



The Manager
Companies Announcements Office
Australian Securities Exchange
20 Bridge Street SYDNEY NSW 2000

FLINDERS EXPANDS W.A. IRON ORE HOLDINGS WITH ACQUISITION OF CANEGRASS MAGNETITE PROJECT



- *Flinders Mines Limited has completed an agreement with Maximus Resources Ltd to purchase from Maximus the Canegrass magnetite iron ore project, located 60 kilometres southeast of Mt Magnet in the Mid West Iron Ore Province of Western Australia*
- *Canegrass hosts a previously reported exploration target of 1.7–3.0 billion tonnes of magnetite rich gabbro containing 20–35% magnetite*
- *Canegrass acquisition represents a further step for Flinders Mines Limited in becoming an iron ore company*

ACQUISITION OF CANEGRASS PROJECT

Flinders Mines Limited (Flinders) has reached agreement with Maximus Resources Ltd (Maximus) to purchase the Canegrass magnetite iron ore project for a consideration of \$200,000 in cash and \$1.1M of Flinders shares (16.92M shares at a price of 6.5cents). Completion is anticipated within 14 days. Maximus will retain a 2% net smelter royalty.

The tenement package is located approximately 60km southeast of Mt Magnet in the emerging Mid West Iron Ore Province of Western Australia (Figure 1). The tenement package includes 7 granted exploration licences, 37 prescribed prospecting licences and 2 exploration licence applications. Flinders has carried out due diligence on the area and determined that it is highly prospective for gabbro hosted magnetite iron ore deposits.

The Canegrass Project has an area of 685 sq km, with large scale magnetite concentrations over an area greater than 20km long and up to 3km wide. Previous work undertaken by Maximus has identified an exploration target of 1.7-3.0 billion tonnes of magnetite rich gabbro containing 20-35% magnetite. This target is based on detailed magnetic and gravity surveys carried out over the area combined with a series of Reverse Circulation (RC) drilling traverses and three diamond drill holes (Figure 2).

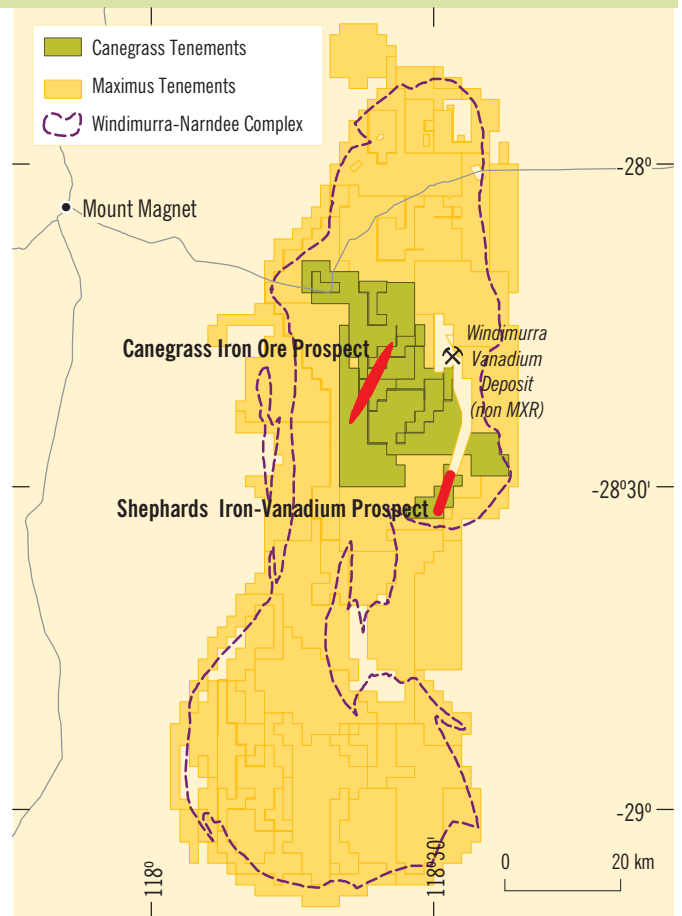


Figure 1 Regional location of Canegrass project with tenement package shown.

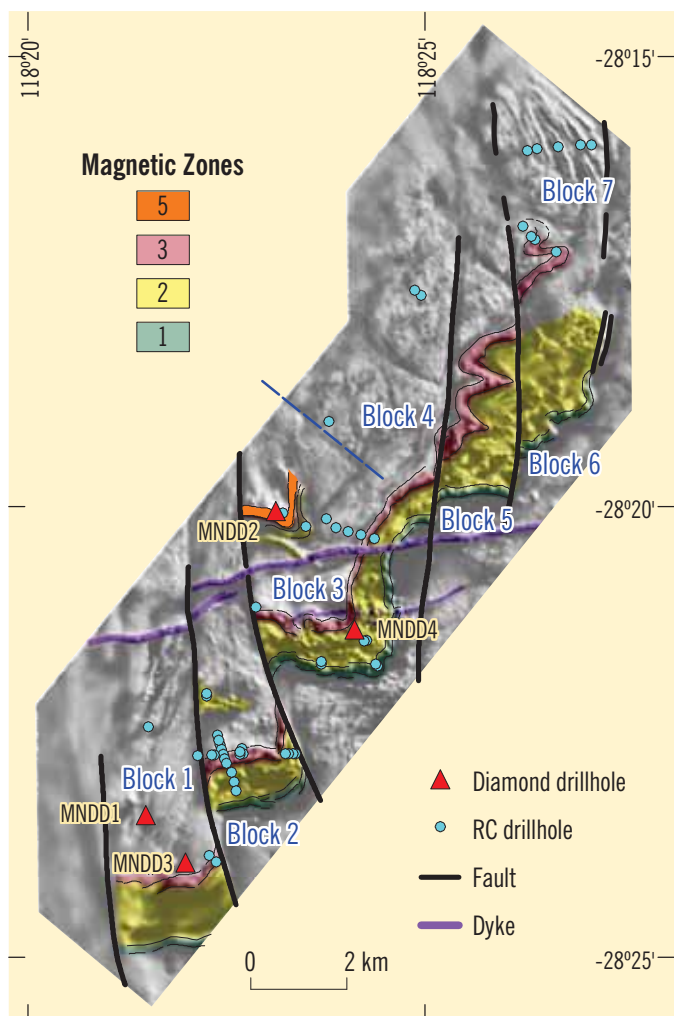


Figure 2 Canegrass project showing drilling traverses and magnetics.

It should be noted that due to a conflict of interest between some common Directors on the boards of Flinders and Maximus, several of the Flinders Directors took no part in the consideration of the Flinders offer to Maximus and approval of the transaction was given by non-conflicted Directors.

Flinders is excited about this opportunity and views this acquisition as an excellent addition to the Company's current portfolio of hematite-based iron ore resources and exploration targets associated with Flinders' Hamersley project. Flinders will initially be fully evaluating all available Canegrass data to determine how to optimise this strategic addition.

Nick Corlis
EXPLORATION MANAGER
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JORC Statement

The information relating to the terms "iron ore" and "exploration target" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004) and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility studies will result in the determination of a Mineral Resource or Mining Reserve.

The information that relates to the drilling data and geological interpretations is based on information compiled by Mr Nick Corlis who is a Member of The Australian Institute of Geoscientists and Exploration Manager of the Company. Mr Corlis has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Corlis consents to the inclusion of information in this report in the form and context in which it appears.

This release may include forward-looking statements. These forward-looking statements are based on Flinders Mines Limited's expectations concerning future events. Forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside the control of Flinders Mines Limited and the Company makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.