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**FLINDERS RESOURCES LIMITED**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
APRIL 30, 2016

*(Unaudited - Expressed in Canadian Dollars)*

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED 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 consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated 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.

The Company's auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	Note	April 30, 2016 \$	October 31, 2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		2,203,249	3,214,185
GST/VAT receivables		27,942	35,319
Amounts receivable		26,342	16,032
Prepaid expenses		12,460	7,577
Inventory		97,912	95,583
Plant stores and supplies		<u>98,182</u>	<u>96,088</u>
<b>Total current assets</b>		<u>2,466,087</u>	<u>3,464,784</u>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	28,261	19,616
Property, plant and equipment	5	16,231,306	15,439,874
Reclamation deposit	6	<u>83,084</u>	<u>81,112</u>
<b>Total non-current assets</b>		<u>16,342,651</u>	<u>15,540,602</u>
<b>TOTAL ASSETS</b>		<u>18,808,738</u>	<u>19,005,386</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		<u>151,668</u>	<u>231,142</u>
<b>Non-current liabilities</b>			
Provision for site restoration	6	6,486,700	5,638,374
Property acquisition obligation	4	<u>571,150</u>	<u>513,033</u>
<b>Total non-current liabilities</b>		<u>7,057,850</u>	<u>6,151,407</u>
<b>TOTAL LIABILITIES</b>		<u>7,209,518</u>	<u>6,382,549</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	25,763,144	25,763,144
Share-based payments reserve		3,152,810	3,152,810
Deficit		<u>(17,316,734)</u>	<u>(16,293,117)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>11,599,220</u>	<u>12,622,837</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u>18,808,738</u>	<u>19,005,386</u>

**Nature of Operations and Going Concern - Note 1**

**Events after the Reporting Period - Note 13**

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on June 28, 2016 and are signed on its behalf by:

/s/ Blair Way  
Blair Way  
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,	
		2016 \$	2015 \$	2016 \$	2015 \$
<b>Expenses</b>					
Accounting and administration		16,751	26,182	36,884	55,895
Accretion of property acquisition obligation	4	24,341	19,309	46,145	37,725
Accretion of provision for site restoration	6	9,856	14,001	19,712	28,233
Audit		15,978	16,454	47,493	41,018
Bank charges		831	1,073	1,577	2,241
Consulting		97,736	81,894	261,565	158,103
Corporate development		3,485	23,803	5,143	37,238
Depreciation		21,498	19,224	44,864	35,840
Equipment rentals and related		6,396	5,469	15,585	27,715
Fuel, electricity and utilities		15,337	47,711	27,762	99,120
Insurance		5,025	5,758	10,107	13,858
Investor relations		-	8,100	-	22,500
Legal		1,775	12,350	2,558	25,783
Management fees		49,998	49,998	99,996	99,996
Office		10,434	9,219	24,604	21,912
Plant maintenance		-	17,033	9,760	30,610
Plant supplies and consumables		2,313	61,985	10,571	88,091
Regulatory		3,079	3,454	4,729	5,963
Relocation costs	8(a)	-	-	-	64,111
Rent		1,005	1,005	2,010	2,010
Repairs and maintenance		-	1,321	-	2,337
Salaries, compensation and benefits		142,721	268,478	326,891	523,479
Share-based compensation	7(d)	-	-	-	17,000
Shareholder costs		1,000	2,204	1,000	4,204
Transfer agent		1,070	1,258	2,304	2,692
Travel		29,521	43,456	51,967	82,590
		<u>460,150</u>	<u>740,739</u>	<u>1,053,227</u>	<u>1,530,264</u>
<b>Loss before other items</b>		<u>(460,150)</u>	<u>(740,739)</u>	<u>(1,053,227)</u>	<u>(1,530,264)</u>
<b>Other items</b>					
Interest income		5,409	13,957	12,366	33,390
Foreign exchange		1,244	12,786	(7,600)	17,245
Gain on sale of equipment		3,814	-	3,814	-
Cost recoveries		-	-	21,030	-
Due diligence expenses		-	-	-	(15,211)
		<u>10,467</u>	<u>26,743</u>	<u>29,610</u>	<u>35,424</u>
<b>Net loss and comprehensive loss</b>		<u>(449,683)</u>	<u>(713,996)</u>	<u>(1,023,617)</u>	<u>(1,494,840)</u>
<b>Loss per share - basic and diluted</b>		<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$(0.02)</u>	<u>\$(0.03)</u>
<b>Weighted average number of common shares outstanding - basic and diluted</b>		<u>46,820,730</u>	<u>46,820,730</u>	<u>46,820,730</u>	<u>46,820,730</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)*

<b>Six Months Ended April 30, 2016</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>Balance at October 31, 2015</b>	46,820,730	25,763,144	3,152,810	(16,293,117)	12,622,837
Net loss for the period	-	-	-	(1,023,617)	(1,023,617)
<b>Balance at April 30, 2016</b>	<u>46,820,730</u>	<u>25,763,144</u>	<u>3,152,810</u>	<u>(17,316,734)</u>	<u>11,599,220</u>

<b>Six Months Ended April 30, 2015</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>Balance at October 31, 2014</b>	46,820,730	25,763,144	3,135,810	(13,504,967)	15,393,987
Share-based compensation	-	-	17,000	-	17,000
Net loss for the period	-	-	-	(1,494,840)	(1,494,840)
<b>Balance at April 30, 2015</b>	<u>46,820,730</u>	<u>25,763,144</u>	<u>3,152,810</u>	<u>(14,999,807)</u>	<u>13,916,147</u>

*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,	
	2016	2015
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(1,023,617)	(1,494,840)
Adjustments for:		
Accretion of property acquisition obligation	46,145	37,725
Accretion of provision for site restoration	19,712	28,233
Depreciation	44,864	35,840
Foreign exchange	(6,402)	(20,082)
Share-based compensation	-	17,000
Gain on sale of equipment	(3,814)	-
Changes in non-cash working capital items:		
Amounts receivable	(10,310)	52
GST/VAT receivables	7,377	22,756
Prepaid expenses and deposit	(4,883)	14,386
Inventory	(2,329)	(72,712)
Plant stores and supplies	(2,094)	12,975
Accounts payable and accrued liabilities	(79,474)	13,878
<b>Net cash used in operating activities</b>	<u>(1,014,825)</u>	<u>(1,404,789)</u>
<b>Investing activities</b>		
Proceeds on sale of equipment	12,534	-
Additions to property, plant and equipment	-	(698,661)
Expenditures on exploration and evaluation assets	(8,645)	(17,382)
<b>Net cash provided by (used in) investing activities</b>	<u>3,889</u>	<u>(716,043)</u>
<b>Net change in cash</b>	(1,010,936)	(2,120,832)
<b>Cash at beginning of period</b>	<u>3,214,185</u>	<u>6,506,217</u>
<b>Cash at end of period</b>	<u>2,203,249</u>	<u>4,385,385</u>

**Supplemental cash flow information** - See Note 11

*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, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

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**1. Nature of Operations and Going Concern**

The Company is a junior exploration company currently engaged in the operation of its 100% owned Woxna Graphite Mine located in central Sweden. The Company's common shares trade on the TSX Venture Exchange (the "TSXV") under the symbol "FDR". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

During the six months ended April 30, 2016 the Company recorded a net loss of \$1,023,617 and, as at April 30, 2016, the Company had an accumulated deficit of \$17,316,734 and working capital of \$2,314,419. During fiscal 2014 and 2015 the Company conducted the refurbishment of the Woxna Graphite Mine. Effective August 1, 2015 the Company determined that the refurbishment and commissioning of the Woxna Graphite Mine was complete. However, the Company has not sold any graphite concentrate due to low demand and the resultant poor pricing of graphite concentrates. The Woxna Graphite Mine is currently not operating and will not commence meaningful production until market conditions improve. The Company is currently reviewing opportunities to produce higher specialty products such as high purity graphite for battery and other specialty end uses. The Company has implemented cost reduction procedures at its Woxna Graphite Mine on a "production-ready" basis to minimize costs. Although the Company has sufficient funding to meet anticipated levels of corporate administration and overheads for the ensuing twelve months it anticipates that it may need additional capital to recommence operations at the Woxna Graphite Mine and/or modernizing the plant to produce value added production. There is no assurance such additional capital will be available to the Company on acceptable terms or at all. In the longer term the recoverability of the carrying value of the Company's long-lived assets is dependent upon the Company's ability to preserve its interest in the underlying mineral property interests, the discovery of economically recoverable reserves, the achievement of profitable operations and the ability of the Company to obtain financing to support its ongoing exploration programs and mining operations. Whether the Company can generate positive cash flow and, ultimately, achieve profitability is uncertain. These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") appropriate for a going concern. The going concern basis of accounting assumes the Company will continue to realize the value of its assets and discharge its liabilities and other obligations in the ordinary course of business. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements. These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that may be necessary should the Company be unable to repay its liabilities and meet its other obligations in the ordinary course of business or continue operations.

Subsequent to April 30, 2016 the Company entered into an agreement to conduct a merger. See Note 13(a).

**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, 2015, 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, 2015.

***Basis of Measurement***

The Company's condensed consolidated 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 condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED APRIL 30, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**3. Subsidiaries**

The subsidiaries of the Company are as follows:

<u>Company</u>	<u>Location of Incorporation</u>	<u>Ownership Interest</u>
Flinders Holdings Limited ("Flinders Holdings")	British Columbia	100%
Woxna Graphite AB ("Woxna")	Sweden	100%

**4. Exploration and Evaluation Assets**

	<u>As at April 30, 2016</u>			<u>As at October 31, 2015</u>		
	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>	<u>Acquisition Costs \$</u>	<u>Deferred Exploration Costs \$</u>	<u>Total \$</u>
Sweden						
Other Projects	<u>23,555</u>	<u>4,706</u>	<u>28,261</u>	<u>14,910</u>	<u>4,706</u>	<u>19,616</u>
						\$
<b>Balance at October 31, 2014</b>						<u>-</u>
<b>Exploration costs:</b>						
Assay sampling						<u>2,879</u>
Consulting						<u>1,827</u>
						<u>4,706</u>
<b>Acquisition costs:</b>						
Mining rights						<u>14,910</u>
<b>Balance at October 31, 2015</b>						<u>19,616</u>
<b>Acquisition costs:</b>						
Mining rights						<u>8,645</u>
<b>Balance at April 30, 2016</b>						<u>28,261</u>

In February 2012 the Company completed the acquisition of Flinders Holdings Limited, which owns Woxna Graphite AB ("Woxna"). Woxna holds a 100% interest in the Woxna Graphite Mine, comprising four exploitation concessions, known as Kringelgruven, 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 it acquired:

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



**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED APRIL 30, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**4. Exploration and Evaluation Assets (continued)**

During fiscal 2014 the technical feasibility and commercial viability of the Kringselgruven concession and the Woxna Graphite Mine was demonstrated, transitioning the Kringselgruven concession to the development stage of mining. Accordingly the costs on the exploration and evaluation assets attributed to the Kringselgruven concession and the Woxna Graphite Mine were reclassified to property, plant and equipment. See also Note 5.

The Company has recognized the SEK 4,000,000 additional consideration associated with the Kringselgruven 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, 2016 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 Kringselgruven concession is as follows:

	\$
<b>Balance at October 31, 2014</b>	433,314
Accretion of discounted cash flows	77,465
Foreign exchange adjustment	<u>2,254</u>
<b>Balance at October 31, 2015</b>	513,033
Accretion of discounted cash flows	46,145
Foreign exchange adjustment	<u>11,972</u>
<b>Balance at April 30, 2016</b>	<u>571,150</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.

**5. Property, Plant and Equipment**

<b>Cost:</b>	<b>Vehicles</b> \$	<b>Equipment and Tools</b> \$	<b>Building</b> \$	<b>Manufacturing and Processing Facility</b> \$	<b>Mineral Property Acquisition and Development Costs</b> \$	<b>Total</b> \$
Balance at October 31, 2014	122,251	250,117	340,300	7,399,891	6,304,557	14,417,116
Additions	40,882	14,582	3,839	167,987	224,933	452,223
Pre-production costs, net of recoveries	-	-	-	-	107,664	107,664
Adjustment to site restoration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815,207</u>	<u>815,207</u>
Balance at October 31, 2015	163,133	264,699	344,139	7,567,878	7,452,361	15,792,210
Additions	-	-	-	-	16,401	16,401
Disposal	(37,369)	-	-	-	-	(37,369)
Adjustment to site restoration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>828,615</u>	<u>828,615</u>
Balance at April 30, 2016	<u>125,764</u>	<u>264,699</u>	<u>344,139</u>	<u>7,567,878</u>	<u>8,297,377</u>	<u>16,599,857</u>

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED APRIL 30, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**5. Property, Plant and Equipment (continued)**

	Vehicles \$	Equipment and Tools \$	Building \$	Manufacturing and Processing Facility \$	Mineral Property Acquisition and Development Costs \$	Total \$
<b>Accumulated Depreciation:</b>						
Balance at October 31, 2014	(57,864)	(51,003)	-	(59,939)	-	(168,806)
Depreciation	<u>(26,958)</u>	<u>(131,152)</u>	<u>(5,470)</u>	<u>(19,950)</u>	<u>-</u>	<u>(183,530)</u>
Balance at October 31, 2015	(84,822)	(182,155)	(5,470)	(79,889)	-	(352,336)
Depreciation	(11,687)	(12,142)	(11,003)	(10,032)	-	(44,864)
Disposal	<u>28,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,649</u>
Balance at April 30, 2016	<u>(67,860)</u>	<u>(194,297)</u>	<u>(16,473)</u>	<u>(89,921)</u>	<u>-</u>	<u>(368,551)</u>
<b>Carrying Value:</b>						
Balance at October 31, 2015	<u>78,311</u>	<u>82,544</u>	<u>338,669</u>	<u>7,487,989</u>	<u>7,452,361</u>	<u>15,439,874</u>
Balance at April 30, 2016	<u>57,904</u>	<u>70,402</u>	<u>327,666</u>	<u>7,477,957</u>	<u>8,297,377</u>	<u>16,231,306</u>

During fiscal 2014 technical feasibility and commercial viability of the extraction of mineral resources at the Woxna Graphite Mine was demonstrated, transitioning the Company to the development stage of mining. Upon the transition, costs on the exploration and evaluation assets attributed to the mine were reclassified to property, plant and equipment.

**6. Provision for Site Restoration**

Although the ultimate amount of the decommissioning obligation for the Kringelgruven 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 21 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 0.81% (October 31, 2015 - 0.66%) and an inflation factor of 0.80% (October 31, 2015 - 0.10%). 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:

	\$
<b>Balance at October 31, 2014</b>	4,766,580
Accretion	56,587
Revision of estimates	799,919
Foreign exchange adjustment	<u>15,288</u>
<b>Balance at October 31, 2015</b>	5,638,374
Accretion	19,712
Revision of estimates	639,698
Foreign exchange adjustment	<u>188,916</u>
<b>Balance at April 30, 2016</b>	<u>6,486,700</u>

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED APRIL 30, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

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**6. Provision for Site Restoration** (continued)

As at April 30, 2016 a reclamation deposit of \$83,084 (SEK 530,305) has been paid to the Gavleborg County Administration Board and has been accounted for as a non-current deposit. The reclamation deposit was placed as security for site restoration on the Kringelgruven concession.

As at April 30, 2016 the Mattsmyra, Gropabo and Mansberg concessions remain undeveloped and there are no property restoration obligations relating to these concessions.

**7. Share Capital**

(a) *Authorized Share Capital*

The Company's authorized share capital consists of an unlimited number of common shares without par value. All issued common shares are fully paid.

(b) *Equity Financing*

No equity financing was conducted by the Company during the six months ended April 30, 2016 or fiscal 2015.

(c) *Warrants*

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants at April 30, 2016 and 2015 and the changes for the six months ended on those dates is as follows:

	2016		2015	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance beginning of period	9,570,000	0.75	9,570,000	0.75
Expired	<u>(9,570,000)</u>	0.75	<u>-</u>	-
Balance end of period	<u>-</u>	-	<u>9,570,000</u>	0.75

(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.

During the six months ended April 30, 2016 and 2015 the Company did not grant any share options.

During the six months ended April 30, 2015 the Company recorded compensation expense of \$17,000 on the vesting of share options previously granted. The fair value of share options vested during the six months ended April 30, 2015 is estimated using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.28%; estimated volatility of 121%; expected life of 2 years; expected dividend yield of 0%; estimated forfeiture rate of 0%.

**FLINDERS RESOURCES LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED APRIL 30, 2016**  
*(Unaudited - Expressed in Canadian Dollars)*

**7. Share Capital (continued)**

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, 2016 and 2015 and the changes for the six months ended on those dates is as follows:

	2016		2015	
	Number of Options Outstanding	Weighted Average Exercise Price \$	Number of Options Outstanding	Weighted Average Exercise Price \$
Balance beginning of period	1,850,000	0.51	2,390,000	0.59
Expired	<u>(100,000)</u>	0.60	<u>(290,000)</u>	0.50
Balance end of period	<u>1,750,000</u>	0.50	<u>2,100,000</u>	0.60

The following table summarizes information about the share options outstanding and exercisable at April 30, 2016:

Number	Exercise Price \$	Expiry Date
145,000	0.10	June 8, 2016
800,000	0.57	September 17, 2016
200,000	0.45	January 6, 2017
555,000	0.52	March 28, 2017
<u>50,000</u>	0.65	March 28, 2017
<u>1,750,000</u>		

See also Note 13(b).

**8. 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, 2016 and 2015 the following amounts were incurred with respect to the Company's President and the Chief Financial Officer ("CFO"):

	2016 \$	2015 \$
Management fees - President	99,996	99,996
Relocation reimbursement costs - President	-	64,111
Consulting fees - CFO	<u>16,000</u>	<u>25,000</u>
	<u>115,996</u>	<u>189,107</u>

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**8. Related Party Disclosures (continued)**

The Company has a management agreement with the President of the Company 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 one year of compensation, at \$16,666 per month, is payable. If the termination had occurred on April 30, 2016 the amount payable under the agreement would be \$199,992.

(b) *Transactions with other Related Parties*

(i) During the six months ended April 30, 2016 and 2015 the following amounts were incurred with respect to non-management directors of the Company:

	2016 \$	2015 \$
Consulting fees	<u>27,000</u>	<u>36,000</u>

As at April 30, 2016, \$6,000 (October 31, 2015 - \$16,000) remained unpaid and has been included in accounts payable and accrued liabilities.

(ii) Chase Management Ltd. ("Chase"), a private corporation owned by the Chief Financial Officer ("CFO") of the Company, provides accounting and administrative services. During the six months ended April 30, 2016 the Company incurred \$18,300 (2015 - \$21,000) for services provided by Chase personnel, exclusive of the CFO, and \$2,010 (2015 - \$2,010) for rent. As at April 30, 2016, \$4,970 (October 31, 2015 - \$5,270) remained unpaid and has been included in accounts payable and accrued liabilities.

(iii) During the six months ended April 30, 2016 the Company incurred \$4,300 (2015 - \$6,915) for shared administration costs with public companies with common directors and officers. As at April 30, 2016, \$1,813 (October 31, 2015 - \$338) remained unpaid and has been included in accounts payable and accrued liabilities.

**9. Financial Instruments and Risk Management**

*Categories of Financial Assets and Financial Liabilities*

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

Financial Instrument	Category	April 30, 2016 \$	October 31, 2015 \$
Cash	FVTPL	2,203,249	3,214,185
Amounts receivable	Loans and receivables	26,342	16,032
Reclamation deposit	Loans and receivables	83,084	81,112
Accounts payable and accrued liabilities	Other financial liabilities	(151,668)	(231,142)
Property acquisition obligation	Other financial liabilities	(571,150)	(513,033)

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:

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**9. Financial Instruments and Risk Management (continued)**

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 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.

	<b>Contractual Maturity Analysis at April 30, 2016</b>				
	<b>Carrying Amount \$</b>	<b>Contractual Cash Flows \$</b>	<b>Less than 3 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>
Cash	2,203,249	2,203,249	2,203,249	-	-
Amounts receivable	26,342	26,342	26,342	-	-
Reclamation deposit	83,084	83,084	-	-	83,084
Accounts payable and accrued liabilities	(151,668)	(151,668)	(151,668)	-	-
Property acquisition obligation	(571,150)	(626,688)	-	(626,688)	-
	<b>Contractual Maturity Analysis at October 31, 2015</b>				
	<b>Carrying Amount \$</b>	<b>Contractual Cash Flows \$</b>	<b>Less than 3 Months \$</b>	<b>1 - 5 Years \$</b>	<b>Over 5 Years \$</b>
Cash	3,214,185	3,214,185	3,214,185	-	-
Amounts receivable	16,032	16,032	16,032	-	-
Reclamation deposit	81,112	81,112	-	-	81,112
Accounts payable and accrued liabilities	(231,142)	(231,142)	(231,142)	-	-
Property acquisition obligation	(513,033)	(611,784)	-	(611,784)	-

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**9. Financial Instruments and Risk Management (continued)**

*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, 2016, 1 Canadian Dollar was equal to SEK 6.38.

Balances are as follows:

	SEK	CDN \$ Equivalent
Cash	160,025	25,082
Amounts receivable	168,133	26,353
VAT receivable	34,250	5,368
Inventories	624,948	97,912
Plant stores and supplies	626,670	98,182
Reclamation deposit	530,305	83,084
Accounts payable and accrued liabilities	(762,541)	(119,521)
Property acquisition obligation	<u>(3,645,517)</u>	<u>(571,150)</u>
	<u>(2,263,727)</u>	<u>(354,690)</u>

Based on the net exposures as of April 30, 2016 and assuming that all other variables remain constant, a 10% fluctuation of the Canadian Dollar against the SEK would result in the Company's net loss being approximately \$35,400 higher or lower.

The Company also maintains a US Dollar bank account to facilitate the transfer of funds and payment of US Dollar denominated accounts payable. As at April 30, 2016 the balance of US Dollars held by the Company was insignificant.

*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.

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**11. Supplemental Cash Flow Information**

During the six months ended April 30, 2016 and 2015 non-cash activities were conducted by the Company as follows:

	2016 \$	2015 \$
Operating activities		
Provision for site restoration	845,016	551,279
Accounts payable and accrued liabilities	-	(184,049)
	<u>845,016</u>	<u>367,230</u>
Investing activities		
Revisions of estimates on property, plant and equipment	(845,016)	(551,279)
Property, plant and equipment	-	184,049
	<u>(845,016)</u>	<u>(367,230)</u>

**12. Segmented Information**

As at April 30, 2016 and October 31, 2015 the Company was involved in the exploration and development of resource properties in Sweden, with corporate operations in Canada and accordingly, has no reportable segment revenues or operating results. The Company's total assets are segmented geographically as follows:

	<u>As a April 30, 2016</u>		
	Corporate Canada \$	Mineral Operations Sweden \$	Total \$
Current assets	2,119,884	346,203	2,466,087
Exploration and evaluation assets	-	28,261	28,261
Property, plant and equipment	-	16,231,306	16,231,306
Reclamation deposit	-	83,084	83,084
	<u>2,119,884</u>	<u>16,688,854</u>	<u>18,808,738</u>
	<u>As a October 31, 2015</u>		
	Corporate Canada \$	Mineral Operations Sweden \$	Total \$
Current assets	3,037,330	427,454	3,464,784
Exploration and evaluation assets	-	19,616	19,616
Property, plant and equipment	-	15,439,874	15,439,874
Reclamation deposit	-	81,112	81,112
	<u>3,037,330</u>	<u>15,968,056</u>	<u>19,005,386</u>



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**13. Events after the Reporting Period**

- (a) On May 10, 2016 the Company announced that it had entered into an agreement in principle with Tasman Metals Ltd. ("Tasman") to complete a merger of the two companies (the "Potential Merger"). On June 21, 2016 the Company and Tasman announced they had signed a definitive arrangement agreement (the "Agreement") whereby the Company will acquire, through a statutory plan of arrangement (the "Arrangement"), all of the outstanding shares of Tasman (the "Tasman Shares"). Under the terms of the Arrangement, Tasman shareholders will receive 0.5 of a Flinders common share (a "Flinders Share") for each Tasman Share.

Holders of outstanding stock options, warrants and compensation options exercisable to acquire Tasman Shares will be entitled to receive, upon exercise of such securities, for the same aggregate consideration, 0.5 of a Flinders Shares in lieu of each Tasman Share otherwise issuable.

Certain officers and directors of the Company are also officers and directors of Tasman.

- (b) On June 8, 2016 the Company issued 145,000 common shares on the exercise of share options, at an exercise price of \$0.10 per share, for \$14,500.