

CHAIRMAN'S ADDRESS TO THE FLINDERS MINES LIMITED

2014 ANNUAL GENERAL MEETING

22 October 2014

Dear Fellow Shareholders,

Welcome to the 2014 Annual General Meeting of Flinders Mines Limited.

It has been a progressive year for your Company at a time when the iron ore sector nationally has witnessed considerable fluidity in terms of takeovers and mergers, price and supply pressures and volatile equity market sentiment. Within this environment, Flinders Mines has delivered key project outcomes for our wholly-owned Pilbara Iron Ore Project (PIOP) in Western Australia.

In February this year, your Company signed an important agreement with the Balla Balla Joint Venture, which consists of Rutilla Resources Ltd and Todd Corporation of NZ.

Under the terms of this agreement, the Balla Balla JV will provide port and rail services to Flinders Mines for our PIOP for a service fee and a share of revenue above a base cost of \$A60 per tonne of iron ore.

The Joint Venture's proposed iron ore export port is located at Balla Balla on the Western Australian coast between Karratha and Port Hedland. The port will be a transshipment facility in which ore is loaded from a jetty onto self-unloading barges and then moved offshore for loading onto Cape-size ocean going ore carriers.

The supporting rail corridor will run from the port to the mine site at the PIOP - a distance of some 200km. As you will appreciate, this is no small undertaking and inclusive of the capital works required at the mine site, will require significant planning and funding.

Since signing the agreement with the Balla Balla JV, your Company has been very active. It has successfully completed a capital raising to undertake the significant amount of infill drilling required to bring the current PIOP resource up to the level of confidence required for a Bankable Feasibility Study. I am happy to say that this drilling work has now been completed. In general, we have seen from the results, robust confirmation of the existing iron ore resource and with improvements in some areas.

The resource at PIOP will convert to a high grade product that is expected to have wide acceptance in the Chinese market – the key focus for future sales of our ore.

The next steps for Flinders are to complete the PIOP's mine planning, secure the final environmental approvals and secure sales contracts for its ore.

This work will culminate in the completion of a Bankable Feasibility Study by June 2015. From this study, Flinders expects to make an informed decision on whether to proceed with the project and what the return to its shareholders may be.

As mentioned in my opening remarks, no doubt you are aware that the iron ore market has come under significant pressure from additional global supply and slower Chinese consumption. Iron ore, like all commodities, experiences its cyclical ups and downs but is still one of the most profitable businesses in the mining industry. I can assure you that your Board will only make a decision to develop the PIOP if it can be profitable throughout the commodity cycle.

I thank you all for your continued support of the Company, and also my fellow Directors and employees for their continuing efforts to move the PIOP to development.

Thank you Ladies and Gentlemen.

RM Kennedy

Non-Executive Chairman