

4 July 2012

Flinders to immediately move forward with development of Pilbara Iron Ore Project

- *Flinders to immediately engage in project development discussions with third parties*
- *Citigroup Global Markets Australia Pty Limited (“Citi”)/ Adelaide Equity Partners retained to assist Flinders*
- *Pilbara Iron Ore Project (“PIOP”) of significant strategic importance*
- *Flinders free from key obligations under the now-terminated Scheme Implementation Agreement (“SIA”) with Magnitogorsk Iron and Steel Works OJSC (“MMK”)*
- *Flinders continues to monitor the situation with MMK and will take action to enforce any rights it may have under the SIA, as appropriate*

SCHEME TERMINATION

Flinders was advised by MMK on 2 July that it had terminated the SIA with immediate effect under clause 14.1.1 of the SIA.

Flinders is now free from any obligation under the SIA that restricted it dealing with third parties with respect to the development of its Pilbara Iron Ore Project (PIOP) in Western Australia.

In addition, Flinders continues to monitor the situation with MMK and will take action to enforce any rights it may have under the SIA, if on the basis of legal advice, the Board forms the view it is appropriate to do so.

PILBARA IRON ORE PROJECT DEVELOPMENT

Flinders is in a strong position to capitalise on the advances made at project level during the period that the SIA was in effect.

The Flinders PIOP is unique amongst independent Pilbara based groups with:

- Strong interest during international ore marketing discussions;
- Multiple infrastructure and project development options;

- An ability to deliver high quality iron ore;
- Exceptional project economics;
- Native title and mining leases granted;
- Well advanced Environmental Approvals processes;
- A large contiguous resource position;
- Low strip ratio mining, above the water table.

PROJECT DEVELOPMENT DISCUSSIONS

Flinders is immediately engaging in dialogue with third parties to move forward with development of the PIOP, the scope of which will include:

- Infrastructure access;
- Project financing;
- Ore marketing and off-take arrangements;
- Joint Venture and Corporate proposals.

Flinders has retained Citi and Adelaide Equity Partners to assist with this resumption of third party dialogue and a full data room has been made available to allow those interested groups to conduct due diligence as required.

Flinders' strategic review process conducted during 2011 resulted in the Company being presented with a number of proposals.

Flinders' Managing Director, Gary Sutherland said:

"Although it is disappointing that MMK was not able to take steps to complete implementation of the Scheme due to the injunction issued by the Russian court, Flinders continues to be in a strong position to capitalise on what we believe is the most strategically located, independently held iron ore resource position in the Pilbara.

We expect that there will be strong interest and multiple options available to Flinders to deliver strong value accretive outcomes able to underpin the PIOP development path and we will move forward quickly in crystallising that interest into binding proposals."

Flinders will continue to keep its shareholders updated of these outcomes.



GARY SUTHERLAND
MANAGING DIRECTOR

4 July 2012

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