



The Manager
Companies Announcements Office
Australian Securities Exchange
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WEEKLY

IRON ORE DRILLING REPORT – No. 4

HAMERSLEY PROJECT, WA



HIGHLIGHTS

HAMERSLEY TENEMENT E47/882 Flinders Mines Limited (FMS) 100%

- *Excellent assay results from Area E confirm mineralised thicknesses 75% in excess of initial Exploration Target estimates.*
- *Area of known Channel Iron Deposit (CID) mineralisation extended on the northern margin of Area E.*
- *Latest drilling intersections from Area D located CID mineralisation at shallow depths with good thicknesses.*
- *Area D visual intersections average 14.0 metres thick and continue to exceed the initial Exploration Target estimate of 8.0 metres.*
- *A third rig has been contracted to commence drilling early in October 2008 – this will increase the drilling rate and expedite Inferred Resource estimations.*

Drilling Statistics

Table 1 Completed drillholes in each area.

| Target Area | No of Holes | Metres Drilled |
|-------------|-------------|----------------|
| Area A | 0 | 0 |
| Area B | 0 | 0 |
| Area C | 0 | 0 |
| Area D | 13 | 491 |
| Area E | 40 | 2,839 |
| Total | 53 | 3,330 |

| | |
|----------------------------------|-------|
| Number of samples sent for assay | 1,611 |
| Number of assays received | 238 |
| Number of assay results awaited | 1,373 |

Note: These numbers include previously reported numbers.

List of new iron ore intersections in week Table 2

List of received assayed intersections in week Table 3

Location

Flinders Mines Limited's (ASX: "FMS") Hamersley Iron Ore Project in WA comprises five target areas: Areas A, B, C, D and E (see Figure 1).

High Court Ruling

Fortescue Metals Group Ltd (FMG) reported in a Media Release yesterday that the High Court had ruled that BHP Billiton's Newman and Goldsworthy rail track services are not excluded from coverage under Part 111A of the Trade Practices Act. This should bring third party access to Pilbara rail services a step closer for companies such as FMS where a railway is located only 20 km from current activities and another is planned.

Summary Update

Drilling is now proceeding with two RC drill rigs on a regular basis. Each rig is completing about one hole per day and together about 14 holes for 600 to 750 metres per week. A third rig is due to commence in early October. The current

This announcement by FMS is the fourth in a series of weekly announcements to describe the drilling progress at its Hamersley Project in Western Australia. It is anticipated that weekly announcements will continue until inferred resources are announced at the end of the 2008 calendar year. The announcements will take the form of a template to ensure the information is concise and consistent.

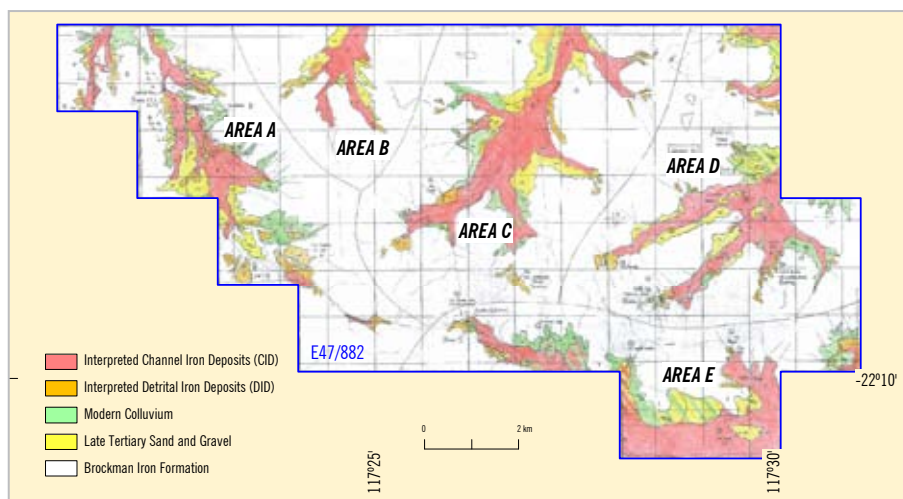


Figure 1 Hamersley E47/882 showing the location of Target Areas.

drilling program is expected to continue until early December.

Results to date have indicated broad zones of flat-lying CID mineralisation at variable depths – from near the surface in valley headwater areas – to about 50 metres further downstream. Locations are approximately as predicted. In contrast, ore thicknesses are greater than originally estimated, with both Areas E and D currently averaging about 14 metres thick compared to an original estimate of 8 metres. This represents a 75% increase in thickness.

Drilling Intersections

Table 2: List of iron ore intersections during the week (assays awaited).

| Hole ID | Visual estimate | | | Total Depth (m) |
|---------|-----------------|--------|--------------|-----------------|
| | From (m) | To (m) | Interval (m) | |
| HRC208 | 21 | 30 | 9 | 52 |
| HRC210 | None identified | | | 32 |
| HRC211 | None identified | | | 36 |
| HRC212 | 18 | 30 | 12 | 42 |
| HRC213 | 23 | 26 | 3 | 26 |
| HRC214 | None identified | | | 12 |
| HRC42 | 50 | 72 | 22 | 104 |
| HRC43 | 56 | 62 | 6 | 96 |
| HRC44 | 41 | 47 | 6 | 60 |
| HRC45 | 54 | 73 | 19 | 90 |
| HRC46 | 54 | 62 | 8 | 90 |
| HRC47 | 58 | 68 | 10 | 90 |



Drill cuttings from HRC23

Table 3: List of RC drillhole intersections (assays received).

| Hole ID | From (m) | To (m) | Interval (m) | Fe % | Al ₂ O ₃ % | SiO ₂ % | P % | LOI % |
|---------|----------|--------|--------------|------|----------------------------------|--------------------|-------|-------|
| HRC23 | 8 | 24 | 16 | 56.7 | 2.4 | 7.9 | 0.110 | 7.7 |
| HRC24 | 4 | 16 | 12 | 54.5 | 3.9 | 6.8 | 0.083 | 10.6 |
| HRC38 | 16 | 32 | 16 | 54.1 | 5.1 | 13.4 | 0.045 | 3.1 |
| HRC39 | Subgrade | | | | | | | |
| HRC40 | Subgrade | | | | | | | |
| HRC41 | Subgrade | | | | | | | |

NB: These intersections are based on an Fe cut-off grade of 50% and a maximum internal dilution of 2m. Analysis via XRF fusion at SGS Laboratories. LOI - Loss of ignition.

Only limited numbers of assays have been returned to date, for nine of 53 holes drilled. The current batch of assays was received yesterday afternoon. This is due to the normal laboratory assay turnaround time being about 4 weeks from receipt of samples. From those assays received so far, FMS' average iron grade is 55 % iron which compares favourably with average grades from the nearby FMG's Serenity and Rio Tinto's Calingina resources.

First pass drilling is complete in area E and 13 holes have been drilled in Area D. Together with outcropping CID mineralisation at the waterfall in Area A, CID mineralisation has now been confirmed in 3 of the 5 areas targeted. In several areas, the hanging wall and footwall of the main CID intersections contain sub grade ore with over 40% iron and provide an excellent opportunity to supplement CID with beneficiated ore.

All drilling approvals have been received and archeological surveys carried out

for all areas except Area A, which is underway. Drill site access earthworks have also been carried out. Camp facilities have been completed and the geophysical hole logging truck is operating well. A program for the initial evaluation of E47/1560 has been submitted to the WA Department of Industry and Resources.

Drilling Activity

- Excellent drilling results have been returned for six drill holes in Area E (see Table 3). Two of the holes (HRC23 & 24) are located on the

northern margin of the known CID mineralisation. The intersections are less than 10 metres deep and extend over a thickness of greater than 12 metres. The geological logging did not anticipate that HRC24 would return greater than 50% iron, and consequently this result extends the known area of CID (see Figure 2). The third intersection (HRC38) is located in the far western zone of Area E and confirms that the mineralisation extends across almost the entire length of the channel.

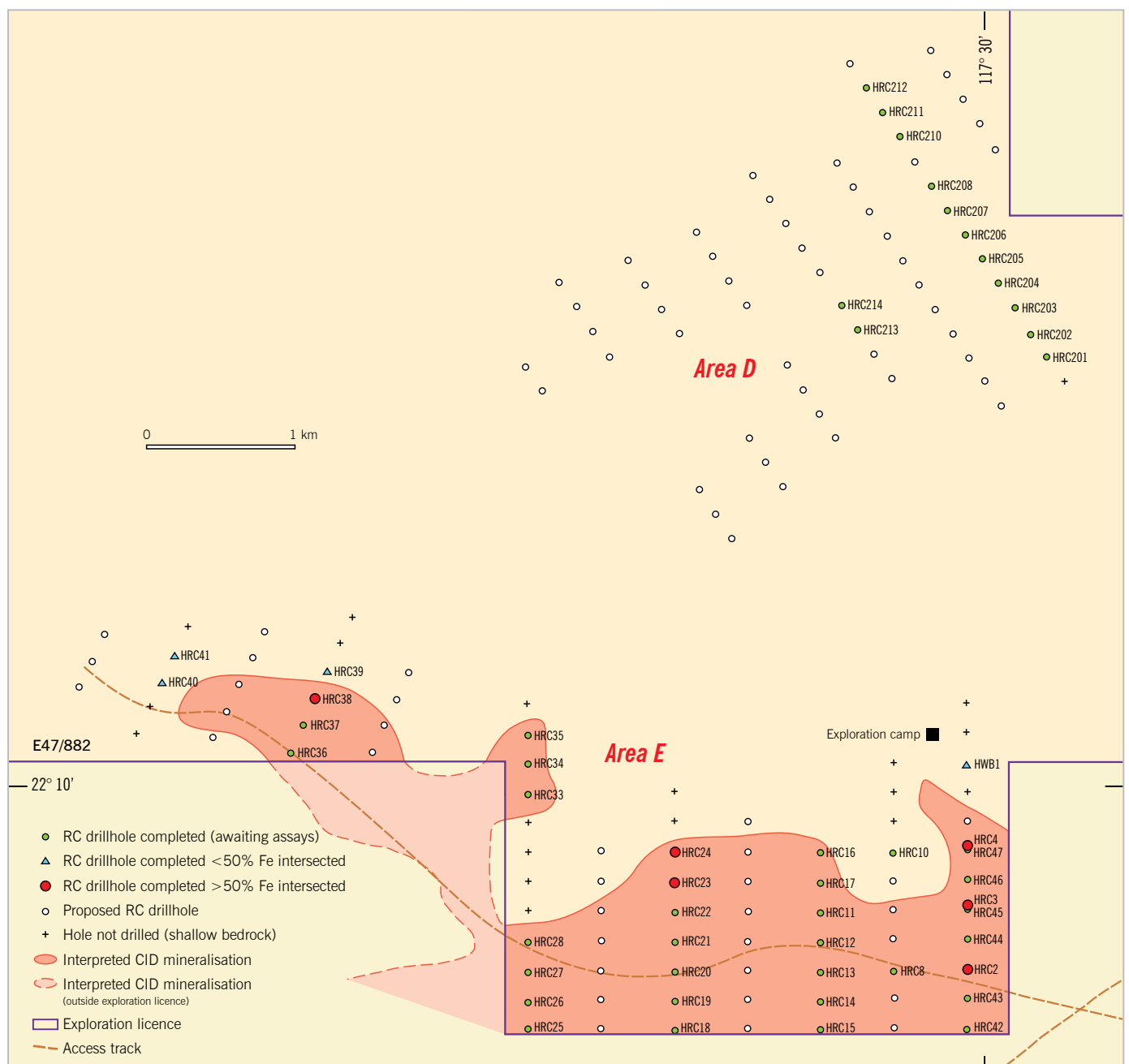


Figure 2 Proposed and completed RC drilling in Area E and Area D.

- Drilling has continued in Area D with another seven holes completed on the first and third lines. The zone of CID mineralisation has been extended to at least 1.2 km across the main channel. The additional mineralised intersections along this line continue to be relatively shallow (less than or equal to 21m) and exceed the Exploration Target thickness estimate of 8.0m.
- Infill drilling has continued in Area E until earthworks in Area C are sufficiently advanced to allow the drill rig to be mobilised into Area C. Three of these holes are redrilled holes completed by the original drilling contractor. The existing holes were drilled again because the drill sample was considered to be inappropriate for a JORC compliant resource estimate. It is anticipated that the assay results from this redrilling may result in an upgrade in the iron grade and a lowering of the alumina concentration.
- A third drill rig has been contracted to start in early October 2008. This rig has been sourced from one of the existing drilling contractors currently onsite to maintain a satisfactory level of drilling quality and health and safety standards. This rig has been contracted to enable the drilling rate to be increased with the aim of meeting the Inferred Resource status milestones on all five areas. The initial Inferred Resources are expected to be announced at the FMS annual general meeting in late November, with an update provided prior to the end of 2008 and all completed and signed off Inferred Resources by the end of January 2009.

- Drill planning has been completed on E57/1560 (FMS 100%) and a programme of works has been submitted to the Department of Industry and Resources.

Approvals

According to the schedule, the archaeological clearance for areas A, B and C commenced on 19th September 2008. The clearance for Area B and C has been completed and earthworks have been instigated. The drill rig currently carrying out infill drilling in Area E will be moved into Area C to commence drilling as soon as possible.

Tenements

Nothing to report.

Dr Kevin Wills

MANAGING DIRECTOR

25 September 2008

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The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr K Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Wills is an employee of Flinders Mines Limited. He has more than five years relevant experience in the style of mineralisation and types of deposit under consideration and consents to inclusion of the information in this report in the form and context in which it appears. He qualifies as a Competent Person as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".