

FLINDERS MINES LIMITED

CHAIRMAN'S ADDRESS

Fellow Shareholders

Welcome to our Seventh Annual General Meeting as a listed company and our first as Flinders Mines Ltd. Since the last Annual General Meeting not only has your company changed but the world has changed. The Global Financial Crisis emanating from the USA has caused the most volatile equities market since the Great Depression. The effect will be felt for some time as governments globally address the issues arising therefrom. We are now seeing the flow-ons to the real economy.

However, 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.

When demand returns, particularly when China starts to build back up it is likely that supply will be constrained. This will occur because as capital dries up, credit becomes constrained, projects are deferred, exploration falters, which will inexorably lead to supply failures in the not too far distant future. The future is therefore bright for companies that survive and retain quality assets.

Exploration requires patient capital as its lifeblood to develop discoveries into working mines that will produce the commodities for world consumption. It is a very good time to be exploring, making discoveries and bringing them to production in the low of the cycle as it helps service the demand when the cycle turns.

However, the industry will need an incentive to entice battle weary investors to provide the patient capital for the long term gains that will flow from its investment. Countries like Canada have provided such an incentive in the form of flow through shares where the investor obtains a deduction for the proportion of subscribed capital which is spent on exploration. The company forgoes the deduction in favour of the shareholder. This process simply changes the timing of tax revenues until such time as production is achieved.

Flow through shares formed part of the Federal Government's platform in the lead up to the last election and it is pleasing that Minister Ferguson continues to give strong support for the concept. We can only urge Government as a whole to address the matter with the utmost urgency. Not in generations has the supply of capital dried up so dramatically; not in generations has the need for capital been so great for the nation's future.

Flow through shares will cause an investment surge which is precisely what the economic forecasters say will be missing unless incentive is created. Investment in this area will bring long term benefits to Australia for generations.

What does this mean for Flinders Mines Ltd?

As a company we've experienced hard times before as it was only following an improvement in the exploration floats market caused by the announcement of the then Minotaur Resources Limited's Prominent Hill copper-gold discovery on 14 November 2001, that interest in Flinders' IPO increased and the issue closed above the minimum subscription on 8 February 2002 with \$3.35 million raised and the company listed on the Australian Stock Exchange on 20 February 2002.

Your Board has considered the position of the company and has reviewed our exploration portfolio and the potential to bring projects to production as soon as possible. You are aware that we changed the company's name and split the company's activities into Flinders Iron and Flinders Diamonds by the creation of two subsidiaries to emphasize the change in direction.

As a result we have a number of priority projects:

1 Iron Ore - The company's iron ore project on the Hamersley tenement near Mt Tom Price in the Pilbara in Western Australia is being reported on weekly with our latest Weekly Drilling Report No 12 showing that out of 5,964 assays sent for testing results for only 1,527 have been received. We have resolved to review this project at the close of the current drilling program to evaluate the alternatives for its progression to a fully JORC compliant resource.

2 Diamonds – Located at our various projects in South Australia. In view of the current economic situation we have pared our diamond exploration budget to a level that will allow us to continue to explore, but at a much reduced pace.

3 Phosphate – Located in our Jamestown and Adelaide Hills Projects in South Australia. We have commenced a low cost soil sampling and mapping exploration program with a view to locate a deposit in the order of 10 million tonnes.

Our Managing Director will update us and deal with the technical issues in respect of each of the above projects. Obviously, we have sufficient capital to pursue all of these projects to the planned stage. We will be assessing the timing and feasibility of bringing our iron ore project to production. Access to infrastructure will be an important aspect of any such evaluation and we remind shareholders that our tenements are adjacent to the infrastructure proposed to be built by Fortescue Metals Ltd.

Our need to seek capital will depend on the outcome of our deliberations once we have received all assay results and our technical staff have had the opportunity to digest the information. I expect that we might be in a position to determine our direction by the end of the first quarter 2009. Hopefully, when we need to seek capital the market will allow us to do so and in a regime that allows for flow through shares.

In this environment we have to be aware of our counter-party risk. Our awareness has been raised significantly and whilst we haven't encountered any risk issues from counterparties we are only dealing with parties that minimize our risk. Liquidity is an issue for all explorers and we will give shareholders the choice to participate in a capital raising at the appropriate time.

Our people remain a significant resource for the company, as it is through this resource that we hope to convert our exploration to production.

Again I thank shareholders for their ongoing support particularly for their support for the successful capital raisings during the financial year including the exercise of options which have resulted in a cash position of \$16.8m as at Friday 21 November 2008.

I take this opportunity to thank management and all staff for their enthusiasm and for their professional approach to the discovery of minerals for the benefit of the shareholders.

I also record my thanks to all those who have in any way contributed to our success, particularly my fellow directors.

Thank you Ladies and Gentlemen.