	**52,134,551**	53,315,269
Exploration and evaluation phases - Joint Ventures	**6,241,098**	6,281,538
	58,375,649	59,596,807

13 NON-CURRENT ASSETS - OTHER NON-CURRENT ASSETS

	Consolidated **30 June 2013 $**	30 June 2012 $
Security bonds	**27,000**	27,000

14 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 30 June 2013 $	30 June 2012 $
Trade payables	**461,503**	615,805
Amounts due to associates	**-**	-
Accrued expenses	**328,223**	415,439
Credit cards	**20,798**	70,412
	810,524	1,101,656

15 CURRENT LIABILITIES - PROVISIONS

	Consolidated 30 June 2013 $	30 June 2012 $
Employee entitlements	**316,940**	278,850

16 NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated 30 June 2013 $	30 June 2012 $
Employee entitlements	**107,897**	154,956

17 CONTRIBUTED EQUITY

(a) Share capital

	30 June 2013 Shares	30 June 2012 Shares	30 June 2013 $	30 June 2012 $
Ordinary shares				
Ordinary shares - fully paid	**1,821,300,404**	1,821,300,404	**105,277,581**	105,277,581

(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 options - Proceeds received	200,000	0.017	3,400
7 October 2011	Exercise of options - Proceeds received	200,000	0.017	3,400
7 October 2011	Exercise of options - Proceeds received	32,500	0.084	2,730
7 October 2011	Exercise of options - Proceeds received	28,333	0.045	1,275
30 June 2012	Balance	1,821,300,404		105,277,581
30 June 2013	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 ACCUMULATED LOSSES

(a) Other reserves

	Consolidated	
	30 June 2013 $	30 June 2012 $
Available-for-sale investments revaluation reserve	**(288,148)**	(241,170)
Share-based payments	**1,545,669**	1,553,904
	1,257,521	1,312,734
Movements:		
Available-for-sale financial assets		
Opening balance	**(241,170)**	(150,909)
Revaluation (net of tax)	**(46,979)**	(90,261)
Balance 30 June	**(288,149)**	(241,170)
Share-based payments		
Opening balance	**1,553,904**	789,697
Rights expensed during the period	**718,619**	771,544
Rights expired during the period	**(726,853)**	(7,337)
Balance 30 June	**1,545,670**	1,553,904

(b) Accumulated losses

Movements in retained losses were as follows:

	Consolidated	
	30 June 2013 $	30 June 2012 $
Balance 1 July	**(29,530,463)**	(24,593,611)
Net loss for the period	**(12,426,086)**	(4,936,852)
Balance 30 June	**(41,956,549)**	(29,530,463)

(c) Nature and purpose of other reserves

(i) Available-for-sale financial assets

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

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) Key management personnel compensation

	Consolidated	
	30 June 2013 $	30 June 2012 $
Short-term employee benefits	**2,470,478**	1,954,843
Post-employment benefits	**160,947**	145,585
Share-based payments	**289,877**	607,899
	2,921,302	2,708,327

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 24.

(b) 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. There were no options over ordinary shares granted during the reporting period as compensation.

Name	Balance at start of the year	Granted as compensation	Exercised (option)/ Vested (rights)	Other Changes	Balance at end of the year	Vested and exercisable	Unvested
Consolidated entity 2013							
R M Kennedy	-	-	-	-	-	-	-
K J Malaxos	-	-	-	-	-	-	-
E J Vickery	-	-	-	-	-	-	-
G M May	-	-	-	-	-	-	-
N J Smart	-	-	-	-	-	-	-
G D Sutherland	300,000	-	-	-	300,000	300,000	-
J D Cooper	-	-	-	-	-	-	-
N J Corlis	495,000	-	-	-	495,000	495,000	-
M Rapaic	-	-	-	-	-	-	-
M Anstey	200,000	-	-	-	200,000	200,000	-
D W Godfrey	-	-	-	-	-	-	-
Consolidated entity 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	-	-	-	-	-	-	-

(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. There were no rights granted during the reporting period as compensation.

Name	Balance at start of the year	Granted as compensation	Exercised (option)/ Vested (rights)	Other Changes*	Balance at end of the year	Vested and exercisable	Unvested
Consolidated entity 2013							
R M Kennedy	-	-	-	-	-	-	-
K J Malaxos	-	-	-	-	-	-	-
E J Vickery	-	-	-	-	-	-	-
G M May	-	-	-	-	-	-	-
N J Smart	-	-	-	-	-	-	
G D Sutherland	8,403,700	-	-	(8,403,700)	-	-	-
J D Cooper	-	-	-	-	-	-	-
N J Corlis	2,619,100	-	-	-	2,619,100	-	2,619,100
M Rapaic	2,485,800	-	-	-	2,485,800	-	2,485,800
M Anstey	2,109,700	-	-	-	2,109,700	-	2,109,700
D W Godfrey	2,022,300	-	-	-	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	Granted as compensation	Exercised (option) /Vested (rights)	Other Changes*	Balance at end of the year	Vested and exercisable	Unvested
Consolidated entity 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	-	2,485,000
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

* *Other Changes during the year reflect the expiration of rights on resignation.*

(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	Granted as compensation	Exercised (option)/ Vested (rights)	Acquired/ (disposed)	Balance at the end of the year
Consolidated entity 2013					
R M Kennedy	31,500,000	-	-	661,000	32,161,000
K J Malaxos	-	-	-	1,000,000	1,000,000
E J Vickery	4,700,000	-	-	300,000	5,000,000
G M May	633,571	-	-	110,000	743,571
N J Smart	838,095	-	-	-	838,095
G D Sutherland	115,000	-	-	110,000	225,000
J D Cooper	1,200,000	-	-	450,000	1,650,000
N J Corlis	-	-	-	-	-
M Rapaic	-	-	-	-	-
M Anstey	-	-	-	-	-
D W Godfrey	338,769	-	-	120,000	458,769
Consolidated entity 2012					
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	-	-	-	838,571
N J Corlis	-	-	-	-	-
M Rapaic	-	-	-	-	-
M Anstey	200,000	-	-	-	200,000
D W Godfrey	338,796	-	-	-	338,796

20 REMUNERATION OF AUDITORS

During the period 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 Year ended 2013 $	2012 $
Grant Thornton		
Audit and other assurance services		
Audit and review of financial statements	**35,250**	32,250
Total remuneration for audit and other assurance services	**35,250**	32,250
Other services		
Agreed upon procedures	**-**	4,400
Total remuneration for other services	**-**	4,400
Total remuneration of Grant Thornton	**35,250**	36,650

There were no other services provided.

21 CONTINGENCIES

Contingent liabilities

The Group had no contingent liabilities at 30 June 2013 (2012: nil).

22 COMMITMENTS

(a) Lease commitments: group as lessee

Non-cancellable operating leases

At 30 June 2013 the Group leased one office under a non-cancellable operating lease. This lease is due to expire within one year of the end of the 2013 financial year. On renewal, the terms of the lease will be renegotiated.

	Consolidated 30 June 2013 $	30 June 2012 $
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**334,768**	317,120
Later than one year but not later than five years	**-**	331,390
	334,768	648,510

(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 $3,185,600 during the year ending 30 June 2014 (2013: $2,960,000) 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 2013, the Group had $446,678 of bank guarantees in place for these purposes (2012: $727,700).

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

Disclosures 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 2013.

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

24 SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Significant investments in subsidiaries

The consolidated Financial Statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding* 2013 %	2012 %
FME Exploration Services Pty Ltd	Australia	Ordinary	**100**	100
Flinders Canegrass Pty Ltd	Australia	Ordinary	**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.*

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	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	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	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 Settlement Deed	FMS and Prenti Exploration Pty Ltd	FMS has earned a 100% interest in the tenements. Prenti retain the rights over non-iron ore minerals.	

26 EVENTS OCCURRING AFTER THE REPORTING PERIOD

In early July 2013, the Company executed a Memorandum of Understanding with Brockman Mining Australia Pty Ltd with a view to working together towards an Aggregation Agreement covering the two companies' iron ore interests in the Pilbara region of Western Australia. Brockman, through its joint venture in North West Infrastructure, has joint rights to co-develop a 50 million tonne per annum marine facility at Port Hedland which, when constructed will include unloading, stockpiling and ship loading infrastructure (Port Project). Brockman has recently signed a Relationship Agreement appointing Aurizon to provide long term rail haulage and port solutions for its iron ore projects in the Pilbara. An aggregation of tonnage by Flinders and Brockman places both groups in a strong position to move forward to deliver ore to market.

Other than the above, no matter or circumstance has occurred subsequent to period end 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 Year ended	
	2013 $	2012 $
Loss for the period	**(12,426,086)**	(4,936,852)
Depreciation	**207,615**	211,842
Exploration expenditure written off	**141,219**	252,917
Deferred tax asset written off	**20,133**	38,683
Non-cash employee benefits expense - share-based payments	**(8,234)**	764,208
Impairment of exploration expenditure	**9,226,646**	-
Net loss on disposal of non-current assets	**98,646**	37,308
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**867,202**	661,232
(Increase) / decrease in other current assets	**163,216**	(185,407)
Increase / (decrease) in trade payables and accruals	**(78,634)**	(286,192)
Increase / (decrease) in provisions	**241,031**	134,125
Net cash inflow (outflow) from operating activities	**(1,547,246)**	(3,308,136)

28 EARNINGS PER SHARE

(a) Basic earnings per share

	Consolidated Year ended	
	2013 cents	2012 cents
From continuing operations attributable to the ordinary equity holders of the company	**(0.682)**	(0.271)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(0.682)**	(0.271)

(b) Reconciliation of earnings used in calculating earnings per share

	Consolidated Year ended	
	2013 $	2012 $
Basic earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(12,426,086)**	(4,936,852)

(c) Weighted average number of shares used as denominator

	Consolidated Year ended	
	2013 Shares	2012 Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,821,300,404**	1,821,187,228

(d) Information on the classification of securities

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 $12,426,086 this financial year (2012: $4,936,852), the options have not been included in the determination of earnings per share. Details relating to the options are set out in note 29.

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

29 SHARE-BASED PAYMENTS

(a) Employee Option Plan

The following options arrangements existed at 30 June 2013:

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 are un-listed and 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 were exercisable at 8.4 cents on or before 5 March 2013 and any un-converted options lapsed on that date.

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.

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

	Number of options	Weighted average exercise price
2013		
Outstanding at beginning of the year	**1,981,666**	**$0.052**
Granted	**-**	**-**
Exercised	**-**	**-**
Expired	**(240,000)**	**$0.084**
Outstanding at the end of the year	**1,741,666**	**$0.054**
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 the end of the year	1,981,666	$0.058

The options outstanding at 30 June 2013 had a weighted average exercise price of $0.054 and a weighted average remaining contractual life of 10 months. Exercise prices range from $0.045 to $0.085 in respect of options outstanding at 30 June 2013.

Fair value of options granted

There were no options granted during the year ended 30 June 2013. 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 2013:

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 then 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.

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

	Number of rights
2013	
Outstanding at beginning of the year	**23,072,700**
Granted	**-**
Expired	**(8,637,900)**
Outstanding at the end of the year	**14,434,800**
2012	
Outstanding at beginning of the year	15,976,000
Granted	7,129,700
Expired	(33,000)
Outstanding at the end of the year	23,072,700

30 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	Consolidated	
	30 June 2013 $	30 June 2012 $
Current assets	**7,004,121**	16,960,815
Non-current assets	**59,424,265**	61,081,540
Total assets	**66,428,386**	78,042,355
Current liabilities	**1,394,824**	577,780
Non-current liabilities	**33,599**	112,851
Total liabilities	**1,428,423**	690,631
Net assets	**64,999,963**	77,351,724
Shareholders' equity		
Issued capital	**105,277,581**	105,277,578
Reserves		
Available-for-sale investments revaluation reserve	**(288,148)**	(241,170)
Share-based payments	**1,545,669**	1,553,904
Retained earnings	**(41,535,142)**	(29,238,585)
	64,999,960	77,351,727
Profit or loss for the period	**(12,296,555)**	(4,782,121)
Total comprehensive income	**(12,343,534)**	(4,872,383)

(b) Guarantees entered into by the parent entity

The Parent Entity did not provide any guarantees during the year ended 30 June 2013 (2012: Nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2013 (2012: Nil).

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2013, the Parent Entity had no contractual commitments for the acquisition of property, plant or equipment (2012: Nil).

31 GOING CONCERN

This financial report has been prepared on the basis of going concern.

The cash flow projections of the Group indicate that it will require positive cash flows from additional capital for continued operations. The Group incurred a loss of $12,426,086 (2012: $4,936,852) and operations were funded by a net cash outlay of $10,075,357 (2012: $20,249,696).

The Group's ability to continue as a going concern is contingent on obtaining additional capital. If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

Directors' Declaration

30 June 2013

In the Directors' opinion:

(a) the Financial Statements and notes set out on pages 32 to 59 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 consolidated entity's financial position as at 30 June 2013 and of its performance for the 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 Directors.

Robert Michael Kennedy
Director

Adelaide
17 September 2013

Independent Auditor's Report to the Members

30 June 2013

GrantThornton

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

Report on the financial report

We have audited the accompanying financial report of Flinders Mines Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss statement and other 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 ofthe consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair viewin accordance with Australian Accounting Standards and the Corporations Act 2001The Directors' responsibility also includes such internal control as the Directors determine is necessaryto enable the preparation of the financial report that gives a true and fair viewand is 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, the financial statements comply 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.Those standards 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.

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

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Flinders Mines Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standardsand 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.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 31 in the financial report which indicates that the company and consolidated entity's incurred a net loss of $12,426,086 during the year ended 30 June 2013 and net cash outlay of $10,075,357. These conditions, along with other matters as set forth in Note 31, indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as a going concern and therefore, the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

GrantThornton

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Flinders Mines Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

J L Humphrey
Partner

Adelaide, 17 September 2013

ASX Additional Information

The shareholder information set out below was applicable as at 24 September 2013.

A. Distribution of equity securities

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

Holding	Shares	Options/ rights
1 – 1000	434	-
1,001 – 5,000	1,119	-
5,001 – 10,000	1,621	-
10,001 – 100,000	5,658	33
100,001 – and over	2,055	20
	10,887	**53**

There were 3,587 holders of less than a marketable parcel of ordinary shares. At a share price of 4.1 cents, an unmarketable parcel is 12,196 shares.

B. Equity security holders

Unquoted equity securities

Unlisted options over ordinary shares

	Number on issue	Number of holders
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	11,515,000	18
Incentive rights, expiring 30 June 2014	2,919,800	20

These securities were issued under employee incentive schemes.

Twenty largest quoted equity security holders

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

	Ordinary shares	
Name	Number held	Percentage of issued shares
OCJ Investment (Australia) Pty Ltd	156,211,235	8.56
J P Morgan Nominees (Australia) Limited <Cash Income A/c>	87,725,468	4.81
Citicorp Nominees Pty Ltd	77,920,915	4.27
HSBC Custody Nominees (Australia) Limited	77,197,761	4.23
J P Morgan Nominees Australia Limited	63,358,896	3.47
RMK Super Pty Ltd <RMK Personal S/F A/C>	26,080,000	1.43
HSBC Custody Nominees (Australia) Limited <A/C 3>	26,039,953	1.43
Absolute Investments Australia Pty Ltd	23,000,000	1.26
Nefco Nominees Pty Ltd	22,595,000	1.24
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C>	21,992,451	1.21
Miss Shuohang Wang	21,610,162	1.18
National Nominees Limited	15,854,756	0.87
Mr Ian Drummond & Mrs Janice Drummond <Instil Enterprises S/F A/C>	14,000,000	0.77
Ohn & On Pty Ltd	11,000,000	0.60
Mr Grant Russell McGarry	9,232,407	0.51
Mr John B Roberts	8,359,244	0.46
Zero Nominees Pty Ltd	7,800,000	0.43
UOB Kay Hian Private Limited <Clients A/c>	7,585,000	0.42
Mr Nicholas Baradakis	7,120,000	0.39
BNP Paribas Noms Pty Ltd <Arbitrage Snc Drp>	7,000,000	0.38
	691,683,248	**37.92**

C. Substantial holders

	Number held	Percentage
Ordinary shares		
OCJ Investment (Australia) Pty Ltd	156,211,235	8.56%

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.


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