CHAIRMAN’S ADDRESS TO FLINDERS MINES LIMITED

ANNUAL GENERAL MEETING

6 November 2009

Fellow Shareholders

Welcome to our Eighth Annual General Meeting as a listed company and our second as Flinders Mines Limited (“Flinders”).

Since the last Annual General Meeting, significant progress has been made towards becoming an iron ore producer in Australia’s world-leading Pilbara iron ore province in Western Australia. Our strategic focus for adding value will be on generating short to medium term cash flows while progressing a major standalone operation in the longer term.

Equity markets have recovered sufficiently at present to have allowed us to make a recent placement to institutions at 14.5 cents per share to raise approximately $23 million, and to be able to offer a fully underwritten rights issue to shareholders at a further discount of approximately 10% to 13 cents per share to raise approximately $29 million. A special mention should go to John Veldhuizen, who was the first analyst to visit our Pilbara project and issue an analyst’s note that attracted the first of the institutions to our register, as well as the good work of Euroz in arranging the placement and underwriting of the current rights issue. As a result we are now an institutional grade investment. This capital raising will allow us to really focus on the prefeasibility study of our Blacksmith and Anvil tenements and look to early production from our Delta prospect on the Blacksmith tenement, which is only 15km from Rio’s railway line over relatively flat terrain.

If such production results from the prefeasibility, we will need to negotiate either mine gate sales or access to export infrastructure. It is too early to predict the outcome of the prefeasibility study, which will evaluate the various development options to assist us in determining the best path to market.

We have already seen previously unheard of changes in the attitudes of the largest companies with a joint venture having been agreed between BHP and Rio in respect of iron ore. There is also the movement of Fortescue to market of its iron ore and its reconsideration of the development of its Solomon deposit and spur line that would come close to our Blacksmith tenement. Further the formation of the Aquila-AMCI-FMG alliance creates the opportunity for us to get to market via joint venture owned infrastructure, which would be a new development for the Pilbara.

During the year we acquired the Canegrass tenements from Maximus Resources Limited ("Maximus"), as the result of a widely run process by Maximus under the control of its independent directors, with the Flinders bid being assessed and made by our independent directors. This gives Flinders our second ranking iron ore project for future exploration and development. Our Managing Director will update us and deal with the technical issues in respect of each of our iron ore projects.

As I said last year (and I quote), "The underlying long term demand for commodities still exists. We recognise that there is a short term adjustment but we also recognise that the emerging economies of China, India and other nations increasingly will require minerals and energy to effect their modernisation and that the first world economies still have underlying demand to service their economies. In effect then, there has been a change in the short term level of demand but little change to the long term demand, which has simply been delayed."

Demand is cautiously returning but prices are still down from the boom and negotiations are more difficult than they were in the past.

We see our task in the next 12 months as delineating our resources sufficiently to determine the path to production and sale of our iron ore – whether by mine gate sales, direct shipping, or shipping after beneficiation.

It is still a very good time to be exploring, making discoveries and bringing them to production in the low of the cycle, as it helps to service demands when the cycle turns and to take advantage of lower prices. We have been particularly pleased to have been able to get more drilling metres at a lower cost and a higher quality over the past year.

I spoke last year of the need for tax incentives for "battle weary investors to provide the patient capital for the long term gains that will flow from their investment".

Flow through shares formed part of the Federal Government's platform in the lead up to the last election but have been referred to the Henry Review which we await. The Queensland Resource Council in its submission to the Henry Review "strongly supports the introduction of a flow through shares scheme to address structural impediments facing junior exploration companies, across all resources, in raising capital for new and increased levels of exploration investment." Capital raising for projects such as ours would greatly benefit from such incentives. As we are about to go to the polls next year, one would hope something will be done to assist junior exploration companies.

As I said last year, "flow through shares will cause an investment surge which is precisely what the economic forecasters say will be missing unless incentive is created". Investment in this area will bring long term benefits to Australia for many generations to come.

Your Board has again considered the position of the company and has reviewed our exploration portfolio and the potential to bring projects to production as soon as possible. As a result we have decided to become an iron ore focussed company, retaining the Pilbara and Canegrass tenements and separating all other commodities into a new company. This will be called Flinders Exploration Limited, headed up by Dr Dave Tucker, and will be listed as a new IPO with a priority given to existing shareholders to subscribe for shares. The proposed transaction will be subject to shareholder approval at an extraordinary general meeting and full details and a timetable will be released as soon as practicable. You are aware that we previously changed the company's name and split the company's activities into Flinders Iron and Flinders Diamonds to emphasise our change in direction.

Our growth will necessitate additions to our management team, although our emphasis will remain on staying lean with high quality experienced iron ore people. We are delighted with our current Senior Management in Nick Corlis, Exploration Manager – Iron, and Gary Sutherland, General Manger – Projects, who have both contributed significantly to our progress. All of our projects have been advanced by our hardworking technical teams and support staff both in the field and at head office. Our people remain a significant resource for the company and are very greatly appreciated.

We are also aware that with our recent growth, we can contemplate the addition of one or two new directors who have specific iron ore project experience and who will act in the best interests of Flinders' shareholders.

Again I thank shareholders for their ongoing support and in particular for their anticipated support for our planned capital raising, which should put us in a strong position to move towards production.

I take this opportunity to again thank management and all staff for their enthusiasm and for their professional approach to the discovery of minerals for the benefit of our shareholders.

I would also like to record my thanks to all those who have in any way contributed to our success – particularly my fellow directors.

Thank you Ladies and Gentlemen.

R M Kennedy
Chairman