



26 August 2008

Dear Option Holder

NOTIFICATION OF EXPIRY OF OPTIONS

As at the date of this notice you are the registered holder of 'FMSOA' Options in Flinders Mines Limited which are due to expire on Monday 29 September 2008. Your options will expire unless exercised on or before that date. Please read the following information carefully.

EXPIRY DATE

Your options expire at 5.00pm (Adelaide time) on Monday 29 September 2008. Quotation of these options (FMSOA) will cease on the Australian Stock Exchange at the close of trading on Monday 22 September 2008.

EXERCISE PRICE AND PAYMENT

The exercise price of the Option is ten cents (\$0.10) per Option. Each Option exercised will result in one fully paid ordinary share in the Company being issued.

Should you wish to exercise your Options, cheques in Australian currency equivalent to the amount due on exercise, should be made payable to Flinders Mines Limited and crossed "Not Negotiable".

Your cheque together with a completed and signed Notice of Exercise of Options Form (attached) should be lodged with the Company's share registry, Computershare Investor Services Pty Ltd, Level 5, 115 Grenfell Street Adelaide SA 5000 (GPO Box 1903, Adelaide SA 5001), by no later than close of business on Monday 29 September 2008.

CONSEQUENCE OF NON-PAYMENT

Options not exercised by 29 September 2008 will lapse with no value. No further entitlement will exist.

UNDERWRITING

No underwriting agreement currently exists in respect of these options.

PRICES

The latest available market sale price on the Australian Securities Exchange Limited (ASX) on the date of this notice for those securities to which the Options may be converted was \$0.13 at close of trade on 25 August 2008.

The highest and lowest sale price on the ASX for the three months preceding the date of this notice and the respective dates of those sales for those securities to which the Options may be converted were:

Highest	\$0.255 on 3 June 2008
Lowest	\$0.12 on 25 August 2008

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CURRENT ACTIVITIES

Flinders Mines is carrying out a resource evaluation drilling program at its Hamersley Iron ore Project in the Pilbara Region of Western Australia. A large exploration target of CID (Channel Iron Deposit) type iron ore has been recognised lying between recent CID discoveries of 1.7 billion tonnes by Fortescue Metals Group (FMG) and 875 million tonnes by Rio Tinto. To date intersections have been of similar grade and width to those encountered in FMG's Serenity iron ore deposit. FMS is working towards defining an Inferred Resource prior to the end of 2008. A large resource of CID iron ore would be a very valuable asset which should provide strong support for higher share prices.

On another front, the company is continuing with its diamond exploration and has commenced an exciting exploration program to search for diamonds on the highly prospective Gawler Craton. In addition, due to the high current price of phosphate, the Company has decided to carry out an exploration program for phosphate on its tenements between Jamestown and Orroroo in South Australia. The Company has 66 kilometres of strike length of poorly explored phosphate-bearing horizons which will be subjected to a soil sampling and drilling program in an attempt to determine if a potentially economic resource is present. It is believed that in the event of a discovery of phosphate or diamonds a large interest in trading of FMS shares would develop.

FMS future activities will consist mainly of the drilling evaluation of its Hamersley iron ore project where metallurgical and pre-feasibility studies may be able to commence in early 2009. In addition the possibilities of a diamond or phosphate discovery will provide additional chances for shareholder wealth creation.

On behalf of the Board I encourage you to consider exercising your options. The Company is enjoying exciting times and is looking forward to a successful future.

Yours Faithfully

A handwritten signature in black ink, appearing to be 'Robert M Kennedy', written in a cursive style.

Robert M Kennedy
Chairman