

ASX ANNOUNCEMENT

17 June 2009

Iron Ore Activities Report – No 26

Hamersley Project - Western Australia

highlights

FLINDERS

MINES

Exploration Update

- Drilling completed at Ajax.
- Iron ore mineralisation at surface.
- Geological interpretation of drilling from Ajax suggests that the Exploration Target* of 96 to 103 Mt at 50–65% Fe is confirmed.

Positive Scoping Study (Phase I) results for Hamersley Project

- Two broad development scenarios assessed.
- Significant upside for additional resources from exploration currently underway.

Hamersley

WESTERN
AUSTRALIA

Hamersley Tenement E47/882 and E47/1560

Flinders Mines Limited (FMS) 100%

DRILLING STATISTICS

Table 1 2009 completed reverse circulation drillholes in each area.

Target Area	No of Holes	Metres Drilled
Ajax	92	3,180
Blackjack	0	0
Champion	0	0
Delta	0	0
Eagle	0	0
Total	0	0

Number of samples sent for assay 1,792

Number of assays received to date 141

Number of samples awaited 1,651

List of received assayed intersections Table 2
in week

*Note: These exploration targets are reported according to Clause 18 of the JORC Code. This means that the potential quantity and grade is conceptual in nature and that considerable further exploration, particularly drilling, is necessary before any Identified Mineral Resource can be reported. It is uncertain if further exploration will lead to a larger, smaller or any Mineral Resource.



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DRILLING ACTIVITY

Flinders Mines Limited's (ASX:FMS) Hamersley Iron Ore Project in WA comprises several target areas on tenements E47/882 and 1560 (see Figure 1).

This is the first release for 2009 which details the results of new drilling activity. A total of 141 assays were received for 8 holes at Ajax. Assay turnaround time was as predicted at three weeks. The significant results are presented in Table 2.

Ajax

Since May 23, a total of 92 reverse circulation holes have been drilled at Ajax for a total of 3,180 metres (Fig 2). This completes the first pass drilling at Ajax for defining an Inferred Resource estimate. Based on this drilling, the geological interpretation of Ajax suggests that the Exploration Target of 96 to 103 Mt at 50–65% Fe is likely to be close to the initial Ajax Inferred Resource estimate.

Table 2: List of significant reverse circulation drillhole intersections (assays received).

Hole ID	From (m)	To (m)	Interval (m)	Fe %	Al ₂ O ₃ %	SiO ₂ %	P %	LOI %	Target Area
HRC800	2	8	6	54.0	6.6	11.2	0.04	4.0	Ajax
HRC801	0	6	6	54.5	3.5	10.9	0.04	6.9	Ajax
HRC802	0	16	16	57.9	3.6	9.5	0.07	2.9	Ajax
including	8	14	6	61.3	2.2	6.4	0.08	2.4	
HRC805	0	16	16	55.8	4.8	11.8	0.06	2.8	Ajax

NB: These intersections are based on an Fe cut-off grade of 50%, with no top cut, and a maximum internal dilution of 2m. Analysis via XRF fusion at Ultratrace Laboratories. LOI = Loss of ignition.

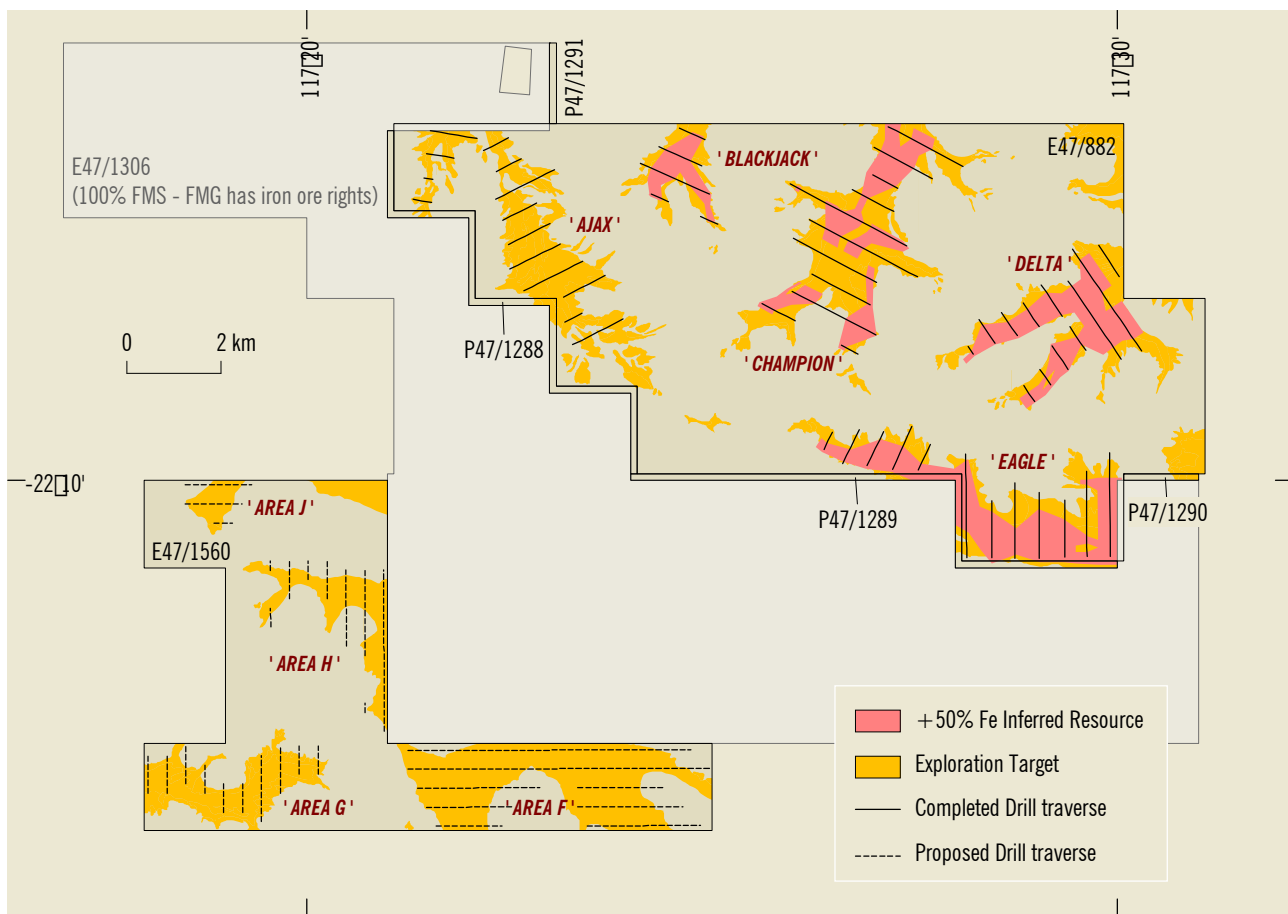


Figure 1 Hamersley E47/882 and E47/1560 showing the location of the Target Areas.

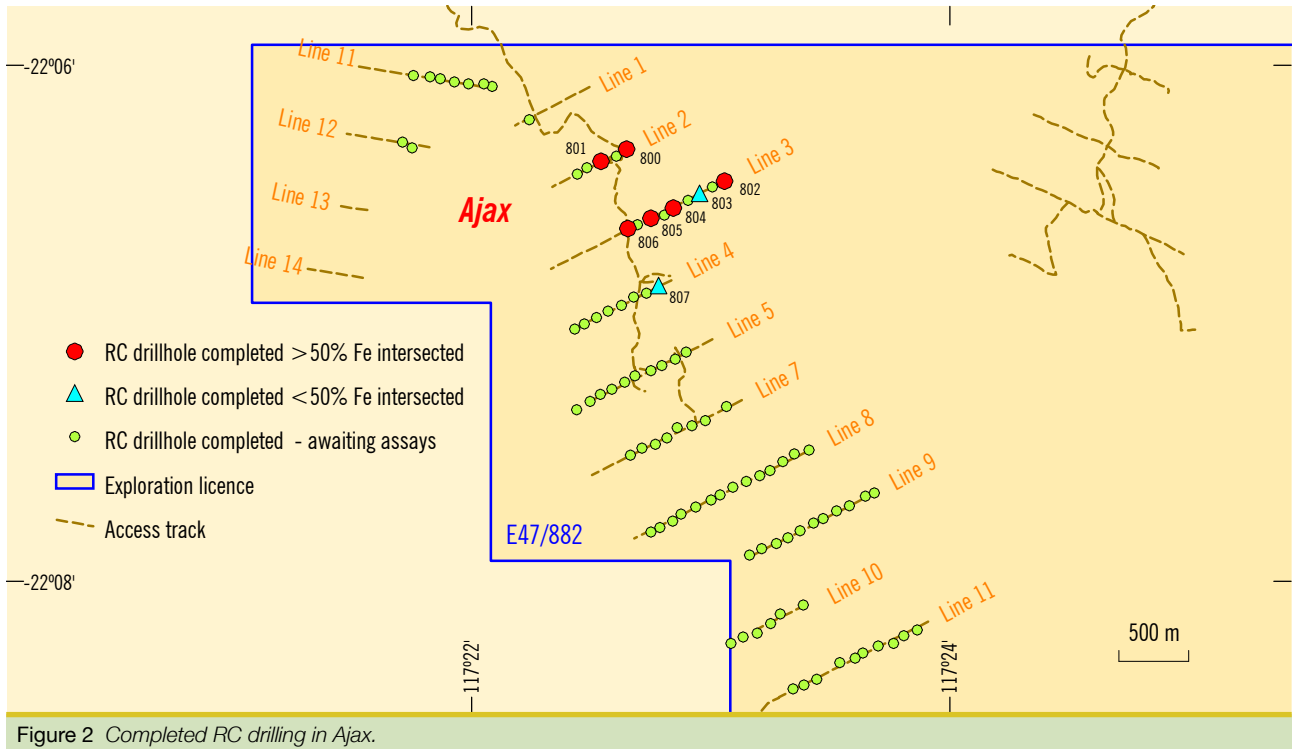


Figure 2 Completed RC drilling in Ajax.

Laboratory results were received for 8 holes at Ajax which are located in the northern part of the target area. The majority of the mineralisation in these holes is Channel Iron Deposit (CID), with only minor Bedded Iron Deposit (BID). The mineralisation in these holes is all from surface inferring a mining strip ratio of close to one.

SCOPING STUDY (PHASE I) SUMMARY

Flinders Mines Limited is pleased to announce the successful completion of Phase 1 of the Scoping Study for the Hamersley Project, in the Central Pilbara of Western Australia. This initial part of the Scoping Study is a conceptual study and was aimed at narrowing the development options, prior to proceeding to a more detailed Scoping Study (Phase 2). The study was carried out by AMC Consultants Pty Ltd in Adelaide.

The FMS board is committed to completion of the Scoping Study and moving directly into a Prefeasibility Study. It is expected that the Scoping Study will be completed by the end of July 2009, with the Prefeasibility Study completed in 2009.

The Phase 1 work was based on the recently announced JORC compliant Inferred Resource of 476 Mt at 55.4% Fe, from part of FMS tenement holdings in the project area. Exploration drilling is currently being undertaken on the remainder of the tenements. In particular, a proportion of the drilling is focussed on increasing the resource of premium quality Bedded Iron Deposit (BID) mineralisation.

Development Scenarios

Although a multitude of development scenarios have been assessed there are two broad scenarios which present feasible options for further study.

The first of these broad scenarios is the sale of product to an overseas third party. Such a sale requires installation of significant infrastructure to process, transport and ship the ore to an off shore destination. A significant component of the cost involves establishment of a rail line and port infrastructure.

The second scenario is the sale of product to a local third party. Sale of product to local third parties removes the requirement for rail and shipping infrastructure.

Exploration Potential

During the 2008 drilling campaign only a part of the known Exploration Target* was tested, resulting in the Inferred Resource of 476 Mt at 55.4% Fe. CID was the target of this drilling campaign, and a substantial proportion of the resource discovered is CID. However, this drilling campaign identified a different style of mineralisation; the premium quality BID ore. There are many areas of identified BID mineralisation that remain open, and many additional BID targets to test.



Hamersley E47/882 - drilling Ajax, May 2009.

The 2009 drilling campaign has three objectives:

- Complete drilling on the untested parts of the Exploration Target, a total of 217 to 267 million tonnes at 50–65% Fe remaining (this includes the Ajax area mineralisation).
- Extensions to identified BID mineralisation and testing of new BID targets.

- Drill an area to Indicated Status, based on the Scoping and Prefeasibility work.

Drill testing of the BID in the 2009 drilling season represents a significant additional high grade ore upside for the project.

DR KEVIN WILLS
MANAGING DIRECTOR

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Dr K J A Wills (who is a Fellow of the Australasian Institute of Mining and Metallurgy) and Mr N Corlis (who is a member of the Australian Institute of Geoscientists). Dr Wills and Mr Corlis are employees of Flinders Mines Limited. Both have sufficient experience that is relevant to the style of mineralisation and types of deposit under consideration and consent to inclusion of the information in this report in the form and context in which it appears. Dr Wills and Mr Corlis qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".

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