

16 April 2012

Company Update

SCHEME IMPLEMENTATION AGREEMENT

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.

MMK filed a motion seeking a discharge of the injunctive relief received by a minority shareholder of MMK restraining MMK's implementation of directors' resolutions with respect to MMK's acquisition of 100% of the shares in Flinders.

This motion has been denied by the Arbitration Court of Chelyabinsk Region.

MMK and Flinders have separately received their own legal advice in relation to the injunction proceedings and both MMK and Flinders consider the proceedings are without merit. MMK has filed an appeal against the injunction with the Appellate Court.

Separately and on its own independent legal advice, Flinders has commenced its own appeal against the injunction with the Appellate Court in Russia.

As part of its ongoing efforts to ensure a successful outcome to the Scheme process, Flinders notes it has engaged Russian legal counsel who are advising Flinders on their options with respect to the court process. The appeal court will likely set a time for hearing the appeals by the end of April 2012 with a best estimate that the matter will be heard and a judgment delivered before the end date under the SIA of no later than 21 July 2012.

Flinders continues to engage in productive discussions in good faith in accordance with the SIA with senior MMK executives and remains comfortable that both parties are committed to the successful implementation of the scheme and genuinely working towards a positive outcome to ensure settlement of the Scheme process.

There has been much speculation as to the reasons behind the injunction, Flinders has been informed by senior MMK executives that they have been unable to confirm any cause other than that stated in the injunction. MMK has advised Flinders that they have no evidence to the contrary.

Specifically under the good faith clause 2.11 of the SIA Flinders has been informed that MMK does not wish to renegotiate terms.

MMK's currently approved finance for the acquisition is not a condition precedent to implementation of the Scheme.

The Directors of Flinders Mines continue to hold their shares in the Company in anticipation of a successful settlement of the Scheme.

Flinders advises that it continues to act in accordance with the terms of the SIA and specifically that it has not received any alternate offers.

PILBARA IRON ORE PROJECT – UPDATE

Since the announcement of the SIA in November 2011, the Flinders management team has achieved critical milestones in relation to the development of the Pilbara Iron Ore Project ("PIO").

These have included:

- The granting of Mining Lease M47/1451 over the company's 917MT hematite resource;
- The signing of a Native Title Mining Agreement with the Wintawari Guruma Aboriginal Corporation (Eastern Guruma).

In addition, Flinders has continued to focus on critical Definitive Feasibility Study (DFS) elements including Mining studies, environmental approvals and an extensive Asian Marketing campaign. Flinders is comfortable that its product mix remains well inside the top 50th percentile of Pilbara iron ore product and will be in high demand.

Flinders notes that the ongoing project level studies combined with the critical milestones it has met have resulted in a significantly derisked development path for the PIOP.

Flinders Managing Director, Gary Sutherland, said, "The Flinders management team and technical staff are continuing to push ahead quickly with what is recognised as being one of the highest quality independently held iron ore resources in the Pilbara. Team morale is strong and as a group, our staff is relishing the opportunity as we move towards development".

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



GARY SUTHERLAND

MANAGING DIRECTOR

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