

3 April 2012

The Manager  
Market Announcements  
Australian Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

### **FLINDERS MINES LIMITED (FMS)**

Flinders Mines Limited ("Flinders") provides shareholders with an update relating to its Scheme Implementation Agreement ("SIA") with Magnitogorsk Iron and Steel Works OJSC ("MMK") dated 25 November 2011.

On April 3 2012, Flinders was advised by MMK that a minority shareholder of MMK had sought and received injunctive relief in the Arbitration Court of Chelyabinsk, Russian Federation, under which MMK is restrained from implementing its Directors' resolutions with respect to the acquisition of 100% of Flinders Mines Limited.

Accordingly, Flinders made an application to the Federal Court of Australia to adjourn the Second Court Hearing to a date to be advised. The Court approved that application. It is Flinders' intention to relist this matter as soon as practicable.

MMK has indicated to Flinders that this matter is the subject of its immediate attention. Flinders has been advised by MMK that its Board remains committed to finalise the SIA under the same commercial terms approved by Flinders Shareholders on Friday 30<sup>th</sup> March 2012, as soon as possible.

Flinders will continue to keep its shareholders informed regarding these developments and requests a lift of the trading halt in the Company's securities.



Gary Sutherland  
Managing Director

*Attachments:*

MMK Press Release dated April 3, 2012  
Cautionary Judgement dated March 30, 2012  
Notice of Failure to satisfy condition dated April 2, 2012



**Open Joint Stock Company Magnitogorsk Iron and Steel Works  
OJSC MMK**

**PRESS RELEASE**

**Chelyabinsk arbitration court issued an order restraining MMK  
from implementing MMK Board of Directors' Resolutions  
with respect to acquisition of Flinders Mines Limited**

**April 3, 2012**

**Magnitogorsk, Russian Federation**

Open Joint Stock Company Magnitogorsk Iron and Steel Works (OJSC MMK) announced that on April 2, 2012 it was notified that a minority shareholder of OJSC MMK, Ms. Elena Egorova, brought an action to the Arbitration Court of Chelyabinsk Region (city of Chelyabinsk, Russian Federation) on March 29, 2012 challenging the legitimacy of the OJSC MMK Board of Directors' resolutions with respect to the acquisition of 100 percent stake in Flinders Mines Limited. The plaintiff argues that this transaction discriminates against her interests as a shareholder since this deal will, allegedly, lead to financial and operational risks for OJSC MMK and therefore adversely affect the plaintiff's investments in MMK shares.

As a result, on March 30, 2012 the Arbitration Court of Chelyabinsk Region issued an injunctive relief order restraining MMK from implementing MMK Board of Directors' resolutions with respect to the acquisition of 100 percent stake in Flinders Mines Limited.

OJSC MMK has notified Flinders Mines Limited of the court's order. The parties are currently in the process of jointly assessing the above circumstances and their probable consequences.

OJSC MMK officially states that in the course of implementation of the transaction to acquire 100 percent of Flinders Mines Limited shares, OJSC MMK has been acting in full conformity with applicable laws and regards the plaintiff's action as ungrounded.

**OJSC MMK Communications Department**

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## ARBITRATION COURT OF CHELYABINSK REGION

Ul. Vorovskiy 2, Chelyabinsk, 454000

### Cautionary Judgment

March 30, 2012

Case # A76 – 5748/2012

The Judge of Arbitration Court of Chelyabinsk Region, Bulavintseva N.A., in the course of injunctive relief proceeding started by a petition of Elena Nikolayevna Egorova, under action brought by Elena Nikolayevna Egorova, village of Siverskoye, against Magnitogorsk Iron and Steel Works Open Joint Stock Company, city of Magnitogorsk, for recognition as null and void of Resolution of the Board of Directors dated 16.12.2011 recorded in Minutes #12 (Item of Agenda #17) and for recognition as null and void of Resolution of the Board of Directors dated 10.02.2012 recorded in Minutes #14 (Item of Agenda #22)

#### **FOUND that:**

Elena Nikolayevna Egorova, village of Siverskoye, brought an action to Arbitration Court of Chelyabinsk Region against Magnitogorsk Iron and Steel Works Open Joint Stock Company (MMK OJSC), city of Magnitogorsk, for recognition as null and void of Resolution of the Board of Directors dated 16.12.2011 recorded in Minutes #12 (Item of Agenda #17) and for recognition as null and void of Resolution of the Board of Directors dated 10.02.2012 recorded in Minutes #14 (Item of Agenda #22).

Concurrently with the action the Plaintiff filed an application for the following injunctive relief:

- Prohibition to MMK OJSC, its subsidiary and related companies and other entities from performing any actions connected with implementation of the Scheme Implementation Agreement between MMK OJSC and Flinders Mines Limited as of November 25, 2011, including those actions connected with organization of financing thereof, raising and provision of any financing, signing of any documents in pursuance thereof.

Substantiating the necessity of the chosen injunctive relief the Plaintiff made a statement that in case of the claim settlement the non-grant of the injunctive relief at the stage of the petition acceptance to start the arbitration court proceeding could impede the execution of the

judgment or even make it impossible, and result in substantial damage for the Plaintiff and public grievance.

By virtue of Article 90 of the Arbitration Procedural Code of the Russian Federation the arbitration court, by a petition of a person participating in a legal proceeding, and in cases within the Code by a petition of another person, can take prompt actions for security of the claim or property interests of the applicant (injunctive relief).

Injunctive relief can be granted at any stage of arbitral proceeding should non-granting thereof impede the judgment or even make it impossible including the cases when the judgment is to be enforced outside the Russian Federation and to prevent substantial damage for the applicant.

Paragraph 4 of Resolution #55 dd. 12.10.2006 adopted by the Plenum of the RF Supreme Arbitration Court “On the secured measures to be taken by the arbitration courts” (hereinafter Resolution #55 of the Plenum of the RF SAC dd. 12.10.2006) gives explanation about how the arbitration court can apply measures of Chapter 8 of the RF Arbitration Procedural Code to secure property or non-property rights and interests of the applicant in order to prevent material or non-material damage in business and other economic activities.

When applying the injunctive relief the arbitration court shall have regard to the principle that pursuant to Part 2 of Article 90 of the Arbitration Procedural Code of the Russian Federation the injunctive relief is allowed at any process stage providing one of the following grounds is available:

- 1) If the implementation of such injunctive relief may impede or make impossible the execution of the judgment, including the execution of a judicial act outside the Russian Federation;
- 2) For the purpose of preventing the applicant from significant damage (p.9 of the Resolution of the Plenum of the RF SAC dd. 12.10.2006 #55).

The complexity or impossibility to execute the judgment may be related to the fact that a debtor has no property, or the actions to be taken to reduce the scope of property.

In order to prevent the applicant from significant damage the injunctive relief may be applied to maintain the status quo between the parties.

Considering the fact that injunctive relief is only applied if reasonable, the arbitration court shall acknowledge the party’s application for injunctive relief as justified if there is evidence to confirm at least one of the grounds provided for in Part 2 of Article 90 of the Arbitration Procedural Code of the Russian Federation.

Pursuant to p. 10 of the Resolution of the Plenum of the RF SAC dd. 12.10.2006 #55, the following shall be taken into account when considering the applicant’s arguments pursuant to Part 2 of Article 90 of the Arbitration Procedural Code of the Russian Federation: reasonability and validity of the applicant’s claim for injunctive relief; damage likelihood in case the

injunctive relief is not applied; secured balance of interests of interested parties; prevention of violation of public interest, third-party interest when injunctive relief is applied.

The Arbitration Procedural Code of the Russian Federation does not provide for any specific grounds according to which the court is obliged to secure the claim. The injunctive relief reasonability and validity are evaluated by the court at its own inner conviction based on the case study.

When establishing the necessity of applying the injunctive relief the Plaintiff pointed out that the issues considered by the OJSC MMK Board of Directors on the acquisition of shares of Flinders Mines Limited involving the additional project financing for AUD 652 million regarding the company's losses based on the results of 2011 will result in decreasing the value of shares owned by the Plaintiff.

Having studied the materials deposited in evidence pursuant to Article 71 of the Arbitration Procedural Code of the Russian Federation the court has resolved that the application is subject to partial satisfaction.

The settlement specifics of such disputes are stipulated by chapter 28.1 of the Arbitration Procedural Code of the Russian Federation (Chapter 28.1 "Corporate Dispute Settlement": article 225.1-225.9; included by virtue of the Federal Law dd. 19.07.2009 #205-FZ "Amendments to Particular Acts of the Russian Federation").

It is stipulated in Part 1 of Article 225.6 of the Arbitration Procedural Code of the Russian Federation that the injunctive relief in corporate disputes is applied by the arbitration court when grounds provided for in article 90 of the present Code are available. The implementation of injunctive relief should not result in an actual failure or a significant difficulty for a legal person set forth in Article 225.1 of the present Code to carry out its activity or violation by such legal person of the legislation of the Russian Federation.

According to Section 2 of Article 225.6 of the Arbitration Procedural Code of the Russian Federation, the arbitration court may grant an injunctive relief in the context of corporate disputes according to the procedure provided for in Article 8 of the present Code, with account for peculiarities set out in the present Clause.

In accordance with the provisions of Chapter 8 of the Arbitration Procedural Code of the Russian Federation (Articles 90 - 100), the injunctive relief shall correspond to the claim filed, i.e. be directly connected to the subject matter of dispute, coherent with the filed claims and necessary and sufficient for judicial act execution or damage prevention.

The subject matter of dispute under the present case is disputing the resolutions adopted by the Board of Directors on 16.12.2011 in relation to Issue # 17 (Minutes # 12) and the Board of Directors' resolution adopted on 10.02.2012 in relation to Issue # 22 (Minutes # 14) on acquisition of 100% of Flinders Mines Limited shares by OJSC MMK (acquisition price is equal to AUD 554 m), structure of the transaction in terms of the settlement agreement with Flinders Mines Limited concluded on terms typical for such type of agreements dated 25.11.2011, including resolutions related to arrangement of this transaction for the total amount of AUD 632 mln.

In accordance with Item 4 of Section 3 of Article 225.6 of the Arbitration Procedural Code of the Russian Federation, the injunctive relief for corporate disputes may be, *inter alia*, a prohibition for a legal entity, its bodies or participants, as well as other persons, to implement resolutions adopted by the bodies of such a legal entity.

Pursuant to the provisions of the active legislation and taking into account the existing court and arbitration practice with regard to the issue under consideration (including Resolution # 5 of the Plenum of the Supreme Arbitration Court of the Russian Federation dated October 12, 2006), relying on the particular circumstances for maintaining the *status quo*, for the purpose of preventing significant damage to the applicant (Item 9 of Resolution # 55 of the Plenum of the Supreme Arbitration Court of the Russian Federation dated October 12, 2006), the court finds it necessary to issue an injunctive relief prohibiting MMK from implementing the resolutions adopted by the Board of Directors on 16.12.2011 in relation to Issue # 17 (Minutes # 12) and the Board of Directors' resolution adopted on 10.02.2012 in relation to Issue # 22 (Minutes # 14) on acquisition of 100% of Flinders Mines Limited shares by OJSC MMK (acquisition price is equal to AUD 554 m), structure of the transaction in terms of the settlement agreement with Flinders Mines Limited concluded on terms typical for such type of agreements dated 25.11.2011, including resolutions related to arrangement of this transaction for the total amount of AUD 632 m.

The prohibition is extended to all resolutions and covers the actions of the Individual Executive Body, other persons specified in the contested Minutes regarding implementation of resolutions adopted by the Board of Directors on 16.12.2011 in relation to Issue # 17 (Minutes # 12) and the Board of Directors' resolution adopted on 10.02.2012 in relation to Issue # 22 (Minutes # 14).

When granting the abovementioned injunctive relief, the court assumes that acquisition of another company's shares does not fall within the scope of activity specified in the Charter of OJSC MMK and does not violate the business activity of the defendant in the present case.

Herewith, the court explains in public that Article 97 of the Arbitration Procedural Code of the Russian Federation provides for the possibility of discharging the previously issued injunctive relief order by the Arbitration Court upon application of a person participating in the case.

According to Section 2 of Article 97 of the Arbitration Procedural Code of the Russian Federation, a decision to discharge the injunctive relief order may be taken at the court session to be held within five days from the date of filing the application to the arbitration court in accordance with the procedure set out in Article 93 of the present Code, i.e. at the sole discretion of the judge, without notifying the parties.

Based on Articles 91 – 93, 184 and 185 of Arbitration Procedural Code of the Russian Federation, the Arbitration Court ORDERED THAT:

the application of Elena Nikolayevna Egorova for injunctive relief to secure the action be satisfied in part;

MMK OJSC be prohibited from implementing the resolution adopted by the Board of Directors on 16.12.2011 in relation to Issue # 17 (Minutes # 12);

MMK OJSC be prohibited from implementing the resolution adopted by the Board of Directors on 10.02.2012 in relation to Issue # 22 (Minutes # 14).

The present order may be appealed to the Eighteenth Arbitration Appellate Court within a month from the date on which the order was issued.

N.A. Bulavintseva,  
The Judge

Information regarding time, place and results of the review of the appeal and cassation petition can be found on the web-sites of the Eighteenth Arbitration Appellate Court ( <http://18aas.arbitr.ru> ) and Federal Arbitration Court of the Ural Region ( <http://www.fasuo.arbitr.ru> ), respectively.



MAGNITOGORSK IRON AND STEEL WORKS  
Open Joint Stock Company  
OAO MMK

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Settlement account for the main activity № 40702810300000200009 with the Credit Ural Bank Open Joint Stock Company,  
City of Magnitogorsk BIK 047516949, INN 7414003633, KPP 74145001, OGRN 1027402166835  
Correspondent account with the Cash Settlement Center of Magnitogorsk № 30101810700000000949.

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To: **Flinders Mines Limited (FMS)**

Re:

**Notice of failure to satisfy condition**

Magnitogorsk Iron and Steel Works OJSC (**MMK**) hereby gives notice under clause 2.10.3 of the Scheme Implementation Agreement between MMK and FMS (**SIA**) of the following matters:

- At approximately 9am on 2 April 2012 (Magnitogorsk time), MMK became aware that on 29 March 2012 a minority shareholder of MMK (the **Shareholder**) brought an action (the **Action**) against MMK in the Arbitration Court of Chelyabinsk Region (the **Court**). In the Action the Shareholder asks the Court to recognize as null and void the resolution of the Board of MMK dated 16 December 2011, item of agenda No. 17 (the **Resolution 16/12/2011**), and the resolution of the Board of MMK dated 10 February 2012, item of agenda No. 22 (the **Resolution 10/02/2012**).
- By Resolution 16/12/2011, the Board of MMK:
  - approved the acquisition by MMK or by a company of MMK Group of 100% of the shares in FMS in accordance with the terms set out in the SIA;
  - authorized the General Director of MMK to implement the transaction for the acquisition of 100% of the shares of FMS (the **Shares**) as per the SIA, including to execute all necessary documents related to the implementation of the transaction;
  - authorized the General Director of MMK, if necessary, to organize the financing for the purposes of the acquisition of the Shares and further financing of FMS.
- By Resolution 10/02/2012, the Board of MMK:
  - confirmed the accuracy of the information in respect of MMK contained in section 4 of the Scheme Booklet (the **MMK Information**);
  - resolved, that the MMK Information can be submitted to the Australian Securities and Investments Commission (the **Commission**) and dispatched to the shareholders of FMS (subject to the approval by the Federal Court of Australia);

- authorized the General Director of MMK to, amongst other things, execute such documents, adopt decisions and undertake such actions (including the requests to the advisors of MMK) as he deems necessary or appropriate in respect to the MMK Information, the SIA or in connection with any of the above-mentioned decision of the Board of MMK;
- The Action was accepted by the Court. The first preliminary hearing is scheduled for 25 April 2012.
- Simultaneously with the Action, the Shareholder filed an application for injunctive relief (the **Application**). As a result of the Application, the injunctive relief order (the **Order**) was granted by the Court, whereby MMK is prohibited by the Order to implement the Resolution 16/12/2011 and the Resolution 10/02/2012. This Order restrains MMK from the implementation of said Resolutions regarding the acquisition by MMK of the Shares as per the SIA, including the organization of the financing of such transaction. The prohibition covers the actions of the General Director of MMK and other persons identified in the said Resolutions to implement the said Resolutions.
- The Order is effective as of 30 March 2012 and enforceable against MMK and other related persons.

In the above circumstances, Condition 1 “No prohibitions for Scheme” in Schedule 2 of the SIA cannot be satisfied by 8am on the Second Court Date (**Condition**).

MMK hereby gives notice under clause 2.10.4 of the SIA that, by reason of the Order, MMK cannot and therefore does not waive the non-fulfilment of the Condition.

Dated: 2 April 2012

Boris Dubrovskiy  
General Director  
Magnitogorsk Iron and Steel Works OJSC

