

**ASX ANNOUNCEMENT****21 November 2017****Chairman's Address to the 2017 Annual General Meeting**

Good morning, ladies and gentlemen. My name is Neil Warburton and I am the Non-executive Chairman of Flinders Mines Limited. It is my pleasure to welcome you to the Company's 2017 Annual General Meeting.

This morning I will provide you with a brief Chairman's overview of the past year, which has seen significant changes to the Board and management team and a clear focus on commercialisation of the Company's Pilbara Iron Ore Project (PIOP). I will then hand over to our Interim Executive Director, David McAdam, to provide a more detailed overview of the Company's maturation activities in 2017 and the outlook for 2018.

As you would be aware there have been significant changes at our company since the last Annual General Meeting in 2016 and we have made strong progress with our principal asset, the PIOP. I was appointed Chairman late last year following the close of TIO (NZ) Limited's takeover bid, which saw TIO (a subsidiary of the Todd Corporation), increase its shareholding to 52.6%. At the same time, the Flinders Board was refreshed, with Michael Wolley and Evan Davies appointed as TIO nominee Directors and myself and David McAdam appointed as independent non-executive Directors. As has been announced to ASX, David has since moved into an interim executive role to lead the independent strategic review and maturation work at the PIOP. David has extensive project design and construction experience and is well placed to lead the maturation work for us. Bob Kennedy remained on the Board, moving from Executive Chairman into a non-executive Director's role to ensure a smooth handover and I thank Bob for his valued contribution over many years.

The first priority of the new Board was to initiate an independent strategic review of the PIOP. This included assessing the possible future development options for the PIOP, the likely economic viability and timing of such development options, sources and availability of funding for such development options and the development of a strategy to bring the PIOP products to market.

These are all vital components so that we can progress the future development of PIOP in a disciplined, strategic manner.

The strategic review was completed during the March quarter this year and, I am pleased to say, concluded that the PIOP resource potentially provided for the development of a significant iron ore mine, subject to an economically viable infrastructure solution being secured amongst other things. However, the strategic review also determined that further detailed understanding of mine planning and metallurgy was required to confirm the ability for the mine to operate at an economic production rate and competitive cost of production. The minimal economic production rate for the PIOP was found to be approximately 45 million dry tonnes per annum, with a grade of approximately 59% Fe, targeting a mine life in excess of over 10 years. The strategic review also concluded that an asset maturation phase needed to confirm a number of technical assumptions and uncertainties and to form a solid basis for progression to a feasibility study. Without each of these studies PIOP simply cannot attract the necessary funding and commercial partners required to progress PIOP.

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The Board fully supported the strategic review recommendations to unlock the PIOP's value and proceeded with the asset maturation phase. This was funded through a non-renounceable entitlement offer (Entitlement Offer) to all shareholders to raise up to \$16 million earlier this year, which ultimately raised approximately \$9.5 million (before costs). These funds have and will continue to be used to implement a series of asset maturation programs, and will be supplemented by a \$5 million loan facility secured with a subsidiary of TIO and announced on 6 November 2017.

The loan facility is at commercial arms-length terms and will be non-dilutive to shareholders. The Company also intends to undertake a further entitlement offer following the completion of the asset maturation work before the end of the 2018 financial year, to repay the loan facility, progress feasibility and mine scheduling studies, and supplement working capital requirements. The issue price and entitlement ratio will be determined at that time and will enable all shareholders to participate.

To date, the Company has made substantial progress with the asset maturation work at the PIOP. The PIOP camp was re-established and key contracts awarded for camp management, diamond and sonic drilling, heritage surveying, environmental assessment, access tracks and drill pad establishment.

The drilling program commenced in June and despite some initial set-backs with lower than optimal core recovery from the diamond drill rigs, the mobilisation of two additional sonic drill rigs improved core recovery and the metallurgical drilling program was completed in late September.

Looking forward scrubbing, screening and wet circuit bench scale testing and pilot plant beneficiation work of the bulk samples has commenced and is scheduled to progress to completion by the first quarter of 2018. The full results of this work will not be available until the second Quarter 2018.

It is envisaged that this work will lead to an updated JORC compliant resource in 2018 for the project.

David will outline in more detail in his presentation the metallurgical, geotechnical and hydrological drilling that has now been completed.

We expect all onsite maturation work and full demobilisation to be completed by late November and before the onset of the wet season.

During the year we have also re-activated work on our Canegrass tenements in Western Australia, which are prospective for vanadium, cobalt and nickel. The field exploration work we initiated included rock chip collection and analysis on potential cobalt/ nickel locations. Over 400 samples have been analysed with initial indications that exploratory drilling is warranted in several locations. Drilling has now commenced on these targets.

Review of all previous exploration work on the Canegrass project area is continuing, including the parameters used for the maiden Inferred vanadium resource released to the market on 10 August 2011.

During the year the Company relocated its corporate office from Adelaide to Perth to better align the operations with relevant iron ore advisors and service providers and so we are closer to our projects.

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The Board looks forward to completion of the asset maturation work and being better positioned to progress the PIOP as quickly as possible and in a way that provides best value for shareholders.

I thank all Directors for their hard work and continued support during the year. In particular, I acknowledge David McAdam's role as Interim Executive Director that has enabled the Company to move forward with a clear and accurate strategic direction that we hope will add significant value for all shareholders; and Bob Kennedy's continued support for the business and his unwavering commitment to mature the Company's key projects.

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**About Flinders Mines Limited**

Flinders Mines Limited is an ASX-listed (ASX: FMS) exploration and development company focused on the commercialisation of its large, high quality hematite resource - the Pilbara Iron Ore Project (PIOP).