

25 May 2012

FLINDERS MINES LIMITED (ASX: FMS)

SCHEME IMPLEMENTATION

AGREEMENT UPDATE

Flinders Mines Limited (Flinders) has been advised by a representative of Magnitogorsk Iron and Steel Works OJSC (MMK) that the Arbitration Court of Chelyabinsk Region (Arbitration Court) has ordered that proceedings brought against MMK by Elena Egorova, challenging the legitimacy of the MMK Board of Directors' resolutions with respect to the acquisition of all of the shares in Flinders (Scheme), be adjourned to 2 July 2012.

The Board of Flinders is disappointed that the Arbitration Court process will not result in a favourable outcome for the Scheme, prior to the 30 June 2012 end date under the Scheme Implementation Agreement between Flinders and MMK (SIA).

Flinders' and MMK's appeals to the Appellate Court Number 18 (city of Chelyabinsk) (Appellate Court) remain scheduled to be heard on 30 May 2012.

If the appeals succeed on that date, the injunction obtained by Ms Egorova will not prevent the Scheme being implemented prior to the 30 June 2012 end date under the SIA, subject to all other necessary consents and approvals being in place.

If the appeals do not succeed on that date, Flinders will continue to exhaust all avenues under the SIA to have a transaction implemented as soon as possible, or alternatively, to be released from the SIA.

Flinders will continue to keep its shareholders informed regarding these developments.



GARY SUTHERLAND
MANAGING DIRECTOR

25 May 2012

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