FLINDERS exploration

ABN 51 140 351 033

Financial Report

For the year ended 30 June 2013

Flinders Exploration Limited

ABN 51 140 351 033

Financial Report for the Year Ended 30 June 2013

Directors present their report on Flinders Exploration Limited , the company, for the financial year ended 30 June 2013.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Kevin John Anson Wills (Chair)

David Tucker (Managing Director)

Peter Moloney

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

Since incorporation, on 26 November 2009, the Company has been in the process of working towards a successful Initial Public Offering (IPO) or backdoor listing or reverse take over on the Australian Stock Exchange (ASX). During the last year the Company has also considered other potential corporate transactions, none of which was deemed satisfactory. The Company is continuing along this path.

Once the company has successfully completed a satisfactory IPO or corporate transaction, the principal activities will be mineral exploration and development.

The Company's primary exploration and development interest is in Eastern Goldfields of Western Australia.

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

Dividends

There were no Dividends paid or declared by Company during the year.

Operating results and financial position

The net result of the Company operations for the financial year was a loss of $139,552, as compared with that of the previous year loss of (2012: $287,196).

The net assets of the Company have increased by $309,392 during the financial year from $6,160 at 30 June 2012 to $315,552 at 30 June 2013.

Review of Operations

During the year the Company operated from a serviced office in Unley, South Australia.

During the period, a small team of geologists and geophysicists and support staff have undertaken field activities to further the Company's projects.

At the end of the period the Company has two projects, Black Cat gold (Western Australia) and Marymia gold (Western Australia).

The Black Cat project is located 35km Northwest of Coolgardie, in the Jaurdi Hills gold mining centre in the Eastern Goldfields of Western Australia. On 12 September 2013 the Company agreed to extend to 12 September 2014, the agreement to acquire 100 % of Ramelius Resources Ltd (Ramelius) share of the Joint Venture Mining Leases M16/34, and M16/115 (90%) and JH Mining Pty Ltd (10%). This can provide the Company with a possible development project in gold.

A reconnaissance 47 hole drill program in March 2013 to test the conceptual Jaurdi Paleochannel Exploration Target (JPET), within the Leases M16/34 and M16/115 intersected sporadic gold mineralisation but did not support existence of the JPET where tested.

At this time the total resource at the Black Cat project was, in 2007, estimated by Ramelius at 317,000 tonnes at 2.1 g/t gold of which 187,000 tonnes have been assigned to an indicted resource at 2.2 g/t and 130,000 tonnes have been assigned to an inferred resource at 1.9 g/t. The Company carried out a preliminary scoping study from previously available resource and mining studies and this gave a positive result for a contract mining, ore haulage and toll treatment operation.

In the light of a recent movement in gold prices the Company is looking to undertake an updated scoping study taking this into account. The Company will then consider its options regarding the Black Cat project.

The Marymia gold project is located approximately 30 km East of the Great Northern Highway, some 200 km Northeast of Meekatharra, in the Plutonic Well Greenstone Belt of Western Australia. The Company has applied for a tenement E52/2828 which comprises 13 contiguous blocks. No new work has yet been undertaken.

Significant Changes in the State of Affairs

On 12 September 2012 a new sale and purchase agreement was executed between FEX and Ramelius regarding the Black Cat Project. This agreement was executed on primarily the same terms as previous agreements between the parties. On 12 September 2013 the Company undertook an extension to this agreement.

A number of share issues occurred throughout the reporting period including:

In July 2012 Kennedy Services Pty Ltd were issued with 100,000 shares in accordance with an agreement to provide secretarial and accounting services.

In July 2012 there was an issue of 2,500,000 shares granted to Mr Peter Moloney, in accordance with his appointment to the Board.

On 24 September 2012 the Company conducted a further capital raising from existing shareholders. Further seed capital of $318,020 was raised through the issuing of 10,600,663 ordinary shares at $0.03 pursuant to the Memorandum of 12 August 2012.

On 18 October 2012 Kennedy and Co Chartered Accountants were issued with 100,000 shares in accordance with the Service Agreement dated 18 November 2011.

In January 2013 a further Capital raising of $100,000 saw the issue of a further 10,000,000 Shares at $0.01.

In February 2013 the chairman Dr K Wills, in exchange for consideration of $50,000, took up a further 5,000,000 shares

May 2013 as settlement of outstanding fees 905,790 shares were issued to Kennedy Services Pty Ltd.

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Events Subsequent to the End of the Reporting Period

For Commercial reasons, after several years the association with Kennedy and Co Chartered Accountants concluded in June 2013. This change has seen the resignation of both Mr Dom Consentino and Ms Kimberly Philp (nee Bowden) as joint Company Secretaries. Corporate, Accounting and Secretariat services for the Company have moved to KMT Partners (SA) Pty Ltd, of 31 Hauteville Terrace, EASTWOOD, with Mr Michael James Fox (FCA, TEP, CTA, B Ec, M. Entrepreneurship, Dip Fin Svs) taking on the role of Company Secretary in conjunction with Dr David Hamilton Tucker from 4 July 2013.

In September 2013 the Company arranged, through exchange of letters, to extend the duration of the agreement to purchase Ramelius 100 % share of the Joint Venture Mining Leases M16/34, and M16/115 (90%) and JH Mining Pty Ltd (10%), through to 12 September 2014.

Likely Developments and Expected Results of Operations

The Company continues working towards the possible mining of the Black Cat deposit. Fluctuations in the gold price make it difficult to predict with certainty the possible outcomes. The Company continues investigation to expand into other explorations in the Eastern Goldfields region.

Dividends

There were no Dividends paid or declared during the 2013 financial year.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year, and there were 4,500,000 options outstanding as at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

The Company has paid premiums to insure directors under a Directors and Officers Insurance policy. The details of the indemnity insurance are as follows:

- The Company has entered into an insurance policy to indemnify each director, to an amount of $5,000,000, against any liability arising from a claim brought against the company and the directors by a third party for the supply of substandard services or advice. The agreement provides for the insurer to pay all damages and costs which may be brought against the directors.
- The insurer is AAI Limited trading as Vero insurance

Further disclosure of information relating to this policy is not permitted under the contract of insurance.

No indemnification has been obtained for the auditors of the company.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Information on Directors

Kevin John Anson Wills BSc, PhD, ARSM, FAus IMM (Non-executive Chairman)

Experience and expertise

A director since 26 November 2009, Dr Wills is a geologist with 39 years experience in multi-commodity mineral exploration including feasibility studies and mining operations in Australasia. Dr Wills spent seven years with CRA Exploration Pty Ltd, the highlight of which was involvement with the location and evaluation of the Argyle diamond deposit. Later, with Penarroya Australia Pty Ltd, his work led to an expansion of reserves at Thalanga and the discovery of the Waterloo base metals deposit.

In the late 1980's, Dr Wills was exploration manager with Metana Minerals NL. He built up a successful exploration team which extended known gold ore bodies and made new discoveries in the Murchison Region of Western Australia. In the early 1990s Dr Wills was regional exploration manager with Dominion Mining Limited, based in Adelaide. His work on the Gawler Craton led to the development of a calcrete sampling technique which, later on, was instrumental in the Challenger gold discovery. Dr Wills was Managing Director of Flinders Mines Limited (FMS) until his resignation on 31 August 2010. During this period FMS located a significant iron ore resource of over 1 billion tonnes at the Blacksmith Project in the Pilbara Region of Western Australia.

He is an Associate of the Royal School of Mines, past Chairman of the Adelaide Branch and a Fellow of the Australian Institute of Mining and Metallurgy. In November 2010 he was appointed an Adjunct Associate Professor at the University of Adelaide to engage in teaching and research on mineral exploration.

Special responsibilities

Chairman of the Board

Interests in shares and options

7,750,000 ordinary shares in Flinders Exploration Limited

1,500,000 options over ordinary shares in Flinders Exploration Limited (expire 30 September 2014)

David Hamilton Tucker BSc, PhD, MGSA, ACTASEG, MAusIMM (Managing Director)

Joint Company Secretary (appointed 4 July 2013)

Experience and expertise

A director since 26 November 2009, Dr Tucker is a geophysicist with 38 years experience in minerals and petroleum exploration, mostly in Australia and Africa.

Dr Tucker gained experience in base metals exploration with CRA Exploration Limited (Now Rio Tinto) and later as a geophysical consultant for major companies including CRA Ltd and Mount Isa Mines Ltd. He has worked as consultant in Australia and Canada in base and precious metals exploration and later as principal in a petroleum venture in South Australia. From 1995 to 1999 he was managing director of Kalahari Mining N.L., an exploration company that was active in base metals and gold exploration in Namibia and Botswana. From 2008 to 2009 he worked as exploration manager (diamonds, phosphate, copper) for Flinders Mines Ltd.

He has worked at various times for the Commonwealth Government, ultimately as Principal Research Scientist for the Bureau of Mineral Resources (now Geoscience Australia), as well as consulting for the South Australian Department of Mines and Energy (now DMITRE: Department for Manufacturing, Innovation, Trade, Resources and Energy).

Interests in shares and options

2,550,000 ordinary shares in Flinders Exploration Limited

3,000,000 options over ordinary shares in Flinders Exploration Limited (expire 30 September 2014)

Peter Moloney (Non-executive director)

Peter Moloney has over 30 years experience working in the financial markets. Peter holds a Diploma of financial services and for over 20 years owned and managed a licensed financial services company dealing in the futures commodities markets around the world. After establishing the company in 1985, Peter managed the company which very quickly became one of the most successful future broking companies in Australia, with Peter becoming a licensed futures broker and a Full Associate Member of the Sydney Futures Exchange Ltd. Peter sold the business in November 2007.

Since 2007 Peter has provided investment opportunities to high net worth individuals and in 2010 established a hedge fund company to invest in Greenfields projects and other early opportunities including small capitalised ASX listed companies.

Interests in shares and options

2,500,000 ordinary shares in Flinders Exploration Limited

Directors' Meetings

During the financial year, three meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Compliance and Risk Management Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Kevin John Anson Wills (Chair)	3	3	1	1	1	1
David Hamilton Tucker	3	3	1	1	1	1
Peter Moloney	3	3	1	1	1	1

Company Secretary

The following held the position of company secretary at the end of the financial year:

Domenico S Cosentino [CA, MBA, BA.Acc, BEd, CTA]

Joint Company Secretary appointed 1 July 2011, resigned 4 July 2013

Experience and expertise

Dom is a Chartered Accountant and Partner of Kennedy & Co Chartered Accountants. Dom works in business services and taxation, servicing small to medium enterprises and professional clients across a range of industries. Dom specialises in the commercial and residential property with a particular focus around taxation issues including the development, leasing and disposal of property.

Interests in shares and options

Nil

The following person also held the position of company secretary at the end of the financial year:

Kimberly Philp (nee Bowden) [CA, BCom[Acc and Mgmt], CSA Cert]

Joint Company Secretary appointed 3 April 2012, resigned 4 July 2013

Experience and expertise

Kimberly is a Chartered Accountant and a Manager at Kennedy & Co Chartered Accountants. Kimberly works mainly in areas of litigation, business services and taxation across various sectors, including mining and superannuation. Kimberly specialises in employee share schemes and business valuations.

Interests in shares and options

Nil

Michael James Fox (FCA, TEP, CTA, B Ec, M. Entrepreneurship, Dip Fin Svs)

Joint Company Secretary appointed 4 July 2013

Experience and expertise

Michael is a Chartered Accountant and Partner with KMT Partners. Michael has over 30 years experience in the Accounting and Professional Services sector within both large and boutique accounting practices.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 8.

No officer of the company/Group is or has been a partner/director of any auditor of the Group.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director ………………………………………………………………………………….

David Hamilton Tucker (Managing Director)

Dated this 7th day of November 2013

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF FLINDERS EXPLORATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Flinders Exploration 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 AUDIT PTY LTD
Chartered Accountants

S J Gray
Director – Audit & Assurance

Adelaide, 7 November 2013

STATEMENT OF PROFIT OR LOSS AND ONTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		$	$
Revenue from continuing operations	2	204	1,398
Exploration Expenditure		(70,773)	(91,158)
Marketing Expenses		-	(3,608)
Other administration and overhead expenses	5	(68,983)	(193,828)
Profit before income tax	3	(139,552)	(287,196)
Tax expense	3	-	-
Profit for the year	3	(139,552)	(287,196)
Other comprehensive income:			
Other comprehensive income for the year, net of tax		(139,552)	(287,196)
Total comprehensive income		(139,552)	(287,196)

This statement should be read in conjunction with the notes to the financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013	2012
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	95,444	5,029
Trade and other receivables	7	-	1,271
Other Assets	9	2,758	6,473
TOTAL CURRENT ASSETS		98,202	12,773
NON-CURRENT ASSETS			
Property, plant and equipment	10	278	538
Exploration Investments	11	230,000	20,000
TOTAL NON-CURRENT ASSETS		230,278	20,538
TOTAL ASSETS		328,480	33,311
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	12,928	27,151
TOTAL CURRENT LIABILITIES		12,928	27,151
NON-CURRENT LIABILITIES		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		12,928	27,151
NET ASSETS		315,552	6,160
EQUITY			
Issued capital	14	1,175,474	726,530
Retained earnings		(859,922)	(720,370)
TOTAL EQUITY		315,552	6,160

This statement should be read in conjunction with the notes to the financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Ordinary Share Capital	Retained Earnings	Total
		$	$	$
Balance at 1 July 2011		491,530	(433,174)	58,356
Comprehensive income				
Profit or loss for the year		-	(287,196)	(287,196)
Total comprehensive income		-	(287,196)	(287,196)
Transactions with owners, in their capacity as owners				
Share Issued during the year		235,000	-	235,000
Balance at 30 June 2012		726,530	(720,370)	6,160
Comprehensive income				
Profit or loss for the year		-	(139,552)	(139,552)
Total comprehensive income		-	(139,552)	(139,552)
Transactions with owners, in their capacity as owners				
Share Issued during the year		506,411	-	506,411
Transaction costs		(57,467)	-	(57,467)
Balance at 30 June 2013		1,175,474	(859,922)	315,552

This statement should be read in conjunction with the notes to the financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		$	$
Cash flows from operating activities			
Payments to suppliers and employees		(115,559)	(263,825)
Interest revenue received		204	1,398
Net cash provided by operating activities	18	(115,355)	(262,427)
Cash flows from investing activities			
Purchase of investments		(210,000)	(20,000)
Purchase of property, plant and equipment		-	(785)
Net cash used in investing activities		(210,000)	(20,785)
Cash flows from financing activities			
Proceeds from issue of shares		415,770	235,000
Dividend distributions paid			
Net cash provided by financing activities		415,770	235,000
Net increase/(decrease) in cash held		90,415	(48,213)
Cash and cash equivalents at beginning of year		5,029	53,242
Cash and cash equivalents at end of year	6	95,444	5,029

This statement should be read in conjunction with the notes to the financial statements

The financial statements and notes represent those of Flinders Exploration Limited.

Flinders Exploration Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 7th November 2013 by the directors of Flinders Exploration Limited.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

a. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through a sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value, as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset’s useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and Equipment	33%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

c. **Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated Costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that 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.

d. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the financial instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss” in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments made and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (with any remeasurements other than impairment losses and foreign exchange gains and losses) recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if the directors establish that the carrying amount cannot be recovered by any means, at that point the anticipated loss is charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss event that has occurred is duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts is assessed using the probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: *Revenue*. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

e. **Impairment of Non-financial Assets**

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

f. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as short-term borrowings in current liabilities in the statement of financial position.

g. **Revenue and Other Income**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

h. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

i. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

j. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

k. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period is disclosed.

l. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements 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 Company.

Key estimates

(i) *Impairment*

The Company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

Significant judgments made in the application of accounting policies

(i) *Provision for impairment of receivables*

At 30 June 2013 the Company had no Accounts Receivable outstanding.

m. **Adoption of New and Revised Accounting Standards**

AASB 2010-8 Amendments to Australian Accounting Standard – Deferred Tax: Recovery of Underlying Assets (Applies to annual reporting periods beginning on or after 1 January 2012).

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investments properties are measured using the fair value model in AASB 140 Investment Properties. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment should always be based on recovery through sale.

These amendments have had no impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012).

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

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

n **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

– AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 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 de-recognition 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.

– AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

  - Tier 1: Australian Accounting Standards; and
  - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

  Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

  The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

  - for-profit private sector entities that have public accountability; and
  - the Australian Government and state, territory and local governments.

  Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

  AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

– 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. 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.

  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. The amendments also introduce a "partial disposal" concept.

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 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.

– 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.

– 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.

– 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.

– 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.

– 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/Company/Scheme as this standard merely clarifies existing requirements in AASB 132.

– 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.

– 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.

– AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

  As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

– AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

  This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

  [The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

  This Standard is not expected to impact the Group.

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.

NOTE 2: REVENUE AND OTHER INCOME

	Note	2013	2012
		$	$
Revenue			
Interest revenue	2a	204	1,398
Total Revenue		204	1,398

a.	**Interest revenue**		
	Other (cash and cash equivalents)	204	1,398
	Total interest income calculated using the effective interest method	204	1,398

b.	**Fair value gains/(losses) on financial assets**		
	Realised fair value gains/(losses) on sale of available-for-sale financial assets reclassified from equity to profit or loss	-	-

NOTE 3: TAX EXPENSE

		2013	2012
		$	$
a.	**The components of tax expense/(income) comprise:**		
	– current tax expense/(income)	-	-
	– deferred tax expense/(income)	-	-
		-	-
b.	**The prima facie tax on profit from ordinary activities:**		
	(Loss) before tax	(139,552)	(287,196)
	Prima facie tax benefit on loss before income tax at 30%	(41,865)	(86,159)
	Tax loss benefit not recognised	41,865	86,159
		-	-

NOTE 3: TAX EXPENSE

Income tax attributable to entity	-	-
The applicable income tax rate is the Australian federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.		
– current tax	-	-
– deferred tax	-	-
	-	-

A deferred tax asset (DTA) has not been recognised in respect of the temporary differences as they do not meet the recognition criteria as outlined in Note 1(a) of the financial statements. A DTA has not been recognised in respect of tax losses as it is not likely that future taxable profits will be available against which deductible temporary differences can be utilised

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

- Timing differences – 30%
- Tax losses – 30%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 4: DIVIDENDS

	2013	2012
	$	**$**
No Dividends have been declared by the Company	-	-
	-	-

NOTE 5: AUDITORS REMUNERATION

	2013	2012
	$	**$**
Remuneration of the auditor is as follows:		
Auditing or reviewing the financial statements	2,000	3,000
Taxation and other services	-	-
Total auditors' remuneration	2,000	3,000

NOTE 6: CASH AND CASH EQUIVALENTS

	2013	2012
	$	**$**
Cash at bank and on hand	95,444	5,029
	95,444	5,029

The effective interest rate on short-term bank deposits was 1% (2012: 3.50%)

NOTE 7: TRADE AND OTHER RECEIVABLES

	Note	2013	2012
		$	$
Current			
Trade receivables:		-	240
GST receivables		-	1,031
Total current receivables		**-**	**1,271**

Credit risk

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main sources of credit risk to the Company are considered to relate to the classes of assets described as “trade and other receivables” and “loans”.

Any receivables past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms are considered to be of high credit quality.

NOTE 8: FINANCIAL ASSETS

a. Financial instruments that are investments in equity instruments are measured at cost, rather than at fair value or amortised cost, the Company held no such equity investments at 30 June.

b. Total loans outstanding include both interest-bearing loans and non-interest bearing loans that also have specific repayment terms. Loans are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual loan is impaired. When the Company is satisfied that no recovery of the amount owing is possible, the amounts are written off against the receivable directly. At the end of the reporting period, there are no loans that are past due. Accordingly, no provision has been raised. In addition, no collateral is held over loans receivable.

NOTE 9: OTHER CURRENT ASSETS

	Note	2013	2012
		$	$
Prepayments		2,758	6,472

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		$	$
Plant and equipment:			
Plant and equipment at cost		785	785
Less: Accumulated depreciation		(507)	(259)
Total plant and equipment		**278**	**526**
Total property, plant and equipment		**278**	**526**

NOTE 11: EXPLORATION INVESTMENTS

Jaurdi Hills Joint Venture		
Exploration Asset (Jaurdi Hills)	230,000	20,000

In September 2012 the Company acquired an assigned interest in a Joint Venture arrangement with Ramelius Resources Limited over the Jaurdi Hills Joint Venture.

On 12 September 2013, by exchange of letters, the Company and Ramelius agreed to extend the agreement to 12 September 2014. The agreement sees the Company acquire 100 % of Ramelius Resources Ltd (Ramelius) share of the Joint Venture Mining Leases M16/34, and M16/115 (90%) and JH Mining Pty Ltd (10%). The total consideration for the agreement will be $600,000, of which $400,000 remains unpaid, to be settled upon the finalisation of the agreement.

The Jaurdi Hills gold mining centre is situated in the Eastern Goldfields of Western Australia.

NOTE 12: TRADE AND OTHER PAYABLES

	Note	2013	2012
		$	$
Current			
Unsecured liabilities:			
Trade payables		3,928	4,651
Accrued expenses		9,000	22,500
Total current unsecured liabilities		12,928	27,151
Total trade and other payables		12,928	27,151

NOTE 13: PROVISIONS

There are no provisions in either the current or prior years.

NOTE 14: ISSUED CAPITAL

	2013	2013	2012	2012
	shares	$	shares	$
Opening Ordinary Shares	23,950,000	726,530	7,200,000	720,000
Shares Issued	29,706,453	500,411	16,750,000	16,750
Less: accumulated transaction costs		(67,687)		(10,220)
Total share capital	53,156,453	1,175,474	23,950,000	726,530

The company has authorised share capital amounting to 53,156,453 ordinary shares of no par value.

NOTE 14: ISSUED CAPITAL

	2013	2012
	No.	No.
a. **Movements in issued capital**		
Fully paid ordinary shares:		
At the beginning of the reporting period	23,950,000	21,600,000
Shares issued during the year	29,706,453	350,000
At the end of the reporting period	53,156,453	23,950,000

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. **Capital management**

Management controls the capital of the Company in order to maintain a satisfactory debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Currently, the Company does not consider it necessary to finance its operations through debt capital. Accordingly, the Company's only material financial liabilities at the end of the reporting period are trade and other payables.

Management manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market.

There have been no changes in the capital structure or the objectives, policies, processes and the strategy adopted by management to manage the capital of the Company from the previous year.

NOTE 15: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Following the initial contract to acquire the Joint Venture interests of Ramelius, a further contingent liability to the Company of $400,000 remains unpaid. The amount is not represented in the body of the statements as due to circumstances it does not meet the definition of a liability, as there was no obligation upon the Company according to the Joint Venture Agreement.

Under the terms of the agreement with Ramelius, the Joint Venture agreement will be terminated and the tenements will not be transferred to Flinders Exploration Limited if the consideration of $400,000 is not paid before September 2014.

NOTE 16: EVENTS AFTER THE REPORTING PERIOD

On 12 September 2013 the Company, via exchange of letters, arranged an extension in the terms of the purchase of Ramelius' 90% share of the Joint Venture with JH Mining Pty Ltd. This agreement has been extended to September 2014.

NOTE 17: RELATED PARTY TRANSACTIONS

The Company had the following related party transactions during the period.

The Company ended its Service Agreement with Kennedy and Co Chartered Accountants, and a new agreement has been entered into with KMT Partners for the provision of 2013 annual financial reporting and compliance service ($6,000 plus GST)

(KMT Partners 2013: $6,000 2012: Nil; All figures stated exclusive of GST)

At the 30th of June the Company had and outstanding payable to KMT Partners of $6,000 exclusive of GST

During the period 1 July 2012 to 30 June 2013 Kennedy & Co Chartered Accountants charged the below stated fees for services

(Kennedy & Co 2013: $29,986 2012: $6,000 per month. All figures stated exclusive of GST)

At 30 June 2013 the Company had an outstanding payable with Kennedy & Co of $1,038 exclusive of GST

Dr Kevin Wills: Provided loans to the Company to meet short term operating costs, these loans were repaid by the Company in May 2013, Dr Wills purchased an additional allotment of 5 Million shares in the Company at $0.01 per share.

Mr Peter Moloney: Upon appointment to the board Mr Moloney received 2,500,000 shares in Flinders Exploration Limited (July 2012).

NOTE 18: CASH FLOW INFORMATION

		2013	2012
		$	$
a.	**Reconciliation of cash flow from operations with profit**		
	Profit for the year	(139,552)	(287,196)
	Non-cash items included in profit or loss:		
	Depreciation and amortisation expense	260	248
	(Increase)/decrease in trade and other receivables	1,271	18,515
	(Increase)/decrease in prepayments	3,715	(6,472)
	Increase/(decrease) in trade and other payables	(14,223)	12,478
	Share based payment	33,174	-
	Net cash provided by operating activities	**(115,355)**	**(262,427)**

NOTE 19: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consists of cash held on deposit with banks; as well as accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies, are as follows:

	2013	2012
	$	**$**
Financial assets		
Cash and cash equivalents (net of bank overdrafts)	95,444	5,029
Trade and other receivables	-	240
Short-term investments:	-	-
Loans	-	-
Total financial assets	**95,444**	**5,269**
Financial liabilities		
Trade and other payables	12,928	27,151
Total financial liabilities	**12,928**	**27,151**

Financial Risk Management Policies

The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

The Board meet on a regular basis to analyse financial risk exposure in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance.

Specific Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk. There have been no substantive changes in the types of risks the Company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company. The Company's objective in managing credit risk is to minimise the credit losses incurred, mainly on trade and other receivables and loans..

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

All cash and cash equivalents are held with large reputable financial institutions within Australia and therefore credit risk is considered minimal.

	2013	2012
	$	$
Cash and cash equivalents:	95,444	5,029

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages its liquidity risk through the following mechanisms:

– preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;

– maintaining a reputable credit profile;

– managing credit risk related to financial assets;

– only investing surplus cash with major financial institutions.

c. **Market risk**

i. *Interest rate risk*

Exposure to interest rate risk arises on interest-bearing financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect either the future cash flows (in the case of variable interest instruments) or the fair value financial instruments (in the case of fixed rate instruments).

Interest rate risk is managed using a mix of fixed and floating rate instruments. At 30 June 2013, the Company had no interest-bearing financial liabilities at 30 June 2013.

The Company also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

ii. *Other price risk*

Other price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors (other than those arising from interest rate risk) for securities. The Company's exposure to securities price risk arises mainly from available-for-sale financial assets. Such risk is managed through diversification of investments across industries and geographical locations.

d. **Fair Values**

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. All financial assets are measured at fair value in the Statement of Financial Position.

The fair values disclosed in the Statement of Financial Position have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments whose carrying amounts approximate their fair values. Trade and other payables exclude amounts relating to the provision of annual leave and deferred revenue which are outside the scope of AASB 139.

(ii) For listed available-for-sale financial assets, fair value is based on closing quoted bid prices at the end of the reporting period. In determining the fair values of the unlisted available-for-sale financial assets, the directors have applied valuation methodologies and used inputs that are observable either directly (as prices) or indirectly (derived from prices).

(iii) Loans and held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. The fair values of these financial assets have been derived by discounting their fixed or determinable cash flow using market interest rates of a similar instrument.

There have been no changes in the above methods and valuation techniques from the previous years.

NOTE 20: RETAINED LOSSES

Movements in retained losses were as follows:

	2013	2012
	$	**$**
Opening balance 1 July 2012	**(720,370)**	**(433,174)**
Net loss for the period	(139,552)	(287,196)
Closing balance 30 June 2013	**(859,922)**	**(720,370)**

NOTE 21: GOING CONCERN

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

Projections indicate that the Company will be reliant on further capital raisings to continue its exploration opportunities.

The Company's ability to continue as a going concern is contingent on it being to raise additional capital as required. If this capital cannot be secured the going concern basis may not be appropriate, and the Company may be forced to realise its assets and extinguish liabilities, in a manner other than in the ordinary course of business which may result in amounts other than those specified in the report.

NOTE 22: COMPANY DETAILS

The Registered Office of the Company:

Flinders Exploration Limited

31 Hauteville Terrace

EASTWOOD SA 5063

The principal place of business is:

Flinders Exploration Limited

31 Hauteville Terrace

EASTWOOD SA 5063

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Flinders Exploration Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 36, are in accordance with the *Corporations Act 2001* and:

   a. comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and consolidated group.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The declaration is made in accordance with a resolution of the Board of Directors.

…………………………………………………………………………………………………..

Kevin John Anson Wills (Chairman)

…………………………………………………………………………………………………..

David Hamilton Tucker (Managing Director)

Dated this 7th day of November 2013

Level 1,
67 Greenhill Rd
Wayville SA 5034

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Adelaide SA 5001

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W www.grantthornton.com.au

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

We have audited the accompanying financial report of Flinders Exploration Limited (the "Company"), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company .

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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.

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 Exploration Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company'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 Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualification to the audit opinion expressed above, we draw attention to Note 21 to the financial report which indicates that the company incurred a net loss of $139,552 and an operating cash outflow of $115,355 during the year ended 30 June 2013 These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realised its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

S J Gray
Director – Audit & Assurance

Adelaide, 7 November 2013