

Chairman's Address to Flinders Mines Limited 2015 Annual General Meeting 27 November 2015

Dear fellow shareholders,

Welcome to the 2015 Annual General Meeting of your company, Flinders Mines Limited.

It has been an extraordinary year in resource commodities generally, as we have watched sustained downward market pressures on both price and supply, and a general rush across the board to cut operating and fixed costs even further.

No more has this confluence of factors been evident than in the iron ore space – both here in Australia and internationally.

It would be misleading to suggest that this market activity has not impacted investor and potential project partner sentiment towards the fortunes of the smaller players in Australia's iron ore sector, including our own Pilbara Iron Ore Project.

Flinders continues to engage with Todd Corporation regarding the future of the PIOP. To date, that engagement has not generated any new commercial considerations to put before shareholders.

Our obligations under the Todd Corporation Alliance continue to apply until close of business on December 31 this year, after which Flinders is able to consider its options to develop the project.

We also take this opportunity to publicly thank Todd Corporation for its strong support for Flinders Mines during 2015. Todd provided significant funding towards completing the final round of drilling and other test work required at our Pilbara project to define a one billion tonne iron ore resource that can now confidently be mined.

It would be easy to think that the current status of the iron ore market is likely to limit near and medium term interest in our project and/or company.

However, iron ore generally is a long-term game in terms of deposit development, infrastructure investment decisions and offtake deals.

As you would be well aware, the price of iron ore basically halved over the year from around US\$100 per tonne to frequently now below US\$50 per tonne for the 62% grade ore.

And price change is now a daily event, one intensely monitored and commented on at large by the equities market and business media.

No other resources commodity is being subjected to such a level of scrutiny – with the level of losses reported and debt reduction strategies, among the key focus of commentators.

Little wonder that capital markets in this low price environment, and facing ongoing high levels of output by the world majors, are reluctant to support new iron ore developments.

The feedback we have received over 2015 from the equity market is that our project is well understood, it has been well drilled to the key Indicated and Measured status levels and these remain among the fundamentals which will attract investor participation.

The iron ore industry will likely require a sustained lift in the price before new production can be funded.

This environment reflects the reasoning behind the decision by your Board in May this year to provide an opportunity for shareholders to consider the sale of the PIOP via an option by entering into an agreement with Todd Corporation. Under the terms of the option, Flinders Mines would have received a number of cash payments until Todd elected to exercise the acquisition option.

Shareholders voting at a special meeting late in September rejected the proposal and that decision is now history.

Since that Meeting, the Company has had a number of meetings with Todd Corporation regarding the Alliance Agreement, which to date have not resulted in any firm proposals.

Certainly, we will have to continue work on the project to keep it in good order and to maximise our negotiating position – but all such expenditure will only be on an “as required” basis”.

Indeed, effective from earlier this month, your Directors and Managing Director have reduced their fees and salary by 20%. This is in addition to staff reductions in recent times, so we are doing everything possible to minimise costs and outlays while seeking a future outcome for our PIOP.

We now plan to reinvigorate our discussions with Chinese steel mills with which we have initial but non-binding agreements or expressions of interest, to see whether we can move those forward with respect to finalising offtake agreements and/or potential project investment.

Expenditure will continue to be minimised on our Canegrass base metals and gold project in WA.

Thanks go to my fellow Directors and our remaining staff, and in deed all staff who have been a part of our journey.

They are at the coalface of this company and this iron ore industry and it has been a year not without its challenges.

However, they have delivered through that environment, a company and project that still have development options, and for that we thank them sincerely.

Thank you.

Bob Kennedy

Chairman

Flinders Mines Limited