

**CHAIRMAN'S ADDRESS TO FLINDERS MINES LIMITED**  
**ANNUAL GENERAL MEETING**  
**15 November 2012**

Dear fellow shareholders,

Welcome to our eleventh Annual General Meeting as a listed company.

It has been an eventful year since our last AGM when we subsequently advised shareholders of the 30c per share cash-only offer by Russian-based MMK for all the issued capital of your Company by a scheme of arrangement. As a result of the offer, the Flinders share price rose from 17c on announcement on 25 November 2011 to 30c on 30 March 2012 (a period of 4 months during which the share price fluctuated by only a couple of cents). On that date 94.7% of Flinders' shareholders approved the Scheme under the formal Scheme Implementation Agreement (SIA) and opened the way for the second court hearing for the court's final approval of the Scheme. It was only a few days later when on 3 April 2012, we were informed that a minority shareholder of MMK had sought and received injunctive relief in the Arbitration Court of Chelyabinsk, Russian Federation, under which MMK was restrained from implementing its Directors' resolutions with respect to the acquisition of 100% of Flinders Mines Limited. The offer ended on 3 July 2012 when Flinders was informed by MMK that, in accordance with clause 14.1.1 of the SIA, MMK had terminated the SIA with immediate effect.

During that period the number of shareholders fell from around 13,000 to a low of around 9,000 and has since risen to around 11,000. Obviously, there were a lot of shareholders who took advantage of the rise in price in the market and sold, with some at the offer price of 30c. Your Directors retained their shareholdings throughout this process and continue to hold their shares in the belief that there is a satisfactory solution. The market was fully informed throughout the Scheme process and there is nothing your Board can add at this stage to that which has already been released.

The MMK transaction has now been consigned to history and it should be noted that by observing the proper legal procedures, Flinders did not incur any penalty under the Scheme Implementation Agreement.

With the Scheme not being completed with MMK, it has left Flinders still holding 100% of our Pilbara Iron Ore Project - a large, high grade, independently owned resource, and with our expenditure on exploration in the last financial year we have increased the resource to almost 1 billion tonnes<sup>1</sup>. This puts us in the enviable position of being the only junior with a single location, easily mineable, major resource in the Pilbara. In addition, we are also moving forward with a targeted exploration programme for base metals at our Canegrass Project in the mid-west of Western Australia.

Our Managing Director will address both of these projects in more detail during his presentation today.

As I said in my Chairman's Report to shareholders in the 2012 Annual Report, "...your Board and Management are focussed on securing a company defining transaction, that is deliverable and that achieves a measureable and excellent outcome for shareholders".

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<sup>1</sup> Refer ASX Announcement dated 14 November 2011

We continue to push forward with our options to ensure a Pilbara port and rail solution in line with the WA Government's stated desire to have an open access solution which will allow companies like Flinders to deliver ore to market.

Make no mistake, as a Board we are confident that the quality of our PIOP places us in an excellent position to achieve positive outcomes for you as shareholders and this is our absolute priority.

We believe that the global iron ore market will recover once the leadership priorities in China are resolved and they are able to commence governing, a protracted process which has concluded only in recent days and now needs to swing into full action.

Our product has been tested for market acceptance and as you will see from the Managing Director's presentation, we are ready from a marketing point of view to seek buyers, subject to achieving a rail and port solution.

Once again, my thanks to shareholders for their patience, and to the Board and Management for their continuing efforts as we work towards a positive and clear way forward.

Thank you, Ladies and Gentlemen.

R M Kennedy  
Chairman