



FLINDERS MINES LIMITED

ABN 46 091 118 044

RIGHTS ISSUE OFFER DOCUMENT

For a pro rata non-renounceable rights issue of approximately 227.4 million New Shares at an issue price of 13 cents each on the basis of 1 New Share for every 7 Ordinary Shares held to raise approximately \$29.6 million (before issue costs).

This document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your financial or other professional adviser.

Please read the instructions on the accompanying Entitlement and Acceptance Form if you wish to subscribe for the New Shares.

UNDERWRITER



CORPORATE DIRECTORY

Directors/Senior Management

Mr Robert Kennedy (Non Exec. Chairman)

Dr Kevin Wills (Managing Director)

Mr Ewan Vickery (Non Exec. Director)

Company Secretary/CFO

Mr David Godfrey

Registered Office

62 Beulah Road

Norwood, South Australia, 5067

Telephone – (08) 8132 7950

Facsimile – (08) 8132 7999

Share Registry

Computershare Investor Services Pty Limited

Level 5, 115 Grenfell Street

Adelaide, South Australia, 5000

GPO Box 2987

Adelaide, South Australia, 5001

Enquiries (within Australia): 1300 556 161

Enquiries(outside Australia):+613 9415 4000

Facsimile (within Australia): 1300 534 987

Facsimile (outside Australia): +613 9473 2408

Stock Exchange Listing

ASX Limited

ASX Code: FMS

TABLE OF CONTENTS

1.	KEY TERMS OF THE RIGHTS ISSUE	6
2.	HOW TO PARTICIPATE IN THE RIGHTS ISSUE	10
3.	SUMMARY OF RISKS	12
4.	ADDITIONAL INFORMATION	16
5.	GLOSSARY	21

IMPORTANT NOTICES

This Offer Document is dated 30 October 2009. This Offer Document is not a prospectus and has not been lodged with ASIC. This document does not contain all the information that an investor would find in a prospectus or on which an investor would expect to make an informed decision as to whether or not to accept the offer.

This offer is being made without a disclosure document in accordance with section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35).

This is an important document. Before deciding to apply for the New Shares you should consider whether they are a suitable investment for you. Persons wishing to subscribe for New Shares should carefully read this Offer Document and consult their professional advisers for the purpose of evaluating whether or not to participate in the Rights Issue.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied upon as having been authorised by the Company in connection with the Offer.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, sent to Eligible Shareholders with this Offer Document.

Overseas Shareholders

No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia and New Zealand. The distribution of this Offer Document in any jurisdiction other than Australia or New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document or make such an offer.

Glossary

Terms used in this Offer Document are defined in the glossary contained in section 5.

CHAIRMAN'S LETTER

30 October 2009

Dear Fellow Shareholder,

Non-Renounceable Rights Issue

I am pleased to write to you regarding the Flinders Mines Limited (**Flinders or Company**) 1 for 7 non-renounceable rights issue at a price of \$0.13 per New Share (**Rights Issue**).

The Rights Issue seeks to raise approximately \$29.6 million which, coupled with our recently announced placement (to raise a total of \$52.8 million), will ensure that your Company maintains a well funded and aggressive development programme into 2010. Flinders is at an exciting time in its development and we believe that the emerging fundamentals for the Pilbara Iron Ore project clearly demonstrate the potential for a long life iron ore operation.

The Rights Issue price of \$0.13 per New Share allows existing Flinders shareholders to subscribe for New Shares at a discount of approximately 10% to the recently announced institutional placement price.

You will find enclosed the following important information:

- Summary of Important Dates;
- Key Terms for the Rights Issue;
- instructions on "How to Participate in the Rights Issue" setting out how to accept all or part of your entitlement under the Rights Issue; and
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions provided.


It is important to note that the Rights Issue closes at 5.00pm (Adelaide time) on Monday, 30 November 2009. To participate, you need to ensure that your completed Entitlement and Acceptance Form is received by Flinders before this time and date OR you have paid your application monies via BPay® pursuant to the instructions set out on the Entitlement and Acceptance Form.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable.

If you have any questions in respect of the Offer, please call the Company's share registry, Computershare Investor Services Pty Limited, on 1300 556 161 between 9.00am and 5.00pm (Adelaide time) Monday to Friday before the Closing Date or, alternatively, consult your stockbroker, accountant or other professional adviser.

On behalf of the Board, I encourage you to consider this investment opportunity and look forward to your continuing support of Flinders.

Yours faithfully


Robert Kennedy
Chairman

SUMMARY OF IMPORTANT DATES

ASX announcement of Rights Issue and lodgement of Appendix 3B	21 October 2009
Lodgement of Offer Document and Cleansing Notice with ASX	30 October 2009
Despatch of notices to shareholders informing them of the Offer	2 November 2009
Securities quoted on an ex-basis	4 November 2009
Record Date to determine entitlements to New Shares	10 November 2009
Despatch of Offer Document and Entitlement and Acceptance Forms	13 November 2009
Offer Opens	13 November 2009
Offer Closes	30 November 2009
New Shares quoted on a deferred basis	1 December 2009
Company notifies shortfall to underwriters	2 December 2009
Allotment and dispatch of holding statements for New Shares	4 December 2009
Holding statements will be mailed 3 Business Days after allotment	
Normal (T+3) trading starts	9 December 2009

NOTE

These dates are indicative only. Subject to the Corporations Act and the ASX Listing Rules, the Company reserves the right to vary the Closing Date without prior notice.

1. KEY TERMS OF THE RIGHTS ISSUE

1.1 The Offer

This Company is making a non-renounceable pro-rata rights issue offer of approximately 227.4 million New Shares to Eligible Shareholders at an issue price of \$0.13 per New Share on the basis of 1 New Share for every 7 Ordinary Shares held at the Record Date. Where the determination of the Right to any Eligible Shareholder results in a fraction of a New Share, such a fraction will be rounded down to the nearest whole New Share.

The Company is seeking to raise approximately \$29.6 million (before issue costs).

The Company intends to apply the funds to advance its wholly-owned Pilbara Iron Ore Project, including:

- 1.1.1 undertaking a pre-feasibility study for the development of the project;
- 1.1.2 subject to the outcome of the pre-feasibility study (due in mid-2010), applying the balance of funds towards fast tracking mining of Direct Shipping High Grade Hematite Ore from its Delta deposit; and
- 1.1.3 advancing a bankable feasibility study into the exploitation of its whole resource inventory and commencing preliminary site works for their development.

1.2 Effect of the Offer on the Capital Structure of the Company

On the basis of the Company's capital structure as at 30 October 2009, the capital structure of the Company following completion of the Placement and the Offer will be as follows:

Shares	Number
Shares on Issue at 30 October 2009	1,431,214,208
Shares to be issued under the Placement ¹	160,000,000
Shares on issue at the Record Date ²	1,591,214,208
New Shares issued under the Offer ²	227,316,315
Total Shares on issue at completion of the Offer ²	1,818,530,523
<hr/>	
Options³	Number
Unlisted Options exercisable at \$0.017 each on or before 20 March 2012	2,100,000
Unlisted Options exercisable at \$0.084 each on or	782,500

before 5 March 2013

Unlisted Options exercisable at \$0.045 each on or before 3 February 2014	2,221,666
---	-----------

Unlisted Options exercisable at \$0.055 each on or before 26 August 2014	480,000
--	---------

1. Issue of Placement Shares subject to shareholder approval of previous share issues at the Company's Annual General Meeting to be held on 6 November 2009
 2. This number may increase depending on the number of Options exercised prior to the Record Date
 3. Any or all of these Options may be exercised prior to the Record Date which will increase the number of Shares on issue as at the Record Date and increase the number of New Shares to be issued under the Offer.
-

1.3 Underwriting

The Offer is underwritten by Euroz Securities Limited (**Euroz** or **Underwriter**) for 227,316,315 New Shares. A summary of the Underwriting Agreement, including termination provisions, is set out in Section 4.2. Subject to the terms of the Underwriting Agreement, Euroz will subscribe for the New Shares which have not been accepted under the Offer.

1.4 Entitlements and Acceptance

The right of Eligible Shareholders to participate in the Offer will be determined on the Record Date. The number of New Shares to which you are entitled is shown on the Entitlement and Acceptance Form accompanying this Offer Document. If you do not take up your Rights by the Closing Date, the Offer to you will lapse.

The Rights Issue is non-renounceable meaning there will be no Rights trading on the ASX and you may not dispose of your Right to subscribe for New Shares under the Offer to any other party.

Eligible Shareholders may take any of the following actions:

- (a) take up all your Rights;
- (b) take up some of your Rights and allow the balance of your Rights to lapse; or
- (c) do nothing and allow all your Rights to lapse.

A completed and lodged Entitlement and Acceptance Form, together with payment for the number of New Shares accepted, cannot be withdrawn and constitutes a binding application for, and acceptance of, the number of New Shares specified in the Entitlement and Acceptance Form on the terms set out

in this Offer Document. The Entitlement and Acceptance Form does not need to be signed to be binding.

Further details in respect to actions required by Eligible Shareholders are outlined in section 2.

1.5 **Opening and Closing Dates**

The Rights Issue will open for receipt of acceptances on 13 November 2009 and will close at 5:00 pm (Adelaide time) on 30 November 2009. Subject to the ASX Listing Rules, the Directors reserve the right to close the Rights Issue early or to extend the Closing Date. Investors are urged to lodge their Entitlement and Acceptance Forms as soon as possible.

1.6 **ASX Quotation**

Application has been made for the New Shares offered under this Rights Issue to be granted official quotation by the ASX. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares offered for subscription.

1.7 **Register**

The Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares allotted to them under this Offer Document. The notice will also advise holders of their Holder Identification Number (HIN) or Shareholder Reference Number (SRN).

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

1.8 **Rights Attaching to Shares**

The New Shares issued will rank equally with existing Ordinary Shares on issue. The rights and liabilities attaching to the New Shares are set out in the Constitution of the Company and in the Corporations Act.

1.9 **Overseas Shareholders**

This Offer is only being extended to Shareholders with registered addresses in Australia and New Zealand. All other Shareholders (**Non-Resident Shareholders**) will not be offered Rights under this Offer. The Company has determined, in accordance with the Corporations Act and the ASX Listing Rules, that it would be unreasonable to make an offer to Non-Resident Shareholders having regard to:

- 1.9.1 the number of Shareholders in the places where the offer would be made;
- 1.9.2 the number and value of the rights that would be offered; and
- 1.9.3 the cost of complying with the legal requirements in those places.

No Entitlement and Acceptance Forms are being sent to Non-Resident Shareholders. This Offer Document or a summary of the details of the Offer will be sent to Non-Resident Shareholders for information purposes only.

Neither this Offer Document nor the Entitlement and Acceptance Form constitute an offer of, or an invitation by or on behalf of the Company to subscribe for or purchase any of the New Shares in any jurisdiction or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Offer Document and Entitlement and Acceptance Form, and the offering of New Shares, in certain jurisdictions may be restricted by law. Persons into whose possession such documents come should inform themselves about and comply with those restrictions.

1.10 Taxation

The Company does not consider it appropriate to give Eligible Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility for any such taxation consequences to Eligible Shareholders.

Eligible Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

1.11 Enquiries concerning Offer Document

Enquiries concerning the Entitlement and Acceptance Form can be obtained by contacting Computershare Investor Services Pty Ltd by telephone on 1300 556 161. Enquiries relating to this Offer Document can be directed to the Company Secretary by telephone on (08) 8132 7950.

2. HOW TO PARTICIPATE IN THE RIGHTS ISSUE

2.1 What you may do

The number of New Shares which you are entitled is shown in the accompanying Entitlement and Acceptance Form. You may:

- 2.1.1 take up all of your entitlement to New Shares;
- 2.1.2 take up part of your entitlement and allow the balance to lapse; or
- 2.1.3 not take up any of your entitlement and allow it to lapse.

2.2 Payment methods

If you are paying for your New Shares by cheque, send your completed Entitlement and Acceptance Form together with your cheque or bank draft for the total amount payable to reach the Company's share registry by 5:00 pm (Adelaide time) on the Closing Date.

Your cheque must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. Your payment must be for the full amount required to pay for the New Shares applied for. Payments in cash will not be accepted.

Cheques must be made payable to "Flinders Mines Limited Rights Issue" and crossed "Not Negotiable".

You must ensure your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonors your cheque your Application will be rejected. The Company will not re-present any dishonored cheques.

For payment by BPAY®, please follow the instructions on your personalised Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY®, you do not need to submit the personalised acceptance form but are taken to have made the declarations on that Entitlement and Acceptance Form. Your BPAY® payment must be received by 5.00pm (Adelaide time) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times in regard to electronic payment and you should take this into account when making payment.

Entitlement and Acceptance Forms must be accompanied by payment of A\$0.13 cents per Share. Receipts will not be issued.

2.3 Lodgement methods

If you are making payment by cheque you must deliver your Entitlement and Acceptance Form, together with a cheque, bank cheque or bank draft, by post or by hand (during normal business hours) to the Company, to be received no later than **5:00 pm (Adelaide time) on the Closing Date** at the following addresses:

Flinders Mines Limited Rights Issue
C/- Computershare Investor Services Pty Limited

Delivery address:

Level 5, 115 Grenfell Street
Adelaide SA 5000

Postal address:

GPO Box 2987
Adelaide SA 5001

Completed Entitlement and Acceptance Forms and application monies will not be accepted if sent to another address.

3. SUMMARY OF RISKS

As with all investments, investors should be aware that the market price of Shares may fall as well as rise. The potential returns of the Company will be exposed to risks specific to the Company and to general investment risks. While it is impossible to identify all risks, the attention of investors is drawn to the following particular risks:

3.1 General Risks

General Market Conditions

The price of the Shares on ASX may rise or fall due to numerous factors including:

- general economic conditions, including inflation rates and interest rates;
- variations in the local and global markets for listed shares in general, or for mining stocks in particular;
- changes to government policy, legislation (including any emissions trading scheme legislation) or regulation;
- competition in the industry in which the Company operates; and
- general operational and business risks.

In particular, the share prices of many companies have in recent times been subject to wide fluctuations, which in many circumstances arise by reason of matters outside the control of the Company, including global hostilities and tensions and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the New Shares.

There can also be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few, or many potential buyers or sellers of the New Shares on ASX at any given time. This may increase the volatility of the market price of the New Shares, and the prevailing market price at which shareholders are able to sell their New Shares.

The matters set out above may result in Shareholders receiving a price for their New Shares that is more or less than the Offer price.

Commodity Prices

The Company is exploring for commodities, predominantly iron ore. Any decision to mine ore containing economic quantities of these commodities will be closely related to the price of these commodities.

The demand for and price of commodities is influenced by a variety of factors including the level of forward selling by producers, costs of production, general economic conditions, the level of inflation, interest rates and currency exchange rates.

3.2 Risks specific to the Company

Future Capital Requirements

The Company may require additional capital to fund further exploration/development of its existing or new projects. The Company's ability to raise sufficient further capital within an acceptable time frame and on terms acceptable to it will vary according to a number of factors including (without limitation) the prospects of new projects (if any), the results of exploration and subsequent feasibility studies, stock market and industry conditions and the price of relevant commodities.

Exploration and Development

Exploration by its nature contains elements of significant risk. Ultimate success depends on the discovery of economically recoverable resources, obtaining the necessary titles and governmental regulatory approvals and obtaining and servicing of funding for mining operations if and when a decision to mine is made.

There can be no assurance that the Company's existing projects or any other projects or tenements that the Company may acquire in the future will result in the discovery of significant resources. Even if significant resources are identified, there can be no guarantee that they will be able to be economically exploited.

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- geological conditions;
- limitations on activities due to seasonal weather patterns;
- alterations to joint venture programmes and budgets;
- the availability of drilling rigs and other machinery necessary for the Company to undertake its activities;
- unanticipated operational and technical difficulties encountered in survey, drilling and production activities;
- mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other force majeure events;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals (including clearance of work programs pursuant to existing, and any future access agreements entered into with the traditional land owners).

Loss of Key Personnel

The Company's success depends on the competencies of its Directors and senior management. The loss of one or more of the Directors or senior management could have a materially adverse effect on the Company's business, financial position and results of operations. The resulting impact from such an event would depend on the quality of any replacement.

Native Title & Aboriginal Heritage

Some of the Company's tenements are located within areas that are the subject of claims or applications for native title determination. The *Native Title Act 1993* (Cth) and related State native title legislation and aboriginal heritage legislation may affect the Company's ability to obtain access to certain of its exploration areas or to obtain mining production titles. Settling any such claims will incur costs to the Company. The degree to which this may impact on the Company's activities will depend on a number of factors, including the status of particular tenements and their locations. At this stage, the Company is not able to quantify the impact, if any, of such matters on its operations.

Title, Environmental Bonds & Conditions

All mining tenements which the Company may acquire either by application, sale and purchase or farm-in are regulated by applicable state mining legislation. There is no guarantee that applications will be granted as applied for. Various conditions may also be imposed as a condition of grant. In addition the relevant minister may need to consent to any transfer of a tenement to the Company.

Environment

The Company's projects are subject to State and Federal laws and regulations regarding environmental matters. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. Resource activities can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws.

Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans altered in a way which could impact adversely on the operations of the Company.

Agreements with Third Parties

The Company is and will be subject to various contracts and agreements with third parties. There is a risk of financial failure or default by a counterparty to these arrangements. Any breach or failure may lead to penalties or termination of the relevant contract. In addition, the Company's interest in the relevant subject matter may be jeopardised.

4. ADDITIONAL INFORMATION

4.1 Reliance on Offer Document

This Offer Document has been prepared pursuant to section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with the ASX on 30 October 2009.

Section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) requires companies to lodge with the ASX a Cleansing Notice. The Company lodged a Cleansing Notice with ASX on 30 October 2009.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of the Company, refer to the documents lodged and the disclosures made by the Company on ASX (which are available for inspection on the ASX website at www.asx.com.au) and seek advice from your financial or professional adviser.

4.2 Underwriting Agreement

The Company has entered into an underwriting agreement dated 21 October 2009 (**Underwriting Agreement**) with Euroz Securities Limited (**Underwriter**). Euroz Securities Limited has been appointed by the Company to act as Underwriter and Lead Manager to the Rights Issue. Pursuant to the Underwriting Agreement, Euroz Securities Limited will underwrite the Rights Issue in the amount of approximately \$29.6 million (**Underwritten Amount**).

The Company will pay the Underwriter an underwriting commission equal to 4% of the Underwritten Amount raised (exclusive of GST). In addition, the Company will pay the Underwriter a lead manager fee of 1% of Underwritten Amount. The Company must also pay, indemnify and keep indemnified the Underwriter for all costs incurred by the Underwriter in connection with the Rights Issue, including disbursements of the Underwriter (including legal fees), accommodation and travelling expenses of the Underwriter relating to the Offer and all marketing and promotional expenditure relating to the Offer.

The Company has given warranties and covenants to the Underwriter which are usual in an agreement of this nature.

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement and its obligations thereunder at any time without cost or liability to the Underwriter upon the occurrence of any one or more of the termination events prior to 5.00pm on the Closing Date including:

- 4.2.1 (**Indices fall**): the S&P ASX 200 Index is at any time after the date of this Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- 4.2.2 (**Offer Document**): the Company does not dispatch the Offer Document to Shareholders on the Dispatch Date or the Offer Document or the Offer is withdrawn by the Company;

- 4.2.3 **(No Quotation Approval)**: the Company fails to lodge an Appendix 3B in relation to the New Shares with ASX by the time required by the Corporations Act, the ASX Listing Rules or any other regulation;
- 4.2.4 **(Non compliance with requirements)**: it transpires that the Offer Document does not contain all the information required by the Corporations Act and the Company does not correct the Offer Document pursuant to section 708AA(10) of the Corporations Act;
- 4.2.5 **(Restriction on allotment)**: the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the ASX Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- 4.2.6 **(ASIC application)**: an order is made under Section 1324B or any other provision of the Corporations Act in relation to the Offer Document;
- 4.2.7 **(Takeovers Panel)**: the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, which in the Underwriter's reasonable opinion has a Material Adverse Effect;
- 4.2.8 **(Authorisation)**: any authorisation which is material to anything referred to in the Offer Document is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter acting reasonably;
- 4.2.9 **(Indictable offence)**: a director of the Company is charged with an indictable offence (other than a traffic offence); or
- 4.2.10 **(Termination Events)**: subject always to clause 4.3 below, any of the following events occurs:
- (a) **(Hostilities)**: there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China or any member of the European Union (Specified Countries) other than hostilities involving Afghanistan, Iraq, Iran, Syria, Lebanon or Israel and the Underwriter believes (on reasonable grounds) that the outbreak or escalation is likely to result in the S&P ASX 200 Index falling by the percentage contemplated by clause 4.2.1 above;
 - (b) **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;

- (c) **(Incorrect or untrue representation):** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
- (d) **(Contravention of constitution or Act):** a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
- (e) **(Adverse change):** an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company;
- (f) **(Error in Due Diligence Results):** it transpires that any of the Due Diligence Results or any part of the Verification Material was materially false, misleading or deceptive or that there was a material omission from them;
- (g) **(Public statements):** without the prior approval of the Underwriter a public statement is made by the Company in relation to the Offer or the Offer Document;
- (h) **(Misleading information):** any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
- (i) **(Official Quotation qualified):** official quotation of the New Shares is qualified or conditional other than as set out in clause 1.3 of the Underwriting Agreement;
- (j) **(Change in Act or policy):** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- (k) **(Prescribed Occurrence):** a Prescribed Occurrence occurs;
- (l) **(Suspension of debt payments):** the Company suspends payment of its debts generally;
- (m) **(Event of Insolvency):** an Event of Insolvency occurs in respect of a Relevant Company;

- (n) **(Judgment against a Relevant Company):** a judgment in an amount exceeding \$100,000.00 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;
- (o) **(Litigation):** material litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced against any Relevant Company;
- (p) **(Board and senior management composition):** there is a change in the composition of the Board or a change in the managing director of the Company before the date of issue of the New Shares without the prior written consent of the Underwriter (such consent not to be unreasonably withheld);
- (q) **(Change in shareholdings):** there is a material change in the major or controlling shareholdings of a Relevant Company (other than as a result of the Issue, a matter disclosed in the Offer Document) or a bona fide takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (r) **(Timetable):** there is a delay in any specified date in the Timetable which is greater than 5 Business Days;
- (s) **(Force Majeure):** a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (t) **(Certain resolutions passed):** a Relevant Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution (other than pursuant to the resolution to that effect proposed at the Company's 2009 Annual General Meeting) without the prior written consent of the Underwriter;
- (u) **(Capital Structure):** any Relevant Company alters its capital structure in any manner not contemplated by the Offer Document;
- (v) **(Breach of Material Contracts):** any of the material agreements of the Company disclosed to ASX through the Company's announcements platform are terminated or substantially modified; or
- (w) **(Market Conditions):** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

4.3 Under the Underwriting agreement, the events listed in clause 4.2.10 above do not entitle the Underwriter to exercise its termination rights unless in the reasonable opinion of the Underwriter, reached in good faith, it has, or is likely to have, or those events together have, or could reasonably be expected to have:

4.3.1 a Material Adverse Effect; or

4.3.2 could give rise to a liability of the Underwriter under the Corporations Act.

5. GLOSSARY

In this Offer Document, unless the context otherwise requires:

\$ means Australian dollars (and references to cents are to Australian cents);

Adelaide time means South Australian Summer Time;

ASIC means the Australian Securities and Investments Commission;

ASX means Australian Stock Exchange Limited;

ASX Listing Rules means the Listing Rules of Australian Stock Exchange Limited;

Board means the board of directors of the Company;

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a Business Day;

Certificate means a letter to the Underwriter from the Company signed by one director and the secretary or by two directors of the Company as set out in the Annexure to the Underwriting Agreement;

Cleansing Notice means the cleansing notice lodged by the Company on 30 October 2009 pursuant to section 708AA(2)(f) of the Corporations Act;

Closing Date means the closing date of the Offer, which is 30 November 2009;

Company means Flinders Mines Limited (ACN 091 118 044);

Controller means in respect of a Relevant Company, a controller as defined for the purpose of section 419(1) of the Corporations Act;

Corporations Act means *Corporations Act 2001* (Cth);

Directors means the Directors of the Company;

Dispatch Date means the date the Offer Documents and Entitlement and Acceptance Forms are dispatched to Shareholders, which is 13 November 2009;

Due Diligence Program means the due diligence program implemented by the Company for the purpose of the preparing the Offer Document and ensuring that the Offer Document complies with the Corporations Act, which program will consist of, inter alia, completion of due diligence questionnaires (in a form acceptable to the Underwriter) by all of the directors of the Company, a legal review of the Offer Document by the Company's legal advisers and completion of verification of the information contained in the Offer Document;

Due Diligence Results means the results of the investigations which make up the Due Diligence Program and all supporting reports prepared for the purpose of the Due Diligence Program;

Eligible Shareholders means on the Record Date, Shareholders recorded on the register of members of the Company as holders of Ordinary Shares, that have registered addresses in Australia or New Zealand;

Entitlement means the right of an Eligible Shareholder to apply for a number of New Shares under the Rights Issue;

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document;

Event of Insolvency means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a person referred to in paragraph (a) or (b);
 - (ii) winding up a corporation; or
 - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee is ordered, declared or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;
- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable Act to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person;

Force Majeure means any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties to the Underwriting Agreement;

Insolvency Provision means any law relating to insolvency, sequestration, liquidation or bankruptcy (including any law relating to the avoidance of conveyances in fraud of creditors or of preferences, and any law under which a liquidator or trustee in bankruptcy may set aside or avoid transactions), and any provision of any agreement, arrangement or scheme, formal or informal, relating to the administration of any of the assets of any person;

Issue means the issue of New Shares pursuant to the Offer Document;

Material Adverse Effect means:

- (a) a material adverse effect on the outcome of the Offer or on the subsequent market for the New Shares (including, without limitation, matters likely to have a material adverse effect on a decision of an investor to invest in New Shares); or
- (b) a material adverse effect on the condition, trading or financial position and performance, profits and losses, results, prospects, business or operations of the Company and its Subsidiaries either individually or taken as a whole;

New Shares means Ordinary Shares in the Company issued pursuant to the Rights Issue;

Official List means the Official List of ASX;

Official Quotation means the grant by ASX of "Official Quotation" (as that term is used in the ASX Listing Rules) of all the New Shares when allotted which if conditional may only be conditional on the allotment of the New Shares;

Offer means the offer of New Shares under the Rights Issue;

Offer Document means this document, including the Entitlement and Acceptance Form;

Ordinary Shares means fully paid ordinary shares in the Company;

Placement means the institutional placement to professional and sophisticated investors of 160,000,000 ordinary fully paid shares in the Company at 14.5 cents per share to raise approximately \$23.2 million, as announced by the Company to the ASX on 21 October 2009;

Prescribed Occurrence means:

- (a) a Relevant Company converting all or any of its shares into a larger or smaller number of shares;
- (b) a Relevant Company resolving to reduce its share capital in any way;
- (c) a Relevant Company:
 - (i) entering into a buy-back agreement or;
 - (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
- (d) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option (other than pursuant to the Offer);
- (e) a Relevant Company issuing, or agreeing to issue, convertible notes;
- (f) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its iron ore interests;

- (g) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its iron ore interests;
- (h) a Relevant Company resolving that it be wound up;
- (i) the appointment of a liquidator or provisional liquidator to a Relevant Company;
- (j) the making of an order by a court for the winding up of a Relevant Company;
- (k) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) a Relevant Company executing a deed of company arrangement; or
- (m) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company;

Record Date means the record date to determine the Shareholders entitled to participate in the Rights Issue, being 5.00pm (Adelaide time) on 10 November 2009;

Relevant Company means the Company and each Subsidiary;

Rights means the rights to subscribe for New Shares under the Rights Issue;

Rights Issue means the non-renounceable pro rata rights issue as detailed in this Offer Document;

Shareholders means a holder of Ordinary Shares;

Shares means fully paid Ordinary Shares in the Company;

Subsidiary means each company which is now, or before the issue of all the New Shares becomes, a subsidiary of the Company as that term is defined in the Corporations Act;

Timetable means the timetable set out in the Offer Document; and

Verification Material means the material maintained by the Company being the documents and information provided by the Company in verification of statements made in the Offer Document, as inspected and approved by the Underwriter immediately before the Dispatch Date.