

ASX ANNOUNCEMENT

21 October 2009

Flinders Mines to raise \$52.8 million to fund Pilbara Iron Ore Project feasibility and development

highlights

- \$52.8 million capital raising via institutional placement and rights issue
- Funds to be applied towards feasibility studies and potential fast-track development of Delta deposit



PLACEMENT AND RIGHTS ISSUE

Flinders Mines Limited (**Flinders or Company**) (ASX:FMS) is pleased to announce a \$52.8 million capital raising (before costs) comprising:

- An institutional placement (**Placement**) of approximately 160 million fully paid ordinary shares at \$0.145 per share to raise approximately \$23.2 million (subject to ratification of previous share issues); and
- A fully-underwritten 1-for-7 non-renounceable rights issue (**Rights Issue**) at \$0.13 per share to raise \$29.6 million (to be conducted following the placement).

The Placement is being made to sophisticated and professional investors under section 708 of the Corporations Act. Flinders will not be seeking prior shareholder approval in relation to the Placement, however the Placement is conditional on ratification of previous share issues at the company's Annual General Meeting to be held on Friday 6 November 2009. The Company intends to seek ratification of the Placement at a general meeting to be called in December 2009. If the Placement and Rights Issue are fully subscribed, Flinders will issue approximately 387 million shares, representing approximately 27% of its current issued capital.

The capital raising is being managed and the Rights Issue underwritten by Euroz Securities Limited, with Adelaide Equity Partners Limited acting as advisers to Flinders.

USE OF FUNDS

The proceeds of the capital raising will be used to advance the Company's wholly-owned Pilbara Iron Ore Project, including the following:

- 1 Completion of the pre-feasibility study for the development of the project;
- 2 Subject to the outcome of the pre-feasibility study the potential application of funds towards fast-tracking mining operations from the Delta deposit; and
- 3 The balance of the funds would be applied towards the completion of a bankable feasibility study into the exploitation of its whole resource inventory and preliminary site works for their development.

INDICATIVE TIMETABLE*

Date	Event
Wednesday 21 October	Capital raising announced to ASX
Monday 2 November	Rights Issue offer document lodged with ASX
Wednesday 4 November	Rights Issue ex-date
Friday 6 November	Annual General Meeting
Monday 9 November	Placement shares allotted (assuming shareholder approval of previous share issues)
Tuesday 10 November	Rights Issue Record Date
Friday 13 November	Rights Issue offer document dispatched and offer opens
Monday 30 November	Rights Issue offer closes
Wednesday 2 December	Rights Issue shortfall notified to underwriters
Friday 4 December	Rights Issue shares allotted

*Subject to the Listing Rules, Flinders' directors may vary the timetable

Enclosed with this announcement is an Appendix 3B for the Rights Issue.



KEVIN WILLS
MANAGING DIRECTOR

For further information please contact:

Kevin Wills on 08 8132 7950 or 0419 850 997

Email: kwills@flindersmines.com

Duncan Gordon - Investor relations on

08 8232 8800 or 0404 006 444

Email: dgordon@adelaideequity.com.au

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

FLINDERS MINES LIMITED

ABN

46 091 118 044

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | ORDINARY FULLY PAID SHARES |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | UP TO A MAXIMUM OF 227,400,000 SHARES (FINAL NUMBER TO BE ADVISED) |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | ORDINARY FULLY PAID SHARES |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>YES</p>				
<p>5 Issue price or consideration</p>	<p>\$0.13</p>				
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>PURSUANT TO A 1 FOR 7 PRO-RATA NON-RENOUNCEABLE RIGHTS ISSUE</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>22 SEPTEMBER 2009</p>				
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="694 1556 933 1601">Number</th> <th data-bbox="933 1556 1281 1601">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="694 1601 933 1827">1,658,614,208</td> <td data-bbox="933 1601 1281 1827">FULLY PAID ORDINARY SHARES</td> </tr> </tbody> </table>	Number	+Class	1,658,614,208	FULLY PAID ORDINARY SHARES
Number	+Class				
1,658,614,208	FULLY PAID ORDINARY SHARES				

+ See chapter 19 for defined terms.

	Number	+Class	
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	2,100,000	1.7 CENT OPTIONS EXPIRING 20-3-2012
		782,500	8.4 CENT OPTIONS EXPIRING 5-3-2013
		2,221,666	4.5 CENT OPTIONS EXPIRING 3-2-2014
		480,000	5.5 CENT OPTIONS EXPIRING 26-8-2014
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	NO
12	Is the issue renounceable or non-renounceable?	NON-RENOUNCEABLE
13	Ratio in which the +securities will be offered	1 FOR 7
14	+Class of +securities to which the offer relates	ORDINARY SHARES
15	+Record date to determine entitlements	10 NOVEMBER 2009
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	ROUNDING UP TO THE NEXT WHOLE NUMBER OF SHARES
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	ONLY SHAREHOLDERS WITH REGISTERED ADDRESSES IN AUSTRALIA AND NEW ZEALAND ARE ELIGIBLE TO PARTICIPATE

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

19	Closing date for receipt of acceptances or renunciations	30 NOVEMBER 2009
20	Names of any underwriters	EUROZ SECURITIES LTD
21	Amount of any underwriting fee or commission	4%
22	Names of any brokers to the issue	EUROZ SECURITIES LTD
23	Fee or commission payable to the broker to the issue	1%
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	13 NOVEMBER 2009
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A

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- 31 How do +security holders sell *part* of their entitlements through a broker and accept for the balance? N/A
- 32 How do +security holders dispose of their entitlements (except by sale through a broker)? N/A
- 33 +Despatch date 4 DECEMBER 2009

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over
- 37 A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Entities that have ticked box 34(b)

38 Number of securities for which
 +quotation is sought

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39 Class of +securities for which
 quotation is sought

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40 Do the +securities rank equally in
 all respects from the date of
 allotment with an existing +class
 of quoted +securities?

If the additional securities do not
 rank equally, please state:

- the date from which they do
- the extent to which they
 participate for the next
 dividend, (in the case of a
 trust, distribution) or interest
 payment
- the extent to which they do
 not rank equally, other than in
 relation to the next dividend,
 distribution or interest
 payment

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41 Reason for request for quotation
 now

Example: In the case of restricted securities, end
 of restriction period

(if issued upon conversion of
 another security, clearly identify
 that other security)

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	Number	+Class
42 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 21 OCTOBER 2009

Print name: David Wayne Godfrey - Company Secretary

+ See chapter 19 for defined terms.