

Chairman's Address to Flinders Mines Limited

2016 Annual General Meeting

30 November 2016

Dear fellow shareholders,

Welcome to the 2016 Annual General Meeting of your company, Flinders Mines Limited.

As announced in the September Quarterly Report of the company, TIO (NZ) Limited's (**TIO**) takeover bid closed with TIO's voting power then being 52.6% making Flinders Mines Limited a subsidiary of the Todd Group albeit with a second substantial shareholder (OCJ Investment (Australia) Pty Ltd (**OCJ**) holding almost 20% and a balance of minority shareholders. Since that date a rights issue of 1 New Share for every 10 Ordinary Shares held was offered and has now closed with a less than 1% change in the voting power of either TIO or OCJ.

In conjunction with its new status there has been a change in directors to reflect the change of control. Messrs Michael Wolley and Evan Davies (both Todd nominees) and two new highly credentialed independent directors Messrs David McAdam and Neil Warburton have been appointed directors. I have agreed to remain on the board for the time being to ensure a smooth handover to the new directors particularly in relation to intellectual property owned by the company in respect of the PIOP tenements.

A process of induction of the new directors has been undertaken and at the November Board Meeting David McAdam, whose extensive project experience is set out in the Explanatory Statement attached to the 2016 Notice of Annual General Meeting, has taken the lead role in the detailed strategic review of PIOP to assess:

- the various possible future development options for PIOP;
- the likely economic viability and timing of such development options;
- the sources and availability of funding for such development options; and
- the development of a clear strategy to sell the PIOP products to Asian markets.

Intellectual Property

Since the first discovery of iron ore at the PIOP the company, at considerable expense, has accumulated a vast amount of intellectual property regarding the nature of the PIOP geology, its distribution over the tenements, the mineral composition and studies on the methods of mining and likely processing. So far this has resulted in the published Mineral Resource Summary (as at 30/6/15) as set out in the Annual Report at page 5 of approximately 1 billion tonnes.

As this is the key asset of the company the Board's focus will include the possible expansion of the resource and its refinement.

Market Outlook

Iron ore price has fallen significantly over the past 24 months which has significantly affected iron ore mining and development companies as follows

- development projects have been cancelled;
- marginal mines have closed;
- operating costs have been slashed;
- only low cost producers are still operating.

CRU and Wood MacKenzie have forecast iron ore prices of US\$60-65 over the long-term which will require operating costs (mining, processing, royalties, shipping, port, discounts and penalties) below ~US\$35/t to cope with iron ore price fluctuations.

In this environment, it is likely that only highly productive, large scale mines with efficient routes to market and higher grade, quality products will be economically viable.

The strategic review to be undertaken will bear in mind the necessity to proceed on the above parameters optimally.

The Board at its November meeting fully supported the focus on PIOP as this is the premier asset of the company which deserves the company's full efforts.

In addition, the Board has commenced a general review of the Flinder's business, to:

- evaluate Flinders' performance, costs, capabilities and prospects;
- assess possible operational and strategic opportunities; and
- identify opportunities for operating synergies.

Also, a review of the Canegrass and South Australian tenements has commenced.

The rights issue has provided sufficient capital for at least the first phase of the review and the repayment of the \$2 million loan from a Todd Group company.

So, it's fair to say that the company is now positioned to re-invigorate its ambition to monetise the PIOP assets - depending on the outcome of the review.

The activities for the twelve months ended 30 June 2016 have been dealt with adequately in the Chairman's Report included in the 2016 Annual Report of the company, therefore I don't intend going over that ground again.

It only leaves me to say thank you to our former Managing Director Ian Gordon and our two retiring Directors Mr Ewan Vickery (who has served in that role almost since incorporation - 2001) and Mr Kevin Malaxos (who joined us in late 2010). It has been a difficult few years with the downturn in the iron ore price, the MMK takeover and the various options pursued by Todd for a solution to provide a practical outcome to obtaining access to the only port apparently available (Balla Balla). That process culminated in a 92% rise in the bid price which resulted in the Todd Group obtaining majority control of the company. Throughout these somewhat turbulent times Ian and both Ewan and Kevin have been solid in their support and acted in a most professional way diligently attempting to arrive at an equitable solution for all shareholders. My thanks also to our Company Secretary and our small staff without whom we could not have weathered the transition.

Many thanks also to those shareholders who took up the offer of new shares in the rights issue as without that support it would not be possible to move forward.

With the adequate capitalisation of the company for the immediate future your board will now proceed to add value to the PIOP assets in an environment where the iron ore price is staging a cautious recovery.

Bob Kennedy

Chairman

Flinders Mines Limited