
NEWS

• **RELEASE** •

FOR IMMEDIATE RELEASE
Friday November 6, 2009

PILBARA IRON COMPANY INTENSIFIES CALL FOR “URGENT” TAX BREAK FOR JUNIOR EXPLORERS

One of the Pilbara’s emerging junior iron ore explorers has urged the Federal Government to honour a three-year-old policy commitment to introduce a system of tax relief that could “make or break” Australia’s junior minerals exploration sector.

Speaking today at the annual general meeting of Flinders Mines Limited (ASX: “FMS”), Chairman, Mr Robert Kennedy, said the time had come for the Government to fulfil a commitment, made by the Labor Party prior to the 2007 election, to introduce a flow-through share scheme to shield junior explorers from some of the significant capital risk of their operations.

“The 2010 Federal election offers an ideal opportunity for the Government to make good on its promise to buttress junior exploration companies from some of the significant risks faced by the sector, which is widely recognised as one of this country’s most critical economic players,” Mr Kennedy said.

“Although our junior minerals explorers have weathered the economic crisis much better than many expected, the continuing lack of an opportunity for these companies to offer their shareholders the incentive of tax offsets, has already seen several emerging projects fall by the wayside and taken a substantial amount of gloss off the sector’s recovery.

“The introduction of a flow-through share scheme is now not just a matter of principle, but of the utmost urgency – to save one of Australia’s most important industry sectors from the enduring impacts of the economic crisis.”

Mr Kennedy said the widely advocated scheme sought to address a disparity in Australian taxation law, through which most exploration companies missed out on tax deductions available under the Income Tax Assessment Act for high risk, greenfields exploration expenditure, simply because they did not generate sufficient taxable income at which the deduction can be claimed.

“A flow through share scheme would rectify this anomaly by allowing junior explorers that cannot use the deduction to “pass it through” to their shareholders, who could then use it to offset their own tax liabilities,” Mr Kennedy said.

“Such offsets make these junior explorers more attractive to investors, enhancing capital raising opportunities at the lower end of the commodities cycle.”

The proposal for a flow through scheme is currently under consideration by Treasury Secretary, Dr Ken Henry, who is due shortly to deliver a set of recommendations on means for overhauling Australia’s tax regime to Federal Treasurer, Mr Wayne Swan.

Mr Kennedy said a flow through scheme would invariably increase Australia’s competitiveness as a destination for minerals exploration and mining – as it had in Canada which introduced a successful flow-through scheme in 2000.

“Flow-through shares schemes, which formed part of the Government’s platform in the lead up to the last election, have been persistently put on hold, but it is now a make-or-break juncture for many cash-strapped junior explorers,” he said.

“Capital raising for projects such as ours would benefit greatly from such incentives, and as Australia is about to go to the polls again, one would hope something will be done to assist this vital sector of the resources industry.

“There is no doubt that flow-through shares will cause an investment surge, which is precisely what the economic forecasters say will be missing unless incentive is created.

“Without investment in this area, Australia could miss out on major long-term economic benefits, with detrimental implications for generations to come.”

Pilbara pre-feasibility study focus

Mr Kennedy said that Flinders Mines was confident of a positive outcome for its recently announced placement and rights issue, which are seeking to raise A\$52.8 million to advance the Pilbara Iron Ore Project, where the Company has delineated a JORC compliant Inferred Resource of 511 million tonnes at 55.4% iron.

“This capital raising will allow us to really focus on the prefeasibility study of our Blacksmith and Anvil tenements and look to early production from our Delta Deposit on Blacksmith, which is only 15 kilometres from Rio Tinto’s railway line over relatively flat terrain,” Mr Kennedy said.

The Flinders Mines’ Chairman said improved industry attitudes towards joint ventures and the sharing of critical export infrastructure augured well for the future of its Pilbara Project, where the Company is actively negotiating with potential partners to effect mine gate sales or access to transport infrastructure.

“We have already seen previously unheard of changes in the attitudes of the largest companies, with a joint venture having been agreed between BHP and Rio in respect of iron ore,” Mr Kennedy said.

“There is also the movement of Fortescue to market its iron ore and its reconsideration of the development of its Solomon deposit and spur line, which would come close to our Blacksmith tenement.

“The formation of the Aquila-AMCI-Fortescue alliance also creates the opportunity for Flinders Mines to get to market via joint venture owned infrastructure, which would be a new development for the Pilbara.”

Non iron assets to be floated in new IPO

In his AGM address, Mr Kennedy also announced that Flinders Mines would early in the New Year, spin off the Company’s non iron assets including diamonds, phosphate and barite, into a new company to be called Flinders Exploration Limited.

“Our intention is that existing Flinders Mines’ shareholders will have priority to subscribe for shares in Flinders Exploration, and that the proposed IPO will be subject to shareholder approval at an extraordinary general meeting,” Mr Kennedy said.

“Full details and a timetable for the proposed transaction will be released to shareholders as soon as practicable.”

MEDIA CONTACTS:

Mr Robert Kennedy
Chairman
Flinders Mine
08 8373 5588

Dr Kevin Wills
Managing Director
Flinders Mines
0419 850 997

Kevin Skinner
Field Public Relations
(08) 8234 9555
0414 822 631