

FLINDERS EXPLORATION LIMITED – ANNUAL GENERAL MEETING 2014

CHAIRMAN'S ADDRESS

My fellow Shareholders,

Along with most of the rest of the junior mining sector, Flinders Exploration Limited (FEX) has experienced a difficult year in 2013/2014. Finance has been scarce and what little we have outlaid has been spent very judiciously. However, we have made a significant advance by recognising two development opportunities at our Black Cat project in the Coolgardie area of Western Australia's Eastern Goldfields.

In late 2013 and early 2014, we contracted mining engineering consultants Terra Consulting to carry out a new scoping study on our Black Cat Project using up to date operating costs for the Kalgoorlie region. Although the study showed that mining the accessible Black Cat ore was profitable, the margins were not sufficient to continue without further mine planning studies. Fortunately, the study also showed that by utilising a much lower cost gold recovery method, such as heap leaching, a new profitable development was possible.

FEX has therefore produced a plan to develop a heap leach operation by mining the Inferred and Indicated Resource at Black Cat South which is located only 100 metres east of the existing Black Cat pit. Through mining studies the resource of 72,000 tonnes at a grade of 2.6 g/t gold can be converted to a Probable Reserve which is expected to generate gold production of 5,000 ounces and a cash surplus of some \$3 million. There is also a remnant resource of paleochannel gold adjacent to the Northeast corner of the existing Black Cat pit which could also be developed to produce about 2,000 ounces of gold with a cash surplus of \$1.5 million.

FEX is also the applicant for a group of tenements located about 10 km east of, and on the same structure as, the Marymia Gold Mine in the Plutonic Greenstone Belt near Meekatharra in Western Australia. When the tenements are granted, and FEX has sufficient funds, it is intended to run some traverses of RAB drilling across the zone which previously discovered interesting gold assays on widely spaced traverses across the mineralised structure.

In November 2014, the FEX Board decided to hold a 1 for 1 non-renounceable Rights Issue at an issue price of \$0.008 to raise up to \$447,515. While the issue is not expected to be fully subscribed, any shortfall can be placed and FEX is expecting to raise sufficient funds to provide working capital and funds for additional development related work at Black Cat.

In 2015, FEX is planning to carry out further mine planning studies and to drill a limited number of holes to obtain samples for static column leach tests as a prelude to designing a heap-leach operation. Given success in this work the company can move towards its maiden gold production.

I would like to thank all who have helped FEX continue to develop its ideas during difficult times – your efforts are much appreciated and we look forward to a better environment for mining developments ahead.



Kevin Wills

Chairman

27 November 2014