
FLINDERS RESOURCES LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
APRIL 30, 2013

(Unaudited - Expressed in Canadian Dollars)

**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
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	Note	April 30, 2013 \$	October 31, 2012 \$
ASSETS			
Current assets			
Cash	4	13,240,101	16,863,409
Amounts receivable	5	228,499	209,882
Prepaid expenses and deposit		67,756	42,069
Inventory		<u>139,292</u>	<u>134,954</u>
Total current assets		<u>13,675,648</u>	<u>17,250,314</u>
Non-current assets			
Property, plant and equipment	6	4,862,231	3,211,869
Exploration and evaluation assets	7	5,339,471	5,535,476
Reclamation deposit	8	<u>77,691</u>	<u>70,411</u>
Total non-current assets		<u>10,279,393</u>	<u>8,817,756</u>
TOTAL ASSETS		<u>23,955,041</u>	<u>26,068,070</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		<u>305,435</u>	<u>602,423</u>
Non-current liabilities			
Provision for site restoration	8	4,406,539	4,753,187
Property acquisition obligation	7	<u>343,753</u>	<u>306,446</u>
Total non-current liabilities		<u>4,750,292</u>	<u>5,059,633</u>
TOTAL LIABILITIES		<u>5,055,727</u>	<u>5,662,056</u>
SHAREHOLDERS' EQUITY			
Share capital	9	25,102,160	25,030,116
Share-based payments reserve		2,685,484	2,664,512
Deficit		<u>(8,888,330)</u>	<u>(7,288,614)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>18,899,314</u>	<u>20,406,014</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>23,955,041</u>	<u>26,068,070</u>

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on June 17, 2013 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 consolidated interim financial statements.

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	Notes	Three Months Ended April 30,		Six Months Ended April 30,	
		2013 \$	2012 \$	2013 \$	2012 \$
Expenses					
Accounting and administration		34,922	12,113	68,155	18,913
Accretion of provision for site restoration	8	15,986	8,866	39,562	17,587
Audit		1,553	-	44,033	1,429
Bank charges		1,070	1,676	2,560	2,618
Consulting		182,034	51,242	399,513	71,855
Corporate development		1,621	29,923	15,688	35,119
Depreciation	6 & 7	8,355	1,932	16,553	1,932
Equipment rentals and related		33,833	15,142	136,847	15,142
General exploration		7,200	-	14,288	-
Interest	7	14,134	11,367	27,158	22,634
Investor relations		29,067	22,333	59,067	22,333
Legal		21,086	3,263	42,148	29,488
Management fees		40,500	27,000	81,000	64,000
Office		19,440	31,227	61,837	50,523
Plant maintenance		11,726	-	23,369	-
Plant supplies and consumables		19,675	51,240	67,700	51,240
Regulatory		5,603	26,732	7,296	26,732
Rent		6,728	1,186	18,429	1,186
Repairs and maintenance		5,797	12,414	12,097	51,682
Salaries and benefits		140,275	122,278	327,288	167,595
Share-based compensation	9(d)	62,906	563,297	56,766	563,297
Shareholder costs		5,273	1,559	5,823	1,559
Transfer agent		3,838	12,181	6,393	12,181
Travel		58,640	72,998	126,047	120,536
Utilities		6,618	10,086	16,080	16,966
		<u>737,880</u>	<u>1,090,055</u>	<u>1,675,697</u>	<u>1,366,547</u>
Loss before other items		<u>(737,880)</u>	<u>(1,090,055)</u>	<u>(1,675,697)</u>	<u>(1,366,547)</u>
Other items					
Public company listing expense		-	(3,414,851)	-	(3,414,851)
Interest and other income		47,966	12,382	104,144	12,382
Foreign exchange		5,314	(14,633)	(28,163)	(24,528)
		<u>53,280</u>	<u>(3,417,102)</u>	<u>75,981</u>	<u>(3,426,997)</u>
Net loss and comprehensive loss		<u>(684,600)</u>	<u>(4,507,157)</u>	<u>(1,599,716)</u>	<u>(4,793,544)</u>
Loss per share - basic and diluted		<u>\$(0.01)</u>	<u>\$(0.14)</u>	<u>\$(0.03)</u>	<u>\$(0.19)</u>
Weighted average number of common shares outstanding - basic and diluted		<u>45,939,919</u>	<u>32,647,843</u>	<u>45,910,447</u>	<u>25,181,422</u>

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

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian Dollars)

Six Months Ended April 30, 2013					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance at October 31, 2012	45,873,530	25,030,116	2,664,512	(7,288,614)	20,406,014
Common shares issued for cash:					
- exercise of share options	57,500	28,750	-	-	28,750
- exercise of warrants	10,000	7,500	-	-	7,500
Transfer on exercise of share options	-	35,794	(35,794)	-	-
Share-based compensation	-	-	56,766	-	56,766
Net loss for the period	-	-	-	(1,599,716)	(1,599,716)
Balance at April 30, 2013	45,941,030	25,102,160	2,685,484	(8,888,330)	18,899,314

Six Months Ended April 30, 2012					
	Share Capital		Share-Based Payments Reserve \$	Deficit \$	Total Equity \$
	Number of Shares	Amount \$			
Balance on October 31, 2011	17,715,000	2,687,617	660,868	(861,861)	2,486,624
Adjustment to reflect recapitalization	6,950,000	3,475,000	-	-	3,475,000
Common shares issued for cash:					
- private placements	19,223,530	20,200,001	-	-	20,200,001
- exercise of share options	805,000	192,500	-	-	192,500
- exercise of agent's warrants	100,000	10,000	-	-	10,000
Share issue costs	-	(2,730,437)	-	-	(2,730,437)
Transfer on exercise of share options	-	100,800	(100,800)	-	-
Share-based compensation for:					
- share options	-	-	563,297	-	563,297
- finder's option	-	-	405,856	-	405,856
- finder's warrants	-	-	891,787	-	891,787
Net loss for the period	-	-	-	(4,793,544)	(4,793,544)
Balance at April 30, 2012	44,793,530	23,935,481	2,421,008	(5,655,405)	20,701,084

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

FLINDERS RESOURCES LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Six Months Ended	
	April 30,	
	2013	2012
	\$	\$
Operating activities		
Net loss for the period	(1,599,716)	(4,793,544)
Adjustments for:		
Accretion of provision for site restoration	39,562	17,587
Depreciation	16,553	1,932
Public company listing expense	-	3,414,851
Interest	27,158	22,634
Foreign exchange	(1,469)	(6,898)
Share-based compensation	56,766	563,297
	<u>(1,461,146)</u>	<u>4,013,403</u>
Changes in non-cash working capital items:		
Increase in amounts receivable	(18,617)	(134,364)
(Increase) decrease in prepaid expenses and deposit	(25,687)	29,979
Decrease in inventory	-	41,075
Decrease in accounts payable and accrued liabilities	(238,762)	(96,226)
	<u>(283,066)</u>	<u>(159,536)</u>
Net cash used in operating activities	<u>(1,744,212)</u>	<u>(939,677)</u>
Investing activities		
Additions to property, plant and equipment	(1,726,721)	(296,455)
Expenditures on exploration and evaluation assets	(188,625)	(109,021)
Receipt of cash for acquisition of Tasex	-	118,088
Net cash used in investing activities	<u>(1,915,346)</u>	<u>(287,388)</u>
Financing activities		
Issuance of common shares	36,250	20,402,501
Share issue costs	-	(1,432,794)
Net cash provided by financing activities	<u>36,250</u>	<u>18,969,707</u>
Net change in cash	(3,623,308)	17,742,642
Cash at beginning of period	<u>16,863,409</u>	<u>864,677</u>
Cash at end of period	<u>13,240,101</u>	<u>18,607,319</u>

Supplemental cash flow information - See Note 12

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

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

The Company was incorporated on October 27, 2010 under the Business Corporations Act (British Columbia) as Tasex Capital Limited ("Tasex"). On April 29, 2011 the Company filed its final prospectus and, on May 3, 2011, 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. Effective February 22, 2012 the Company completed its Qualifying Transaction and acquired, all of the issued and outstanding common shares of Burke Resources Limited which was then amalgamated with 0923098 B.C. Ltd., a wholly-owned inactive subsidiary of the Company, to form Flinders Holdings Limited ("Flinders Holdings"). Flinders Holdings holds 100% of Woxna Graphite AB ("Woxna") (formerly Kringelgruvan AB), a private Swedish company. Woxna has a 100% ownership interest of the Woxna Graphite Mine located in central Sweden. The Company also changed its name from Tasex Capital Limited to Flinders Resources Limited in conjunction with the completion of the Qualifying Transaction. 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 is a junior exploration company currently engaged in the development of the Woxna Graphite Mine. Work is ongoing. However, to date, insufficient information is available to determine whether these properties contain economically recoverable ore reserves. The underlying value of the resource interests is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain any additional funding that may be necessary to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

As at April 30, 2013 the Company had working capital of \$13,370,213, non-current liabilities of \$4,750,292 and an accumulated deficit of \$8,888,330. The Company is currently completing the design of the process flow sheet and is awaiting the completion of the preliminary economic assessment ("PEA") of the Woxna Graphite Mine. The Company has sufficient funding to continue development of the Woxna Graphite Mine for the ensuing twelve months. The Company is awaiting the completion of the process flow sheet and PEA to determine its capital requirements to complete the development of the Woxna Graphite Mine. The Company's ability to continue as a going concern may be dependent upon the ability of the Company to obtain necessary financing to develop its properties and to establish future profitable production. 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

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended October 31, 2012.

Basis of Presentation

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

2. Basis of Preparation (continued)

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.

3. Subsidiaries

As at April 30, 2013 and October 31, 2012 the Company had two wholly-owned subsidiaries, Flinders Holdings, which is incorporated in British Columbia, and Woxna, which is incorporated and operated in Sweden.

4. Cash

	April 30, 2013 \$	October 31, 2012 \$
Cash on hand	3,236,183	369,573
Demand deposits	<u>10,003,918</u>	<u>16,493,836</u>
	<u>13,240,101</u>	<u>16,863,409</u>

5. Amounts Receivable

	April 30, 2013 \$	October 31, 2012 \$
GST / HST receivable	49,088	30,240
Foreign value added tax receivable	89,914	172,674
Other	<u>89,497</u>	<u>6,968</u>
	<u>228,499</u>	<u>209,882</u>

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

6. Property, Plant and Equipment

Cost:	Vehicles \$	Equipment and Tools \$	Building \$	Processing Plant \$	Mine Development \$	Total \$
Balance at October 31, 2011	-	115,608	222,201	1,366,628	-	1,704,437
Additions	<u>67,746</u>	<u>34,513</u>	<u>72,660</u>	<u>478,851</u>	<u>875,851</u>	<u>1,529,621</u>
Balance at October 31, 2012	67,746	150,121	294,861	1,845,479	875,851	3,234,058
Additions	<u>54,505</u>	<u>99,996</u>	<u>-</u>	<u>1,055,289</u>	<u>473,984</u>	<u>1,683,774</u>
Balance at April 30, 2013	<u>122,251</u>	<u>250,117</u>	<u>294,861</u>	<u>2,900,768</u>	<u>1,349,835</u>	<u>4,917,832</u>
Accumulated Depreciation:						
Balance at October 31, 2011	-	-	-	-	-	-
Depreciation	<u>(8,651)</u>	<u>(2,015)</u>	<u>-</u>	<u>(11,523)</u>	<u>-</u>	<u>(22,189)</u>
Balance at October 31, 2012	(8,651)	(2,015)	-	(11,523)	-	(22,189)
Depreciation	<u>(12,200)</u>	<u>(9,210)</u>	<u>-</u>	<u>(12,002)</u>	<u>-</u>	<u>(33,412)</u>
Balance at April 30, 2013	<u>(20,851)</u>	<u>(11,225)</u>	<u>-</u>	<u>(23,525)</u>	<u>-</u>	<u>(55,601)</u>
Carrying Value:						
Balance at October 31, 2012	<u>59,095</u>	<u>148,106</u>	<u>294,861</u>	<u>1,833,956</u>	<u>875,851</u>	<u>3,211,869</u>
Balance at April 30, 2013	<u>101,400</u>	<u>238,892</u>	<u>294,861</u>	<u>2,877,243</u>	<u>1,349,835</u>	<u>4,862,231</u>

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets

	\$
Balance at October 31, 2011	<u>4,913,512</u>
Exploration costs:	
Consulting	25,806
Database analysis	981
Depreciation	16,505
Drilling	446,755
Equipment rental	33,764
Exploration site costs	14,711
Field supplies	7,996
Geochemistry	111,557
Maps	10,580
Repairs and maintenance	2,477
Salaries and benefits	94,921
Travel	33,360
Vehicles	<u>1,323</u>
	<u>800,736</u>
Acquisition costs:	
Tenement and related costs	11,237
Adjustment to provision for site restoration	<u>(190,009)</u>
	<u>(178,772)</u>
Balance at October 31, 2012	<u>5,535,476</u>
Exploration costs:	
Consulting	43,393
Database analysis	63,461
Depreciation	556
Equipment rental	10,152
Exploration site costs	2,422
Field supplies	1,784
Freight	17,201
Salaries and benefits	48,086
Travel	<u>3,150</u>
	<u>190,205</u>
Acquisition costs:	
Adjustment to provision for site restoration	<u>(386,210)</u>
Balance at April 30, 2013	<u>5,339,471</u>

The Company holds a 100% interest in the Woxna Graphite Mine, comprising four exploitation concessions, known as Kringel, Mattsmyra, Gropabo and Mansberg. The Woxna Graphite Mine is located in Ovanaker Municipality, Gavleborg County, central Sweden.

In 1993 Woxna entered into agreements under which:

- (i) it acquired the Kringel concession for an initial payment of SEK 150,000 and a further amount of SEK 4,000,000 ("property acquisition obligation") is to be paid upon the commencement of production from the Kringel concession; and

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

7. Exploration and Evaluation Assets (continued)

- (ii) it acquired the Mattsmyra, Gropabo and Mansberg concessions for an initial payment of SEK 32,500 and a further payment of SEK 1,000,000 on each of the three concessions is to be paid upon commencement of production from these concessions.

Payments of the additional considerations are to be made to a Swedish governmental agency and will be based on annual production, at a rate of SEK 20 per metric ton processed, and is payable only if profits are generated from the individual concessions.

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringel concession. An obligation is recognized when a legal obligation is established, a reasonable estimate can be made of the obligation, and is measured at the discounted value for expected future payments. The discounted value is then accreted to the estimated future value over the period of the payment obligation. As at April 30, 2013 the Company applied a discount rate of 17% to expected future payments and has made the assumption that the obligation will be discharged in 2016 through 2017.

A continuity of the property acquisition obligation for the Kringel concession is as follows:

	\$
Balance at October 31, 2011	265,116
Accretion of discounted cash flows	45,069
Foreign exchange adjustment	<u>(3,739)</u>
Balance at October 31, 2012	306,446
Accretion of discounted cash flows	27,158
Foreign exchange adjustment	<u>10,149</u>
Balance at April 30, 2013	<u>343,753</u>

No production has commenced on the Mattsmyra, Gropabo and Mansberg concessions and the additional payments are considered to be contingent amounts and will only be recognized as obligations when production commences on these concessions.

8. Provision for Site Restoration

Although the ultimate amount of the decommissioning obligation for the Kringel concession is uncertain, the fair value of this obligation is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs. The provision for site restoration may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. The total undiscounted amount of estimated cash flows to settle the Company's risk adjusted estimated obligation is SEK 41,500,000 to be incurred over the next 26 years with the majority of the costs to be incurred between 2036 and 2037.

The fair value of the decommissioning obligation was calculated using a discounted cash flow approach based on a risk free rate of 1.607% (October 31, 2012 - 1.531%) and an inflation factor of 0.0% (October 31, 2012 - 0.40%). Settlement of the obligation is expected to be funded from general corporate funds at the time of decommissioning. Changes to the decommissioning obligation were as follows:

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

8. Provision for Site Restoration (continued)

	\$
Balance at October 31, 2011	4,892,703
Accretion	50,493
Revision of estimates	(111,310)
Foreign exchange adjustment	<u>(78,699)</u>
Balance at October 31, 2012	4,753,187
Accretion	39,562
Revision of estimates	(548,075)
Foreign exchange adjustment	<u>161,865</u>
Balance at April 30, 2013	<u>4,406,539</u>

As at April 30, 2013 there are no property restoration obligations for the Mattsmyra, Gropabo and Mansberg concessions.

A reclamation deposit of \$77,691 (SEK 500,000) has been paid to the Gavleborg County Administration Board and has been accounted for as a long term deposit. The reclamation deposit was placed as security for site restoration on the Kringel concession.

9. Share Capital

(a) *Authorized Share Capital*

As at April 30, 2013 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*

No equity financing were conducted by the Company during the six months ended April 30, 2013.

During the fiscal year ended October 31, 2012 the Company completed the following share issuances:

- (i) concurrent with the completion of the Acquisition, on February 22, 2012 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 consisted 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 \$5,200,000 share subscription proceeds prior to the Effective Date.

The Company paid finders' fees consisting of \$349,875 cash and the issuance of 699,750 finders' options, with each finders' 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 a finders' option will be exercisable to purchase an additional common share at a price of \$0.75 per share on or before February 22, 2014. The \$216,923 fair value assigned to the finders' options has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.13%; expected volatility of 125%; an expected life of two years; a dividend yield of 0%; and an expected forfeiture rate of 0%. The finders' options remained outstanding at April 30, 2013.

The Company incurred \$22,741 for legal and filing fees associated with this private placement.

A director of the Company acquired 41,600 common shares of this private placement; and

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

9. Share Capital (continued)

- (ii) on April 17, 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 consisted 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 finders' warrants. Each finders' 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. The \$891,787 fair value assigned to the finders' warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: a risk-free interest rate of 1.13%; expected volatility of 125%; an expected life of two years; a dividend yield of 0%; and an expected forfeiture rate of 0%.

The Company incurred \$202,818 for legal and filing fees and other related costs associated with this private placement.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at April 30, 2013 and 2012 and the changes for the six months ended on those dates is as follows:

	2013		2012	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	14,841,487	1.21	257,200	0.30
Adjustment to reflect recapitalization	-	-	100,000	0.10
Issued	-	-	15,324,287	1.20
Exercised	(10,000)	0.75	(100,000)	0.10
Balance end of period	14,831,487	1.21	15,581,487	1.18

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding and exercisable at April 30, 2013:

Number	Exercise Price \$	Expiry Date
257,200	0.30	September 12, 2013
9,650,000	0.75	February 22, 2014
4,411,766	2.20	April 17, 2014
512,521	1.70	April 17, 2014
14,831,487		

(d) *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.

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

9. Share Capital (continued)

During the six months ended April 30, 2013 the Company granted 225,000 (2012 - 850,000) share options to its directors, officers and consultants and recorded compensation expense of \$61,500 (2012 - \$563,297). In addition the Company recorded a compensation recovery of \$4,734 (2012 - \$nil) on the adjustment to previously recognized amounts to the vesting of share options granted.

The fair value of share options granted and vested during the six months ended April 30, 2013 and 2012 is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2013</u>	<u>2012</u>
Risk-free interest rate	1.16% - 1.31%	1.21% - 1.22%
Estimated volatility	151% - 154%	125%
Expected life	2.25 years - 3 years	3 years
Expected dividend yield	0%	0%
Estimated forfeiture rate	0%	0%

The weighted average fair value of all share options granted during the six months ended April 30, 2013 was \$0.49 (2012 - \$0.66) per option.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

A summary of the Company's share options at April 30, 2013 and 2012 and the changes for the six months ended on those dates is as follows:

	<u>2013</u>		<u>2012</u>	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	2,590,000	0.71	1,700,000	0.50
Adjustment to reflect recapitalization	-	-	685,000	0.10
Granted	225,000	0.54	850,000	0.87
Exercised	<u>(57,500)</u>	0.50	<u>(805,000)</u>	0.24
Balance end of period	<u>2,757,500</u>	0.70	<u>2,430,000</u>	0.60

The following table summarizes information about the share options outstanding and exercisable at April 30, 2013:

Number Outstanding	Number Exercisable	Exercise Price \$	Expiry Date
1,190,000	1,190,000	0.50	September 12, 2014
472,500	472,500	0.50	February 23, 2015
150,000	150,000	1.91	April 23, 2015
75,000	75,000	1.11	September 12, 2015
250,000	250,000	1.25	October 11, 2015
100,000	100,000	0.60	March 15, 2016
25,000	25,000	0.61	March 18, 2016
100,000	-	0.46	April 17, 2016
145,000	145,000	0.10	June 08, 2016
<u>250,000</u>	<u>250,000</u>	1.11	September 12, 2016
<u>2,757,500</u>	<u>2,657,500</u>		

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

9. Share Capital (continued)

(e) *Shares Held in Escrow*

As at April 30, 2013 there were 4,125,389 common shares which remained held in escrow and will be released in accordance with the requirements of the TSXV.

10. Related Party Disclosures

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the six months ended April 30, 2013 and 2012 the following amounts were incurred with respect to the Company's President and Chief Financial Officer ("CFO"):

	2013 \$	2012 \$
Management fees	81,000	64,000
Share-based compensation	-	54,000
	<u>81,000</u>	<u>118,300</u>

As at April 30, 2013, \$13,500 (2012 - \$Nil) remained unpaid and has been included in accounts payable and accrued liabilities.

The Company has a management agreement with the President which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of two years of compensation, at \$13,500 per month, is payable. If the termination had occurred on April 30, 2013, the amount payable under the agreement would be \$324,000.

(b) *Transactions with other Related Parties*

(i) During the six months ended April 30, 2013 the Company incurred \$nil (2012 - \$61,200) for share-based compensation expense to an officer and non-management directors of the Company.

(ii) During the six months ended April 30, 2013 the Company incurred \$18,670 (2012 - \$16,300) to Chase Management Ltd. ("Chase"), a private corporation owned by the CFO of the Company, for accounting and administrative services provided by Chase personnel, exclusive of the CFO, and for rent. As at April 30, 2013, \$6,670 (2012 - \$6,500) remained unpaid and has been included in accounts payable and accrued liabilities.

(c) During the six months ended April 30, 2013 the Company incurred \$35,845 (2012 - \$2,415) for shared administration costs with public companies with common directors and officers. As at April 30, 2013, \$7,153 (2012 - \$1,756) remained unpaid and has been included in accounts payable and accrued liabilities.

See also Note 9(b)(i).

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

11. 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	April 30, 2013 \$	October 31, 2012 \$
Cash	FVTPL	13,240,101	16,863,409
Amounts receivable	Loans and receivables	228,499	209,882
Reclamation deposit	Loans and receivables	77,691	70,411
Accounts payable and accrued liabilities	Other liabilities	(305,435)	(602,423)
Property acquisition obligation	Other liabilities	(343,753)	(306,446)

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 recorded amount for the property acquisition obligation approximates its fair value. The fair value is determined using a discounted cash flow approach based on the use of directly and indirectly observable inputs on reporting dates. A market rate of interest of 17% and payment dates of 2016 and 2017 were the assumptions. The Company’s fair value of cash under the fair value hierarchy is measured using Level 1.

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, reclamation deposit and amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash, amounts receivable and reclamation deposit is remote.

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. The following table is based on the contractual maturity dates of financial assets and liabilities and the earliest date on which the Company can be required to settle financial liabilities.

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

	Contractual Maturity Analysis at April 30, 2013				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	13,240,101	-	-	-	13,240,101
Amounts receivable	228,499	-	-	-	228,499
Reclamation deposit	-	-	-	77,691	77,691
Accounts payable and accrued liabilities	(305,435)	-	-	-	(305,435)
Property acquisition obligation	-	-	(343,753)	-	(343,753)

	Contractual Maturity Analysis at October 31, 2012				
	Less than 3 Months \$	3 - 12 Months \$	1 - 5 Years \$	Over 5 Years \$	Total \$
Cash	16,863,409	-	-	-	16,863,409
Amounts receivable	209,882	-	-	-	209,882
Reclamation deposit	-	-	-	70,411	70,411
Accounts payable and accrued liabilities	(602,423)	-	-	-	(602,423)
Property acquisition obligation	-	-	(306,446)	-	(306,446)

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

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.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and SEK. The Company maintains SEK bank accounts in Sweden to support the cash needs of its foreign operations. Management believes the foreign exchange risk related to currency conversions is minimal and therefore does not hedge its foreign exchange risk. At April 30, 2013, 1 Canadian Dollar was equal to SEK 6.44.

Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	1,632,047	253,423
Amounts receivable	1,154,542	179,277
Reclamation deposit	500,000	77,691
Accounts payable and accrued liabilities	(1,547,519)	(240,298)
Property acquisition obligation	(2,212,312)	(343,753)
	<u>(473,242)</u>	<u>(73,660)</u>

Based on the net exposures as of April 30, 2013 and assuming that all other variables remain constant, a 10% fluctuation the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$7,000 higher (or lower).

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

11. Financial Instruments and Risk Management (continued)

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration mineral properties. 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 development of the business. The Company defines capital that it manages as share capital and cash. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

12. Supplemental Cash Flow Information

During the six months ended April 30, 2013 and 2012 non-cash activities were conducted by the Company as follows:

	2013 \$	2012 \$
Operating activities		
Depreciation	17,109	-
Provision for site restoration	(386,210)	230,685
Increase in accounts payable and accrued liabilities	114,803	153,980
	<u>(254,298)</u>	<u>384,665</u>
Investing activities		
Additions to property, plant and equipment	(130,888)	-
Revisions to exploration and evaluation assets	385,186	(384,665)
Reverse acquisition	-	(3,475,000)
	<u>254,298</u>	<u>(3,859,665)</u>
Financing activities		
Issuance of common shares	35,794	3,575,800
Share issue costs	-	(1,297,643)
Share-based payments reserve	(35,794)	1,196,843
	<u>-</u>	<u>3,475,000</u>

FLINDERS RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED APRIL 30, 2013
(Unaudited - Expressed in Canadian Dollars)

13. Segmented Information

As at April 30, 2013 and October 31, 2012, the Company was involved in the exploration and development of resource properties in Sweden, with corporate operations in Canada. The Company is in the exploration and development stage and accordingly, has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	<u>As at April 30, 2013</u>		
	Corporate Canada \$	Mineral Operations Sweden \$	Total \$
Current assets	13,063,314	612,334	13,675,648
Property, plant and equipment	-	4,862,231	4,862,231
Exploration and evaluation assets	-	5,339,471	5,339,471
Reclamation deposit	-	77,691	77,691
	<u>13,063,314</u>	<u>10,891,727</u>	<u>23,955,041</u>
	<u>As at October 31, 2012</u>		
	Corporate Canada \$	Mineral Operations Sweden \$	Total \$
Current assets	16,762,458	487,856	17,250,314
Property, plant and equipment	-	3,211,869	3,211,869
Exploration and evaluation assets	-	5,535,476	5,535,476
Reclamation deposit	-	70,411	70,411
	<u>16,762,458</u>	<u>9,305,612</u>	<u>26,068,070</u>