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**FLINDERS RESOURCES LIMITED**

*(formerly Tasex Capital Limited)*

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED  
JANUARY 31, 2012

*(Unaudited - Expressed in Canadian Dollars)*

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

**FLINDERS RESOURCES LIMITED**  
*(formerly Tasex Capital Limited)*  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited - Expressed in Canadian Dollars)*

	Note	January 31, 2012 \$	October 31, 2011 \$	November 1, 2010 \$
<b>ASSETS</b>				
<b>Current assets</b>				
Cash		5,039,954	236,682	1
Amounts receivable	4	6,993	6,715	23
Prepaid expenses and deposit		<u>10,000</u>	<u>16,261</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>5,056,947</u>	<u>259,658</u>	<u>24</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		<u>26,249</u>	<u>18,461</u>	<u>562</u>
<b>Non-current liabilities</b>				
Share subscriptions received	8(a)	<u>4,870,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>4,896,249</u>	<u>18,461</u>	<u>562</u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	5	392,496	392,496	1
Share-based payments reserve		60,800	60,800	-
Deficit		<u>(292,598)</u>	<u>(212,099)</u>	<u>(539)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>160,698</u>	<u>241,197</u>	<u>(538)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>5,056,947</u>	<u>259,658</u>	<u>24</u>

**Subsequent Events** - See Note 8

These condensed interim financial statements were approved for issue by the Board of Directors on April 30, 2012 and are signed on its behalf by:

/s/ Martin McFarlane  
 Martin McFarlane  
 Director

/s/ Nick DeMare  
 Nick DeMare  
 Director

*The accompanying notes are an integral part of these condensed interim financial statements.*

**FLINDERS RESOURCES LIMITED***(formerly Tasex Capital Limited)***CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three Months Ended	
		January 31	
		2012	2011
		\$	\$
<b>Expenses</b>			
Accounting and administration		9,000	-
Audit		12,237	-
Bank charges		418	47
Consulting		7,144	-
Corporate development		7,813	-
Due diligence		13,042	-
Legal		15,080	-
Office		2,857	144
Regulatory		10,928	-
Shareholder costs		500	-
Transfer agent		2,202	-
Travel		3,321	-
		<u>84,542</u>	<u>191</u>
<b>Loss before other items</b>		<u>(84,542)</u>	<u>(191)</u>
<b>Other items</b>			
Interest income		4,492	-
Foreign exchange loss		<u>(449)</u>	<u>(19)</u>
		<u>4,043</u>	<u>(19)</u>
<b>Net loss and comprehensive loss for the period</b>		<u>(80,499)</u>	<u>(210)</u>
<b>Loss per share - basic and diluted</b>		<u>\$(0.01)</u>	<u>\$(0.00)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<u>6,950,000</u>	<u>2,636,413</u>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**FLINDERS RESOURCES LIMITED***(formerly Tasex Capital Limited)***CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY***(Unaudited - Expressed in Canadian Dollars)*

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	<b>Three Months Ended January 31, 2012</b>				
	<b>Share Capital</b>		<b>Share-Based Payments Reserve</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount \$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance on November 1, 2011</b>	6,950,000	392,496	60,800	(212,099)	241,197
Net loss for the period	-	-	-	(80,499)	(80,499)
<b>Balance at January 31, 2012</b>	<b>6,950,000</b>	<b>392,496</b>	<b>60,800</b>	<b>(292,598)</b>	<b>160,698</b>

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	<b>Three Months Ended January 31, 2011</b>				
	<b>Share Capital</b>		<b>Share-Based Payments Reserve</b>	<b>Deficit</b>	<b>Total Equity</b>
	<b>Number of Shares</b>	<b>Amount \$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance on November 1, 2010</b>	1	1	-	(539)	(538)
Common shares issued for:					
Cash - private placement	4,350,000	217,500	-	-	217,500
Cancellation of common share	(1)	(1)	-	-	(1)
Net loss for the period	-	-	-	(210)	(210)
<b>Balance at January 31, 2011</b>	<b>4,350,000</b>	<b>217,500</b>	<b>-</b>	<b>(749)</b>	<b>216,751</b>

*The accompanying notes are an integral part of these condensed interim financial statements.*

**FLINDERS RESOURCES LIMITED**  
*(formerly Tasex Capital Limited)*  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
*(Unaudited - Expressed in Canadian Dollars)*

	Three Months Ended January 31,	
	2012 \$	2011 \$
<b>Operating activities</b>		
Net loss for the period	(80,499)	(210)
Changes in non-cash working capital items:		
Increase in amounts receivable	(278)	(1,050)
Decrease in prepaid expenses and deposit	6,261	-
Increase in accounts payable and accrued liabilities	7,788	5,529
	<u>13,771</u>	<u>4,479</u>
<b>Net cash used in operating activities</b>	<u>(66,728)</u>	<u>4,269</u>
<b>Financing activities</b>		
Share subscriptions received	4,870,000	-
Issuance of common shares	-	217,500
Share issue costs	-	(14,279)
Cancellation of common share	-	(1)
	<u>4,870,000</u>	<u>203,220</u>
<b>Net cash generated from financing activities</b>	<u>4,870,000</u>	<u>203,220</u>
<b>Net change in cash</b>	4,803,272	207,489
<b>Cash at beginning of period</b>	<u>236,682</u>	<u>1</u>
<b>Cash at end of period</b>	<u>5,039,954</u>	<u>207,490</u>

*The accompanying notes are an integral part of these condensed interim financial statements.*

# **FLINDERS RESOURCES LIMITED**

*(formerly Tasex Capital Limited)*

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012**

*(Unaudited - Expressed in Canadian Dollars)*

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### **1. NATURE OF OPERATIONS**

The Company was incorporated on October 27, 2010 under the Business Corporations Act (British Columbia) as Tasex Capital Limited. On April 29, 2011 the Company filed its final prospectus and, on May 3, 2011, the Company received final receipts for the prospectus and became a reporting issuer in British Columbia and Alberta. On June 8, 2011 the Company completed its initial public offering (the "Offering") and on June 10, 2011 the Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company. On February 22, 2012 the Company changed its name to Flinders Resources Limited in conjunction with the completion of its acquisition as described below and in Note 8. The Company's common shares now trade under the symbol "FDR". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Company and Burke Resources Limited ("Burke") entered into a letter of agreement, dated September 14, 2011, and a definitive amalgamation agreement, dated October 31, 2011, pursuant to which the Company agreed to acquire (the "Acquisition"), by way of a three-cornered amalgamation, all of the issued and outstanding common shares of Burke. Burke holds 100% of Kringelgruvan AB ("Kringelgruvan") (formerly Woxna Graphite AB), a private Swedish company. Kringelgruvan has a 100% ownership interest of the Kringel graphite project located in central Sweden.

Upon the completion of the Acquisition, the shareholders of Burke will receive one common share in the capital of the Company for each common share of Burke held, resulting in the issuance of an aggregate of 17,715,000 common shares in the capital of the Company to the shareholders of Burke. In addition, as at January 31, 2012, Burke had 1,700,000 share options (the "Burke Options") and 257,200 warrants (the "Burke Warrants") outstanding. The Burke Options are exercisable to purchase common shares of Burke at \$0.50 per share, expiring September 12, 2014, and the Burke Warrants are exercisable at \$0.30 per share, expiring September 12, 2013. The Burke Options and Burke Warrants will convert, under the same terms, into share options and warrants of the Company on completion of the Acquisition.

The Acquisition will result in a reverse take-over for accounting purposes as Burke shareholders will have obtained control of the Company. The proposed Acquisition will constitute a Qualifying Transaction for the Company under the policies of the TSXV.

In February 2012 the Company completed the transactions contemplated under the Arrangement, as described in Note 8.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. The Company's operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months the Company recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

### **2. BASIS OF PREPARATION AND ADOPTION OF IFRS**

#### ***Statement of Compliance and Conversion to International Financial Reporting Standards***

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These condensed interim financial statements represent the Company's initial presentation of its results and financial position under IFRS. These condensed interim financial statements for the three months ended January 31, 2012 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company expects to adopt in its October 31, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

# FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

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### 2. BASIS OF PREPARATION AND ADOPTION OF IFRS (continued)

As these are the Company's first condensed interim financial statements prepared in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's October 31, 2011 annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). In 2012 and beyond, the Company may not provide the same amount of disclosure in the Company's condensed interim financial statements under IFRS as the reader will be able to refer to the annual financial statements which will be prepared in accordance with IFRS.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in some respects from IFRS. In preparing these condensed interim financial statements, management has amended certain accounting and valuation methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Adoption of IFRS had no impact on the financial statements previously prepared under Canadian GAAP. Note 9 presents reconciliations and descriptions of the effects of the transition from Canadian GAAP and IFRS on the statement of financial position and statement of comprehensive income (loss) as at November 1, 2010 and as at, and for the year ended October 31, 2011 and as at, and for the three months ended January 31, 2011.

#### *Basis of Presentation*

The Company's condensed interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value.

The preparation of financial statements in accordance with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

#### *Accounting Standards and Interpretations Issued but Not Yet Adopted*

As at the date of these financial statements, the following standards, amendments and interpretations have not been applied in these financial statements.

- (i) *IFRS 7 Financial Instruments Disclosures:* In 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosure requirements for the offsetting of financial assets and liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.
- (ii) *IFRS 9 Financial Instruments (New; to replace IAS 39):* effective for annual periods beginning on or after January 1, 2013.
- (iii) *IFRS 10 Consolidated Financial Statements:* In 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013.
- (iv) *IFRS 11 Joint Arrangements:* In 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning January 1, 2013.



## FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

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#### 2. BASIS OF PREPARATION AND ADOPTION OF IFRS (continued)

- (v) IFRS 12 *Disclosure of Interests in Other Entities*: In 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013.
- (vi) IFRS 13 *Fair Value Measurement*: In 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013.
- (vii) IAS 1 *Presentation of Items of Other Comprehensive Income*: In 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income ("OCI") between those that are reclassified to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012.
- (viii) IAS 12 *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*; effective for annual periods beginning on or after January 1, 2012.
- (iv) IAS 27 *Separate Financial Statements*: The IASB issued amendments to IAS 27 Separate Financial Statements to coincide with the changes made in IFRS 10, but retains the current guidance for separate financial statements.
- (x) IAS 28 *Investments in Associates and Joint Ventures*: The IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures to coincide with the changes made in IFRS 10 and IFRS 11.

Management is currently assessing the impact, if any, that the adoption of these standards will have on its financial statements.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### *Use of Estimates*

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

##### *Cash and Cash Equivalents*

Cash includes cash on hand and demand deposits. Cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company is not exposed to significant credit or interest rate risk although cash is held in excess of federally insured limits with a major financial institution. As at January 31, 2012 the Company did not have any cash equivalents.

##### *Amounts Receivable*

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Receivables are classified as loans and receivable. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

## **FLINDERS RESOURCES LIMITED**

*(formerly Tasex Capital Limited)*

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012**

*(Unaudited - Expressed in Canadian Dollars)*

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#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***Accounts Payable and Accrued Liabilities***

Payables are obligations to pay for materials or services that have been acquired in the ordinary course of business from suppliers. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are classified as other financial liabilities initially at fair value and subsequently measured at amortized cost using the effective interest method.

##### ***Financial Instruments***

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss ("FVTPL") are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Account payables and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At January 31, 2012 the Company has not classified any financial liabilities as fair value through profit or loss.

##### ***Share Capital***

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

##### ***Share-Based Payment Transactions***

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

# FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Equity Financing*

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company adopted a residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in the private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

#### *Current and Deferred Income Taxes*

The tax expense comprises current and deferred tax. Tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### *Current Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date 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 Tax*

Deferred income tax is recognized, 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, the deferred income tax is 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 statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### *Loss Per Share*

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

# FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Currency*

The functional currency of the Company is Canadian dollars and these financial statements are presented in Canadian dollars. Transactions of the Company that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses, if any, arising from the translation of foreign currency denominated monetary assets and liabilities are included in operations.

### 4. AMOUNTS RECEIVABLE

	January 31, 2012 \$	October 31, 2011 \$
Harmonized sales tax	6,977	2,715
Other	16	4,000
	<u>6,993</u>	<u>6,715</u>

### 5. SHARE CAPITAL

#### (a) *Authorized Share Capital*

As at January 31, 2012 the Company's authorized share capital consisted of an unlimited number of common shares without par value. All issued common shares are fully paid.

#### (b) *Reconciliation of Changes in Share Capital*

	Number of Shares	Amount \$
<b>Common shares issued:</b>		
<b>Balance at November 1, 2010</b>	1	1
Shares issued for cash:		
Private placements	4,850,000	267,500
Offering	2,000,000	200,000
Exercise of agent's option warrant	100,000	10,000
Transfer to common shares on exercise of agent's option warrant	-	6,000
Cancellation of common share	(1)	(1)
Share issue costs	-	(91,004)
<b>Balance at October 31, 2011 and January 31, 2012</b>	<u>6,950,000</u>	<u>392,496</u>

During fiscal 2011 the Company:

- (i) issued 4,350,000 common shares, at \$0.05 per share, for cash proceeds of \$217,500 to directors and officers. These shares are held in escrow and will not be released from escrow and traded without the consent of the regulatory authorities;
- (ii) issued 500,000 common shares at \$0.10 per share for cash proceeds of \$50,000; and

# FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

### 5. SHARE CAPITAL (continued)

(iii) completed its Offering of 2,000,000 common shares at a price of \$0.10 per share for total gross proceeds of \$200,000. The Company paid the agent a cash commission of \$20,000, a corporate finance fee of \$7,500 and \$10,721 for administration costs. In addition, the agent received an option warrant to purchase 200,000 common shares of the Company at \$0.10 per share on or before June 8, 2013. The fair value of the option warrant has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 119%; a risk-free interest rate of 1.62%; and an expected life of two years. The value assigned to the option warrant was \$12,000.

During fiscal 2011 the agent partially exercised the option warrant to acquire 100,000 common shares for cash proceeds of \$10,000. As at January 31, 2012, the option warrant to purchase the remaining 100,000 common shares remained outstanding. See also Note 8(c)(iii).

The Company also incurred additional share issue costs totalling \$40,783 relating to the Offering for legal, filing fees and disbursements.

On September 20, 2011 the Company entered into an agreement with Leede Financial Markets Inc. ("Leede") whereby Leede has agreed to sponsor the Company on the TSXV upon completion of the Acquisition at an agreed amount of \$25,000. As at January 31, 2012 the Company had made an initial payment of \$14,000. A further \$11,000 will be paid upon regulatory approval of the Qualifying Transaction. The Company has also paid a \$10,000 deposit to pay for disbursements and legal and consulting costs which may be incurred by Leede. See also Note 8(a).

#### (c) Share Option Plan

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The minimum exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of up to five years.

No share options were granted during the three months ended January 31, 2012 and 2011.

A summary of the Company's share options at January 31, 2012 and 2011 and the changes for the three months ending on those dates, is as follows:

	2012		2011	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance, beginning and end of period	<u>685,000</u>	0.10	<u>-</u>	-

As at January 31, 2012 the Company had 685,000 share options outstanding and exercisable at \$0.10 per share expiring June 8, 2016.

(d) As at January 31, 2012, 4,350,000 common shares were held in escrow.

(e) See also Note 8.

# FLINDERS RESOURCES LIMITED

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

(Unaudited - Expressed in Canadian Dollars)

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### 6. RELATED PARTY DISCLOSURES

During the three months ended January 31, 2012 the Company was billed \$9,000 (2011 - \$nil) for accounting, and administration services provided by a private corporation owned by a director of the Company.

There was no compensation paid to key management personnel for the three months ended January 31, 2012 and 2011.

As at January 31, 2012, \$7,200 (2011 - \$nil) remained unpaid and has been included in accounts payable and accrued liabilities.

See also Note 5(b).

### 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### *Categories of Financial Assets and Financial Liabilities*

Financial instruments are classified into one of the following four categories: fair value through profit or loss ("FVTPL"); held-to-maturity investments; loans and receivables; and available-for-sale. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	January 31, 2012 \$	October 31, 2011 \$
Cash	FVTPL	5,039,954	236,682
Amounts receivable	Loans and receivables	6,993	6,715
Accounts payable and accrued liabilities	Other liabilities	(26,249)	(18,461)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The Company's fair value of cash under the fair value hierarchy are measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and amounts receivable is remote.

## FLINDERS RESOURCES LIMITED

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#### 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

##### *Liquidity Risk*

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at January 31, 2012				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	5,039,954	-	-	-	5,039,954
Amounts receivable	6,993	-	-	-	6,993
Accounts payable and accrued liabilities	(26,249)	-	-	-	(26,249)

  

	Contractual Maturity Analysis at October 31, 2011				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	236,682	-	-	-	236,682
Amounts receivable	6,715	-	-	-	6,715
Accounts payable and accrued liabilities	(18,461)	-	-	-	(18,461)

##### *Interest Rate Risk*

The Company is exposed to interest rate risk to the extent that the cash bear floating rates of interest. The interest rate risk on cash and on the Company's obligations are not considered significant.

##### *Capital Management*

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to identify and evaluate potential business acquisitions and to negotiate acquisitions or participation agreements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

#### 8. SUBSEQUENT EVENTS

- (a) On February 22, 2012 the Company completed the Acquisition, as described in Note 1, under which the Company issued 17,715,000 common shares to the Burke shareholders. Burke and 0923098 B.C. Ltd., a wholly-owned subsidiary of the Company, then completed an amalgamation to form Flinders Holdings Limited. The Company paid Leede the remaining \$11,000 for Leede's sponsorship of the Company on the TSXV.

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#### 8. SUBSEQUENT EVENTS (continued)

Concurrent with the completion of the Acquisition the Company completed a private placement of 10,400,000 units at a price of \$0.50 per unit for gross proceeds of \$5,200,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.75 per share on or before February 22, 2014. The Company had received \$4,870,000 share subscription proceeds at January 31, 2012.

The Company paid finders' fees consisting of \$349,775 cash and the issuance of 699,750 finders' options, with each option exercisable to purchase one common share of the Company and one warrant at a price of \$0.50 per option on or before February 22, 2014. Each warrant issued on the exercise of an option will be exercisable to purchase an additional common share at a price of \$0.75 per share on or before February 22, 2014.

- (b) In April 2012 the Company completed a private placement of 8,823,530 units at a price of \$1.70 per unit for gross proceeds of \$15,000,001. Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$2.20 per share on or before April 17, 2014.

The Company paid finders' fees consisting of \$871,284 cash and the issuance of 512,521 warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of \$1.70 per share on or before April 17, 2014.

- (c) Subsequent to January 31, 2012 the Company:
- (i) granted share options to directors and consultants to purchase 625,000 common shares, at an exercise price of \$0.50 per share expiring February 23, 2015, and 225,000 common shares, at an exercise price of \$1.91 per share expiring April 23, 2015;
  - (ii) issued 805,000 common shares on the exercise of 525,000 Company share options and 280,000 Burke Options for total proceeds of \$192,500; and
  - (iii) issued 100,000 common shares on the exercise of the remaining balance of the option warrant for \$10,000 cash proceeds.
- (d) See also Note 5(b)(iii).

#### 9. TRANSITION TO IFRS

The Company's financial statements for the year ending October 31, 2012 will be the first annual financial statements that comply with IFRS and these condensed interim financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement, in those financial statements, of compliance with IFRS. The Company will make this statement when it issues its October 31, 2012 annual financial statements.

IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was November 1, 2010 (the "transition date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be October 31, 2012. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adoption.

##### *Initial elections upon IFRS adoption*

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.



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**9. TRANSITION TO IFRS (continued)**

IFRS Exemption options

Share-based payments - IFRS 2 *Share-Based Payments* encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the transition date. The Company has chosen to apply the exemption under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by the transition date.

IFRS Mandatory exceptions

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any differences in accounting policies.

***Reconciliations of Canadian GAAP to IFRS***

The Company's adoption of IFRS had no impact on the unaudited condensed interim statements of financial position, comprehensive loss, equity or cash flows and the audited statements of financial position as at October 31, 2011 and opening balances on November 1, 2010.

**Reconciliation of Assets, Liabilities and Equity**

	<u>As at November 1, 2010</u>		
	<u>Canadian GAAP \$</u>	<u>Effect of Transition to IFRS \$</u>	<u>IFRS \$</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	1	-	1
Amounts receivable	23	-	23
<b>TOTAL ASSETS</b>	<u>24</u>	<u>-</u>	<u>24</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	562	-	562
<b>TOTAL LIABILITIES</b>	<u>562</u>	<u>-</u>	<u>562</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	1	-	1
Deficit	(539)	-	(539)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>(538)</u>	<u>-</u>	<u>(538)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>24</u>	<u>-</u>	<u>24</u>

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9. **TRANSITION TO IFRS** (continued)

**Reconciliation of Assets, Liabilities and Equity** (continued)

	<b>As at January 31, 2011</b>		
	<b>Canadian GAAP \$</b>	<b>Effect of Transition to IFRS \$</b>	<b>IFRS \$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	207,490	-	207,490
Amounts receivable	1,073	-	1,073
<b>Total current assets</b>	<b>208,563</b>	<b>-</b>	<b>208,563</b>
<b>Non-current assets</b>			
Deferred share issue costs	14,279	-	14,279
<b>Total non-current assets</b>	<b>14,279</b>	<b>-</b>	<b>14,279</b>
<b>TOTAL ASSETS</b>	<b>222,842</b>	<b>-</b>	<b>222,842</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6,091	-	6,091
<b>TOTAL LIABILITIES</b>	<b>6,091</b>	<b>-</b>	<b>6,091</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	217,500	-	217,500
Deficit	(749)	-	(749)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>216,751</b>	<b>-</b>	<b>216,751</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>222,842</b>	<b>-</b>	<b>222,842</b>

**FLINDERS RESOURCES LIMITED***(formerly Tasex Capital Limited)***NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED JANUARY 31, 2012***(Unaudited - Expressed in Canadian Dollars)***9. TRANSITION TO IFRS (continued)****Reconciliation of Assets, Liabilities and Equity (continued)**

	<b>As at October 31, 2011</b>		
	<b>Canadian GAAP \$</b>	<b>Effect of Transition to IFRS \$</b>	<b>IFRS \$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	236,682	-	236,682
Amounts receivable	6,715	-	6,715
Prepaid expense	<u>16,261</u>	<u>-</u>	<u>16,261</u>
<b>TOTAL ASSETS</b>	<u>259,658</u>	<u>-</u>	<u>259,658</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	<u>18,461</u>	<u>-</u>	<u>18,461</u>
<b>TOTAL LIABILITIES</b>	<u>18,461</u>	<u>-</u>	<u>18,461</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	392,496	-	392,496
Share based payment reserve	60,800	-	60,800
Deficit	<u>(212,099)</u>	<u>-</u>	<u>(212,099)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>241,197</u>	<u>-</u>	<u>241,197</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>259,658</u>	<u>-</u>	<u>259,658</u>

**FLINDERS RESOURCES LIMITED***(formerly Tasex Capital Limited)***NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED JANUARY 31, 2012***(Unaudited - Expressed in Canadian Dollars)***9. TRANSITION TO IFRS (continued)****Reconciliation of Comprehensive Loss**

	<b>Three Months Ended January 31, 2011</b>		
	<b>Canadian GAAP \$</b>	<b>Effect of Transition to IFRS \$</b>	<b>IFRS \$</b>
<b>Expenses</b>			
Bank charges	47	-	47
Office	144	-	144
	<u>191</u>	<u>-</u>	<u>191</u>
<b>Loss before other item</b>	<u>(191)</u>	<u>-</u>	<u>(191)</u>
<b>Other item</b>			
Foreign exchange	(19)	-	(19)
	<u>(19)</u>	<u>-</u>	<u>(19)</u>
<b>Net loss and comprehensive loss for the period</b>	<u>(210)</u>	<u>-</u>	<u>(210)</u>

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## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JANUARY 31, 2012

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### 9. TRANSITION TO IFRS (continued)

#### Reconciliation of Comprehensive Loss

	Year Ended October 31, 2011		
	Canadian GAAP \$	Effect of Transition to IFRS \$	IFRS \$
<b>Expenses</b>			
Accounting and administration	8,459	-	8,459
Audit	9,906	-	9,906
Bank charges	439	-	439
Corporate sponsorship	14,000	-	14,000
Due diligence	95,408	-	95,408
Legal	10,877	-	10,877
Office	1,318	-	1,318
Regulatory	3,298	-	3,298
Shareholder costs	778	-	778
Share-based compensation	54,800	-	54,800
Transfer agent	4,424	-	4,424
Travel	7,831	-	7,831
	<u>211,538</u>	<u>-</u>	<u>211,538</u>
<b>Loss before other items</b>	<u>(211,538)</u>	<u>-</u>	<u>(211,538)</u>
<b>Other items</b>			
Foreign exchange loss	(25)	-	(25)
Interest income	3	-	3
	<u>(22)</u>	<u>-</u>	<u>(22)</u>
<b>Net loss and comprehensive loss for the year</b>	<u>(211,560)</u>	<u>-</u>	<u>(211,560)</u>

#### IFRS Adjustments

##### Share Based Options

Previously, under Canadian GAAP, the Company used the straight-line method of calculating vested options and the share-based compensation arising therefrom. Under this method, the fair value of share-based awards with graded vesting was calculated as one grant and the resulting fair value was recognised on a straight line basis over the vesting period.

However, IFRS requires that each tranche of an award with different vesting dates be considered a separate grant for the calculation of fair value, and the resulting fair value is recognised over the vesting period of the respective tranche using the graded vesting method.

No adjustments were required for the options granted and the share-based compensation recognized during the three months ended January 31, 2011 and the year ended October 31, 2011.