



**CHAIRMAN'S ADDRESS TO FLINDERS MINES LIMITED**  
**ANNUAL GENERAL MEETING**  
**30 November 2010**

Fellow Shareholders,

Welcome to our Ninth Annual General Meeting as a listed company and our third as Flinders Mines Limited ("Flinders" or "FMS").

Since the last Annual General Meeting, FMS has successfully transitioned from 'explorer' to 'iron ore developer' in the world renowned Pilbara iron ore province in Western Australia. In order to ensure our success as a developer we have assembled an experienced, talented executive team, led by Gary Sutherland who was recently appointed as permanent CEO by the Board, to well manage the interests of the Company with respect to both current and future developments. Our selection of Worley Parsons ("WP") to manage the Prefeasibility Study ("PFS") has been a successful and significant step for both FMS and WP.

I am delighted to report that we have had continued outstanding achievements with respect to building a world-class iron ore resource base. This past year has seen a 46% increase in Inferred Resources, from 511Mt @ 55.4% to 748Mt @ 55.4%. We believe this represents a high quality, strategically located resource that offers Flinders a variety of options with respect to future development. With drilling continuing as I speak today, we believe there remains significant upside!

I'm also delighted to report that completion of the project feasibility study is imminent; it is on schedule and under budget, and soon to be issued to FMS for review.

We have deliberately not ventured into arrangements with infrastructure providers and/or potential off-take agreements – we are committed to establishing the best and most sustainable means via which the iron ore resource can be exploited for our shareholders and are better placed to achieve that than ever before.

In today's corporate environment it is essential to embrace sustainability as an important feature of the FMS culture.

In order to ensure our sustainability as a project developer, we have in place:

- An Exploration Environmental Management Plan;
- Project Health and Safety Standards;
- Planning for Progressive rehabilitation of areas disturbed by drilling.

Our project is driven by:

- A Project Sustainability Policy, objectives and targets which are established (e.g. we have an objective to maximise energy efficiency and have set ourselves a target to achieve a 10% reduction in energy usage);
- Sustainability objectives and targets which are integrated into engineering processes;
- A Social Impact Assessment and Management Plan which is complete and being progressively implemented.

Adopting a sustainable approach is a 'value add' for FMS and when done well, we believe it will:

- Reduce project capex and opex cost;
- Increase reputational capital of FMS;
- Maximise stakeholder acceptance and reward.

Looking further afield, a drilling program at our Canegrass magnetite iron project in the Midwest of WA will aim to define a maiden Inferred Resource and at this stage we are committing minimal expenditure to conduct a high level review of the project and its potential value. When we know the result of that review we will decide the future of this project.

On 28 September 2010, shareholders approved the entering into agreements with Flinders Exploration Ltd which has subsequently issued its Prospectus for the issue of 25,000,000 shares of 20c with a priority offer to existing FMS shareholders.

As outlined in my Chairman's Report contained in the Annual Report, small mining companies have been affected by the uncertainty caused by the proposed introduction of a Resources Super Profits Tax (RSPT) and its subsequent replacement by the Mineral Resources Rent Tax (MRRT). As proposed, the MRRT currently applies to iron ore. I note that the OECD is encouraging the Australian Government to widen the net to all minerals, as I foreshadowed in my Chairman's Report. I believe the fairest and most cost effective way of raising extra taxes is across the board, by a change to the company tax rate being higher for those companies making so called "Super Profits" (however defined) and lower for the rest of the corporate world. As there are existing resources for assessment, this approach would cause little if any extra cost and would fairly share the burden across all industries and would not affect Australian residents, as I presume the additional company tax would be subject to dividend imputation.

As I mentioned at last year's AGM, we had raised \$23 million in a placement to institutions at 14.5 cents per share and offered a fully underwritten rights issue to shareholders at a further discount of approximately 10% to 13 cents per share, to raise approximately \$29 million. Sadly, I report that 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, passed away recently. We have expressed our sympathies to his family and recognise the contribution he made to our success. At 31 October 2010 we had \$48.12m cash in the bank. We are carefully managing our cash whilst we transition from the PFS to development and carefully consider our options for a path to market.

As I have said for the last two years (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.

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 remain aware that with our move to the project development phase we need to add additional expertise to our board. Flinders recently appointed John Cooper as a director of your Company. He has substantial mining experience and has already proved to be a valuable contributor to the Board.

Again, I thank shareholders for their ongoing support. 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