

3 July 2012

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

**FLINDERS MINES LIMITED (ASX: FMS)
SCHEME IMPLEMENTATION AGREEMENT UPDATE**

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.

Flinders advises the market that it has been informed by MMK that, in accordance with clause 14.1.1 of the SIA, MMK has terminated the SIA with immediate effect.

MMK's press release is attached.



Gary Sutherland
Managing Director



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

PRESS RELEASE

MMK issued Notice of termination of Scheme Implementation Agreement between Flinders Mines Limited (FMS) and Magnitogorsk Iron and Steel Works OJSC (MMK)

July 2, 2012 - Magnitogorsk, Russian Federation

OJSC Magnitogorsk Iron and Steel Works (MMK), referring to the Scheme Implementation Agreement between FMS and MMK dated 25 November 2011 (SIA), and in accordance with clause 14.1.1 of the SIA, and every other right under the SIA entitling it to do so, issued a Notice today by which the company terminated the SIA effective at the moment of receipt of the Notice by FMS.

MMK took note of the FMS official ASX announcement released to the market on Monday 2 July 2012 stating that as a result of the 30 June Quit Date under the Scheme Implementation Agreement between MMK and FMS having passed, the exclusivity period under the SIA has ended. As a consequence, FMS is released from a number of substantive obligations to MMK under clauses 10 and 11 of the SIA.

MMK also stressed the continuing uncertainty over this transaction caused by the legal action taken by Ms Egorova. The hearing of Ms Egorova's claim was scheduled to take place today but was postponed at Ms Egorova's demand. Although MMK expects that it will ultimately be successful in resisting the claim, the hearing has been adjourned and the injunction relief will under Russian law continue for at least another 30 days after the court's decision (even if Ms Egorova's claim is dismissed) to allow her an opportunity to appeal. If an appeal is filed within this time, the injunction relief will continue until the appeal has been heard and determined.

In all the circumstances, MMK has decided that the company should terminate the SIA.

Prior to making its decision to terminate, MMK had acted in full conformity with the SIA terms and conditions and took all the necessary steps to eliminate obstacles preventing MMK from completing the SIA. The company has followed all of its legally-binding commitments and will continue to act in full compliance with the existing legislation.

Contacts for the media:

Kirill Golubkov
tel.: +7 (916) 675 3081
kgolubkov@mmk.ru