



Media Release

21 December 2009

FLINDERS MINES TO SPIN OFF DIAMOND AND PHOSPHATE INTERESTS

Pilbara iron ore company Flinders Mines Limited (ASX: "FMS") today announced plans to list its non-core diamond and phosphate exploration assets through a new company, Flinders Exploration Limited.

Flinders Exploration is targeting \$10 million in an Initial Public Offering (IPO), subject to market conditions.

Flinders Mines shareholders will be given a priority offer of shares in Flinders Exploration in the planned IPO, with Flinders Mines expected to retain an interest of approximately 20%.

Flinders Exploration will have interests in the large, untapped diamond and phosphate licence areas in South Australia and Western Australia previously held by Flinders Mines.

The Board of the new company will consist of three Directors with wide-ranging experience, including Dr David Tucker as Managing Director. Dr Tucker, currently Flinders Mines' diamond and phosphate exploration manager, is a geophysicist with 35 years experience in multi-commodity mineral exploration.

Chairman of Flinders Exploration is Mr Andrew Andrejewskis, who was Managing Director of SAPEX Limited until its recent acquisition by Linc Energy. Mr Andrejewskis is a former Director General and CEO of the Department of Mines and Energy, South Australia (MESA) and has also held key positions within the department of the Northern Territory's Chief Minister.

Flinders Mines Managing Director Dr Kevin Wills will also be a non executive director of Flinders Exploration. Dr Wills has extensive diamond and South Australian exploration management experience.

Dr Wills said today that the spin-off would allow Flinders Mines to focus on its Pilbara iron ore development project, while also retaining exposure to the diamond and phosphate assets.

"It is proposed that Flinders Mines will fund the new company's exploration program in respect of the relevant assets until the Flinders Exploration IPO early in 2010, up to a maximum of \$1.5 million," Dr Wills said.

“In exchange for this expenditure, Flinders Mines will receive shares in Flinders Exploration which is expected to see it emerge as a cornerstone investor in Flinders Exploration, holding approximately 20% of the new company, post-listing,” he said.

The spin-off will be undertaken via a series of joint ventures, with the newly incorporated Flinders Exploration farming into the diamond and phosphate exploration potential of the Flinders Mines tenement portfolio.

The proposed transaction will be subject to Flinders Mines shareholder approval at a meeting to be called for that purpose in the first quarter of 2010. As part of the approval process, Flinders Mines shareholders will be provided with an independent expert’s report on the fairness and reasonableness of the proposed transaction.

Dr Wills said the Eurelia area of South Australia has been the State’s most prospective area for diamonds in the primary source rock – kimberlite – and Flinders Mines recently announced its best ever micro diamond results in the area.

“Flinders Exploration has identified a method of finding diamondiferous kimberlite dykes and fissures in this area. The key lies in testing ‘bright spots’ in subtle anomalies detected by ultra-detailed aeromagnetic surveys,” he said.

“Flinders Exploration believes that with this technique it can successfully retest for opportunities where previous exploration has failed.

“Until Flinders undertook a regional soil sampling program in 2008, no large scale systematic exploration had been undertaken for phosphate in South Australia. A regional soil sampling program using an 800 x 400 metre grid was undertaken over a prospective area stretching approximately 70 kilometres by 2-8 kilometres wide extending south from Orroroo.

“This program showed two large zones each approximately 6-9 kilometres long and up to one kilometre wide, extending south from Orroroo and from Tarcowie. Subsequently, infill surveys using 400x200 metres closed up on targets South of Tarcowie.

“Drilling is planned to test targets and obtain metallurgical samples for testing the commercial properties of phosphate in this area.”

For further information please contact:

Dr Kevin Wills
Ph: 08 8132 7950 or 0419 850 997
Email: kwills@flindersmines.com

Mr Duncan Gordon, Investor Relations
Ph: 08 8232 8800 or 0404 006 444
Email: dgordon@adelaideequity.com.au