

25 November 2011

FLINDERS MINES ANNOUNCES RECOMMENDED CASH OFFER FROM MMK OF A\$0.30 PER SHARE FOR 100% OF FLINDERS' SHARE CAPITAL

Transaction Summary

- *Flinders Mines Limited (ASX: FMS) ("Flinders" or "Company") and Magnitogorsk Iron and Steel Works OJSC ("MMK") have today executed a Scheme Implementation Agreement ("SIA") to effect the acquisition of 100% of the issued shares in Flinders by MMK under a Scheme of Arrangement ("Scheme").*
- *MMK has offered to acquire 100% of Flinders issued shares at A\$0.30 cash per share ("Offer"). The acquisition price represents a 92.5% premium to the 30-day VWAP to 22 November 2011 and implies a fully diluted value for Flinders of approximately A\$554 million.*
- *Flinders' Board of Directors unanimously recommends that all Flinders shareholders vote in favour of the acquisition in the absence of a superior proposal.*

Overview of the Offer

The Board of Directors of Flinders is pleased to announce that it has received an all cash offer, under which MMK proposes to acquire all of the issued shares of Flinders by way of a Scheme.

Under the proposed Scheme, MMK will offer Flinders shareholders consideration of A\$0.30 cash for each Flinders share they own. The offer price values the fully diluted equity of Flinders at approximately **A\$554 million**.

MMK's Offer eliminates all development risk for the Pilbara Iron Ore Project ("PIOP") and provides Flinders' shareholders with an opportunity to realise immediate value for their shares in the form of cash in a volatile and uncertain market. In addition, the Offer represents material premiums to historical market prices, which are as follows:

Offer Price	22 Nov 2011	1-Mth VWAP	3-Mth VWAP	6-Mth VWAP
\$0.30	81.8%	92.5%	100.1%	111.1%

The acquisition is not conditional on MMK securing financing for the acquisition.

The Flinders Board of Directors has carefully evaluated MMK's Offer and unanimously recommends it to Flinders shareholders in the absence of a superior proposal and subject to an Independent Expert finding that the Offer is in the best interests of shareholders. Subject to the above qualifications, all Flinders Directors intend to accept MMK's Offer with respect to their own shareholdings.

Flinders Chairman, Mr Robert Kennedy, said

"The proposal from MMK offers Flinders' shareholders a very significant premium and value certainty in an uncertain market. Flinders has evolved significantly since late in 2007 when it was worth ~A\$0.01 per share to today where it has received a A\$0.30 per share offer, which values the company at A\$554 million. This is a truly fantastic achievement for Flinders and reflects the dedication of Flinders' management team and Board of Directors. A transaction with MMK enables Flinders' shareholders to avoid the significant development risks which would need to be overcome in order to bring the Pilbara Iron Ore Project into production".

The Flinders Board will commission an Independent Expert to opine on whether the Scheme is in the best interests of shareholders. The Independent Expert's report will be provided to Flinders' shareholders as part of the Scheme Booklet. The Independent Expert will determine whether, in its opinion, the Offer is in the best interests of shareholders. After careful consideration the Board of Directors has unanimously concluded that the Offer provides shareholders with an excellent opportunity to realise considerable value from their shareholding in Flinders. The Board has determined that the MMK offer is in the best interests of Flinders shareholders.

Background to the Offer

Flinders' flagship asset, the PIOP, is located in the West Pilbara region of Western Australia. The PIOP has robust project economics and boasts a large 917.3Mt JORC-compliant resource. On 1 September 2011, Flinders announced that it had engaged Citi to assist the Company in undertaking an in-depth review of the strategic options open to the Company. This strategic review involved a comprehensive assessment of all available options to maximise Flinders' shareholder returns.

MMK was approached by Citi as part of the strategic review process and confidential discussions have been taking place between Flinders and MMK. Since its original expression of interest, MMK has conducted extensive due diligence on both the PIOP and Flinders, which has culminated in MMK making an offer to acquire 100% of Flinders.

Scheme Implementation Agreement

In order to enable Flinders to bring MMK's offer to shareholders, Flinders and MMK have entered into a Scheme Implementation Agreement ("SIA") – see Annexure A.

Next Steps

In addition to the conditions outlined in the SIA, MMK's acquisition of Flinders is conditional upon approval by a simple majority of Flinders shareholders present in person or by proxy at the Scheme Meeting and also by at least 75% of the votes cast at that Scheme Meeting. In due course, Flinders shareholders will receive a comprehensive Scheme Booklet that will contain full details of the proposed Scheme, including the full basis for Flinders' Board's recommendation that Flinders shareholders approve the proposed Scheme.

Indicative Timetable

Subject to the availability of court hearing dates, it is anticipated that the Scheme will proceed according to the following timetable:

Event	Expected Date
Register Scheme Booklet with ASIC	24 January 2012
First Court Hearing	24 January 2012
Despatch Scheme Booklet	2 February 2012
Scheme Meeting	1 March 2012
Second Court Hearing	13 March 2012
Lodge Court Order confirmed Scheme with ASIC and ASX	13 March 2012



GARY SUTHERLAND
MANAGING DIRECTOR

25 November 2011

Advisers

Flinders' financial advisers are Citi and Adelaide Equity Partners and its legal adviser is DMAW Lawyers.

Shareholder Information Line

For information, please call:

1800 647 299 (Australia)

+61 2 8256 3370 (International)

Further Information

Requests for further information are to be directed as follows:

<i>Investor enquiries, please contact:</i>	<i>Media enquiries, please contact:</i>
Gary Sutherland Managing Director Flinders Mines Limited Telephone: (618) 8132 7950	John Field Managing Director Field PR Telephone: (618) 8234 9555, 0418 819 527
Paul Harris Managing Director Citi Telephone: (612) 8225 1000	Kevin Skinner Partner Field PR Telephone: (618) 8234 9555, 0414 822 631
Duncan Gordon Executive Director Adelaide Equity Partners Telephone: (618) 8232 8800	

Background on Flinders Mines Limited

Flinders Mines Limited ("**Flinders**") is a S&P/ASX 300 pure-play iron ore company with a market capitalisation of approximately A\$300million (as at 22 November 2011). Its flagship asset, the Pilbara Iron Ore Project is located in the West Pilbara region of Western Australia and is within close proximity of existing and proposed infrastructure. Flinders is targeting production from the Pilbara Iron Ore Project by early 2015. Flinders' secondary project, Canegrass, is located in the Mid West region of Western Australia. In August 2011, Flinders announced a maiden iron ore / vanadium resource at its Canegrass Project.

For further information, please visit

www.flindersmines.com.au

Background to Magnitogorsk Iron & Steel Works OJSC

Magnitogorsk Iron & Steel Works OJSC ("**MMK**") is a leader in the Russian steel sector and ranks among the world's largest steel producers. MMK's operations consist of the world's 2nd largest steel producing complex which encompasses the entire production chain, from preparation of iron ore to downstream processing of rolled steel. The share of value-added products in MMK's revenues in 2010 was 38% (compared to 31% in 2009), rising to 42% in the 4Q 2010, an all-time high for the company. In 2010, MMK produced 11.4Mt of crude steel and 10.4Mt of commercial steel products. MMK's revenue in 2010 stood at US\$7,719m, with EBITDA at US\$1,606m and net profit of US\$232m.

For further information, please visit

www.eng.mmk.ru

Annexure A
Scheme Implementation Agreement

SCHEME IMPLEMENTATION AGREEMENT

**FLINDERS MINES LIMITED
(ABN 46 091 118 044)**

**MAGNITOGORSK IRON AND STEEL
WORKS OPEN JOINT STOCK COMPANY**

D | M | A | W

L A W Y E R S

Level 3, 80 King William Street
Adelaide South Australia 5000

Phone +61 8 8210 2222
Facsimile + 61 8 8210 2233
Email: dmaw@dmawlawyers.com.au

CONTENTS

1.	Implementation of the Scheme	1
2.	Conditions	1
3.	Scheme	4
4.	Steps for Implementation	4
5.	Responsibility Statement	6
6.	Board Changes	6
7.	Recommendation of Scheme	7
8.	Representations and warranties	7
9.	Indemnities	8
10.	Exclusivity	9
11.	Other obligations during Exclusivity Period	13
12.	Break fees	14
13.	Public Announcements	19
14.	Termination	19
15.	GST	21
16.	Consents and approvals	21
17.	Confidentiality	21
18.	Assignment	22
19.	Amendment	22
20.	No waiver	22
21.	No merger	23
22.	Further action	23
23.	Entire agreement	23
24.	Contribution	23
25.	Counterparts	23
26.	Notice	23
27.	Governing law	24

28. Duty.....	24
29. Costs.....	24
30. Specific performance.....	24
31. Interpretation.....	25
Schedule 1 - Definitions	27
Schedule 2 – Conditions	34
Schedule 3 – Timetable	36
Schedule 4 – Flinders’ steps for implementation	38
Schedule 5 – MMK’s steps for implementation.....	42
Schedule 6 – Flinders’ warranties.....	44
Schedule 7 – MMK’s warranties	47
Schedule 8 – Flinders Options Fair Value	49
Annexure A – Scheme of Arrangement.....	1
Annexure B – Scheme Deed Poll	1
Annexure C – Announcement	1

SCHEME IMPLEMENTATION AGREEMENT dated 25 November 2011

PARTIES

1. **FLINDERS MINES LIMITED** (ABN 46 091 118 044) of Level 1, 136 Frome Street, Adelaide, SA 5000 (**Flinders**)
2. **MAGNITOGORSK IRON AND STEEL WORKS OPEN JOINT STOCK COMPANY** of 93 Ul.Kirova, Magnitogorsk, Chelyabinsk Region, 455000, Russia (**MMK**)

INTRODUCTION

- A MMK and Flinders have agreed to combine by means of a scheme of arrangement under Part 5.1 of the Corporations Act. The Scheme will involve Flinders and its ordinary shareholders. Pursuant to the Scheme, MMK or a member of the MMK Group will acquire all of the Scheme Shares.
- B MMK and Flinders have agreed in good faith to implement the Scheme on the terms set out in this agreement.

The parties agree as set out in the Operative Part of this agreement, in consideration of, among other things, the mutual promises contained in this agreement.

OPERATIVE PART

1. Implementation of the Scheme

Flinders agrees to propose, and the parties agree to implement, the Scheme on the terms set out in this agreement.

2. Conditions

Conditions

- 2.1 The Scheme will not become Effective and the obligations of MMK under clause 3.2 will not be binding unless and until each of the conditions in schedule 2 (**Conditions**) are satisfied or are waived in accordance with this clause.

Benefit and waiver

- 2.2 If a Condition is expressed to be for the benefit of a party then it can only be waived with the consent of that party.
- 2.3 If a Condition is expressed to be for the benefit of both parties then it can only be waived with the consent of both parties.
- 2.4 The Conditions not expressed to be for the benefit of any party cannot be waived.
- 2.5 A party entitled to waive a Condition may do so in its absolute discretion.
- 2.6 If a waiver by a party of a Condition is itself conditional and the other party accepts the condition, the terms of that condition apply accordingly. If the

other party does not accept a conditional waiver of the Condition, the Condition has not been waived.

- 2.7 If a party waives the breach or non-fulfilment of any of the Conditions, that waiver will not preclude it from suing the other party for any breach of this agreement, including a breach that resulted in the non-fulfilment of the Condition that was waived.
- 2.8 Unless specified in the waiver, a waiver of the breach or non-fulfilment of any Condition will not constitute:
 - 2.8.1 a waiver of breach or non-fulfilment of any other Condition resulting from events or circumstances giving rise to the breach or non-fulfilment of the first Condition; or
 - 2.8.2 a waiver of breach or non-fulfilment of that Condition resulting from any other event or circumstance.

Best endeavours

- 2.9 Without prejudice to the obligations of the parties under clause 4 or any other provision of this agreement, to the extent it is within its power to do so, each of Flinders and MMK must use its best endeavours to procure that:
 - 2.9.1 each of the Conditions for which it is responsible is satisfied as soon as practicable after the date of this agreement, or continues to be satisfied at all times until the last time it is to be satisfied (as the case may require), with a view to the Effective Date for the Scheme occurring on or before the Quit Date; and
 - 2.9.2 there is no event or circumstance within the reasonable control or influence of Flinders or MMK respectively that would prevent the Conditions being satisfied.

Nothing in this clause 2.9 requires any party to agree to any condition or term of any approval or consent that would or could reasonably be expected to adversely impact on the value of the business or asset of Flinders or Flinders Shares to that party.

Notification of certain events

- 2.10 Each party must:
 - 2.10.1 keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
 - 2.10.2 promptly notify the other in writing if it becomes aware that any Condition has been satisfied;
 - 2.10.3 promptly notify the other in writing if it becomes aware that any Condition has failed to be satisfied or has become incapable of being satisfied or is not reasonably capable of being satisfied or of any circumstances which may reasonably be expected to lead to such a state of affairs; and

- 2.10.4 after having given or received a notice in accordance with clause 2.10.3 in relation to a Condition that it is entitled under clause 2.2 or 2.3 to waive, give notice to the other party as soon as possible (and in any event no later than five Business Days after having given or received the initial notice or such shorter time to ensure that notice is given before 8.00am on the Second Court Date) as to whether or not it waives the breach or non-fulfilment of the relevant Condition, specifying that Condition.

Failure to satisfy a Condition

2.11 If:

- 2.11.1 by 8.00am on the date specified in the Timetable for the Second Court Date any Condition is not satisfied or waived (and the non-satisfaction of the Condition which would otherwise occur can be waived); or
- 2.11.2 any event, matter or circumstance occurs that prevents or is reasonably likely to prevent a condition from being satisfied or waived,

then the parties will consult in good faith:

- 2.11.3 with a view to determining whether to proceed with an alternative Scheme or a transaction which results in a member of the MMK Group acquiring beneficial ownership of substantially all of the assets of or all of the securities in Flinders; or
- 2.11.4 to agree to extend the date for satisfaction of the relevant Condition or the Quit Date or change the date specified for the Scheme Meeting in the Timetable to a later date and if necessary apply to the Court to adjourn or change the date of an application to the Court to approve the Scheme.

- 2.12 If any Condition has not been satisfied or waived in accordance with clause 2.2 or 2.3 by the Quit Date or if any event, matter or circumstance occurs that prevents any Condition from being satisfied, either party may give notice to the other terminating this agreement and in that event, the provisions of clause 13 have effect.

- 2.13 A party may only terminate this agreement pursuant to clause 2.12 if:

- 2.13.1 the relevant Condition is for the benefit of that party;
- 2.13.2 that party has complied in material respects with its obligations under this clause and clause 4; and
- 2.13.3 if clause 2.11 applies in respect of the relevant Condition, the parties have not agreed to take any of the steps referred to in that clause by the earlier of 8.00am on the Second Court Date and 8.00am on the date that is 15 Business Days after the date that both parties became aware that consultations under that clause were required.

- 2.14 Termination of this agreement under clause 2.12 does not affect any accrued rights of either party arising from any breach of this agreement prior to termination.

3. Scheme

- 3.1 Subject to the terms and conditions of this agreement and of the Scheme, Flinders must propose a scheme of arrangement under Part 5.1 of the Corporations Act between it and the Flinders Shareholders in the form set out in annexure A or such other form as the parties agree in writing, under which, subject to the terms of the Scheme and the Scheme becoming Effective, all of the Scheme Shares will be transferred to MMK or a member of the MMK Group and the Scheme Participants will be entitled to receive the Scheme Consideration.
- 3.2 Subject to the terms of the Scheme, MMK covenants in favour of Flinders (in its own right and separately as trustee or nominee for each of the Scheme Participants), in consideration for the transfer to MMK or a member of the MMK Group of the Scheme Shares held by a Scheme Participant under the terms of the Scheme, to provide or procure the provision of the Scheme Consideration to each Scheme Participant.

4. Steps for Implementation

Obligations of both parties

- 4.1 Both parties must do the following:

Regulatory Approvals

Other than in respect of MMK's application for FIRB approval:

- 4.1.1 Co-operate in relation to all applications to, and discussions with, any relevant Regulatory Authority for the purposes of seeking all Regulatory Approvals required by it or its Related Entities.
- 4.1.2 Promptly apply for all of the Regulatory Approvals required by it or its Related Entities and provide to the other party a copy of all such applications.
- 4.1.3 Take all steps for which it is responsible as part of obtaining any Regulatory Approval required by it or its Related Entities, including responding to requests for information at the earliest practicable time and attending meetings with any Regulatory Authority.
- 4.1.4 Provide the other party with all information reasonably requested in connection with the application for any Regulatory Approval required by it or its Related Entities.
- 4.1.5 Provide the other party with copies of all substantive correspondence with any Regulatory Authority in connection with the Regulatory Approvals required by it or its Related Entities.
- 4.1.6 Allow the other party, at its request, to attend meetings and discussions with a Regulatory Authority for the purposes of seeking

a Regulatory Approval (provided that the Regulatory Authority expresses no objection to same).

- 4.1.7 Consult with the other party in relation to any proposed extension, renewal, replacement, revocation, amendment or surrender of any Regulatory Approval that is material to the business or operations of Flinders or any of its Related Entities.

Certificate

- 4.1.8 At the hearing by the Court of the application for the Scheme Order provide to the Court a certificate confirming that as at 8.00 am on the Second Court Date, all of the Conditions (other than Condition 8) have been satisfied or waived in accordance with the terms of this Agreement. A draft of such certificate shall be provided by each party to the other party by 5.00 pm on the Business Day prior to the Second Court Date.

Timing

- 4.1.9 Consult with each other regularly in relation to:
- (a) the schedule for performing their respective obligations within the overall framework set by the Timetable;
 - (b) the need to adjust the Timetable.
- 4.1.10 If the parties agree to adjust the Timetable to give them more time to perform their respective obligations, the Quit Date will be extended by the same period of time.

Flinders' obligations

- 4.2 Flinders must execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme on a basis consistent with this agreement, substantially in accordance with the Timetable, and in particular Flinders must do all things in schedule 4.
- 4.3 Flinders will be taken to have fulfilled, in a timely manner, its obligations under clause 4.2 if such obligations are completed by the time scheduled for such events as set out in the Timetable.

MMK's obligations

- 4.4 MMK must execute all documents and do all acts and things within its power as may be necessary or desirable for the implementation and performance of the Scheme on a basis consistent with this agreement, substantially in accordance with the Timetable, and in particular MMK must do all things in schedule 5.
- 4.5 MMK will be taken to have fulfilled, in a timely manner, its obligations under clause 4.4 if such obligations are completed by the time scheduled for such event as set out in the Timetable.

Appeal process

- 4.6 If the Court refuses to make an order convening the Scheme Meeting for the Scheme or approving the Scheme, at MMK's request Flinders must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or an independent Senior Counsel practising in New South Wales with experience in Schemes of Arrangements indicates that, in their view, an appeal would have a less than 50% prospect of success before the Quit Date). Flinders may bring an appeal even if not requested by MMK. If any such appeal is undertaken at the request of MMK, MMK will bear Flinders' costs of the appeal (including costs of the independent Senior Counsel) unless the parties otherwise agree.

Flinders Options

- 4.7 Flinders must take all reasonable steps to procure the entry into binding agreements with each of the Flinders Optionholders on terms reasonably acceptable to MMK whereby each Flinders Optionholder agrees to the cancellation or transfer to MMK or its nominee of their Flinders Options on the date that the Scheme becomes Effective in consideration for the amount as agreed between Flinders and MMK. All of these agreements must be entered into on or before the date that is 5 Business Days before the draft Scheme Booklet is lodged with ASIC for review in accordance with the Timetable.

5. Responsibility Statement

- 5.1 The Scheme Booklet must contain responsibility statements, in a form to be agreed between the parties, containing words to the effect that:
- 5.1.1 MMK has provided, and is responsible for, the MMK Information and that none of Flinders or its Representatives assumes any responsibility for the accuracy or completeness of the MMK Information;
- 5.1.2 Flinders has provided, and is responsible for, the Flinders Information, and that none of MMK, or its Representatives assumes any responsibility for the accuracy or completeness of the information in the Scheme Booklet other than the MMK Information; and
- 5.1.3 the Independent Expert has provided and is responsible for the Independent Expert's Report, and that none of MMK, Flinders or their Representatives assumes any responsibility for the accuracy or completeness of the Independent Expert's Report.

6. Board Changes

- 6.1 On the Implementation Date Flinders must:
- 6.1.1 subject to receiving consents to appointment as director from the relevant persons, take all actions necessary to cause the appointment to the Flinders Board of that number of nominees of MMK that gives those nominees acting together, Control of the Flinders Board; and

- 6.1.2 ensure that, unless otherwise agreed by MMK in writing, each member of the Flinders Board, other than the directors of Flinders nominated by MMK and appointed in accordance with clause 6.1.1, resigns from the Flinders Board and acknowledges that the director has no claim against the Flinders Group in their capacity as a director of Flinders other than for accrued but unpaid director's fees and expenses as at the date of resignation.

7. Recommendation of Scheme

Flinders Board recommendation

- 7.1 Subject to clause 7.2, Flinders undertakes to MMK to ensure that the Flinders Board (and each Flinders director):
- 7.1.1 will unanimously recommend in the Scheme Booklet that Flinders Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal;
 - 7.1.2 states that he or she considers the Scheme to be in the best interests of Flinders Shareholders in the absence of a Superior Proposal;
 - 7.1.3 intends to vote in favour of the Scheme or procure that Flinders Shares are voted in favour of the Scheme in respect of all Flinders Shares held by each Flinders director or in respect of which such Flinders director has Control of the voting right;
 - 7.1.4 will give reasons for that recommendation in the Scheme Booklet; and
 - 7.1.5 will not change or withdraw that recommendation and will not make any public statement which would suggest that the Scheme is no longer recommended.

Change to recommendation

- 7.2 Without limiting Flinders obligation to pay the break fee under clause 12, the Flinders Board (and each Flinders director) will not be obliged to make the recommendation and statements referred to in clause 7.1 and will be entitled to change or withdraw that recommendation in those statements once made if:
- 7.2.1 the Independent Expert's Report (as may be amended or updated from time to time) concludes that the Scheme is not in the best interests of Flinders Shareholders; or
 - 7.2.2 the Flinders Board has received a Superior Proposal and MMK's rights under clause 10.7 have been exhausted.

8. Representations and warranties

- 8.1 Flinders warrants to MMK (in its own right and as trustee for the MMK Indemnified Parties) in terms of each of the warranties set out in schedule 6.

- 8.2 MMK warrants to Flinders (in its own right and as trustee for the Flinders Indemnified Parties) in terms of each of the warranties set out in schedule 7.
- 8.3 Each warranty in this agreement that is expressed to be given on a particular date is given on that date and each other warranty is given on the date of this agreement and as at 8.00 am on the Second Court Date.
- 8.4 No warranty in this agreement is limited by any other warranty.
- 8.5 Each warranty in this agreement is also a representation.
- 8.6 Each party enters into this agreement in reliance on the warranties in this agreement.
- 8.7 Each warranty is severable and will survive termination of this agreement.
- 8.8 The warranties are not extinguished or affected by any investigation into the affairs or business of the Flinders Group.

Notice

- 8.9 If MMK or Flinders becomes aware of a matter or circumstance which results in or is likely to result in any of the warranties given by that party being untrue, inaccurate or misleading, it must give notice to the other specifying that matter or circumstance in reasonable detail as soon as reasonably practicable after it becomes aware of that matter or circumstance. Any failure by MMK or Flinders to give notice does not, for the avoidance of doubt, prevent it from make any claim arising from that matter or circumstance.

9. Indemnities

Flinders' indemnity

- 9.1 Without prejudice to any other remedy available to any MMK Indemnified Party or the ability of any MMK Indemnified Party to claim damages on any other basis that is available to it, Flinders agrees with MMK (in its own right and as trustee for the MMK Indemnified Parties) to indemnify and keep indemnified the MMK Indemnified Parties from and against, and must pay to MMK on demand an amount that is equal to, all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which they may suffer or incur directly or indirectly by reason of or in relation to a breach by:
- 9.1.1 Flinders of any of the representations and warranties in clause 8.1; or
- 9.1.2 any breach by Flinders of any covenant or undertaking on the part of Flinders under this agreement or the Scheme.
- 9.2 Clause 9.1 must be read down to the extent necessary to ensure that there is no breach of section 199A of the Corporations Act.

MMK's indemnity

- 9.3 Without prejudice to any other remedy available to any Flinders Indemnified Party or the ability of any Flinders Indemnified Party to claim damages on any

other basis that is available to it, MMK agrees with Flinders (in its own right and as trustee for the Flinders Indemnified Parties) to indemnify and keep indemnified Flinders Indemnified Parties from and against and must pay to Flinders on demand an amount that is equal to all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which they may suffer or incur directly or indirectly by reason of or in relation to:

- 9.3.1 a breach by MMK of any of the representations and warranties in clause 8.2; or
- 9.3.2 any breach by MMK of any covenant or undertaking on the part of MMK under this agreement or the Scheme.

- 9.4 Clause 9.3 must be read down to the extent necessary to ensure that there is no breach of section 199A of the Corporations Act.

Survival of indemnities

- 9.5 Each indemnity provided by each party under this clause 9 will:

- 9.5.1 be severable;
- 9.5.2 be a continuing obligation;
- 9.5.3 constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this agreement; and
- 9.5.4 survive the termination of this agreement.

10. Exclusivity

No solicitation

- 10.1 During the Exclusivity Period, Flinders must ensure that neither it nor its Representatives directly or indirectly:

- 10.1.1 solicit, invite, initiate or encourage the submission of, any enquiries, negotiations or discussions; or
- 10.1.2 communicate to any person an intention to do any of the things referred to in clause 10.1.1,

with a view to or which might lead to obtaining any expression of interest, offer or proposal from any other person in relation to or which could reasonably be expected to lead to a Third Party Proposal.

No due diligence

- 10.2 Without limiting clause 10.3, during the Exclusivity Period, Flinders must not and must ensure that its Representatives do not:

10.2.1 directly or indirectly solicit, facilitate or encourage any person to undertake any due diligence investigations regarding Flinders or any of its subsidiaries or any of their operations; or

10.2.2 make available to any person or permit any such person to receive any non-public information relating to any member of the Flinders Group,

in connection with such person formulating, developing or finalising or assisting in the formulation development or finalisation of a Third Party Proposal.

No talk

10.3 During the Exclusivity Period, Flinders must not and must ensure that its Representatives do not:

10.3.1 directly or indirectly enter into, continue, facilitate or participate in any discussions or negotiations with any person regarding or which could reasonably be expected to lead to a Third Party Proposal; or

10.3.2 enter into any agreement, arrangement or understanding in relation to, or which could reasonably be expected to lead to, a Third Party Proposal,

even if:

10.3.3 the Third Party Proposal was not directly or indirectly initiated, solicited, facilitated or encouraged by Flinders or any of its Representatives; or

10.3.4 that person has publicly announced its Third Party Proposal.

Notification of approaches

10.4 During the Exclusivity Period, Flinders must notify MMK in writing immediately if it or any of its Representatives:

10.4.1 receive any approach, attempted approach, inquiry or proposal (whether or not in writing) from any person or its Representatives (**Rival Bidder**) in connection with or in respect of any exploration of or which may reasonably be expected to lead to a Third Party Proposal; and

10.4.2 provide any confidential material information relating to the Flinders Group or any of its businesses or operations to any person or a request is made for such information, in connection with a current or future Third Party Proposal,

together with details of the material terms of the proposal and the identity of the bidder to the extent the provision of this information to MMK does not constitute a breach of its fiduciary or statutory duties.

Flinders response to a Third Party Proposal

10.5 During the Exclusivity Period, if any member of the Flinders Group proposes or is considering entering into or any Flinders director wishes to approve or publicly recommend entry into any agreement, commitment, arrangement or understanding relating to a Third Party Proposal, Flinders must ensure that they do not do so:

10.5.1 unless the Third Party Proposal is bona fide and is made in writing; and

10.5.2 until each of the following events has happened:

- (a) the Flinders Board has determined in good faith that:
 - (i) the Third Party Proposal is a Superior Proposal;
 - (ii) failing to respond to the Third Party Proposal would be likely to constitute a breach of its fiduciary or statutory duties; and
- (b) Flinders has given MMK notice in writing of its intention to enter into an agreement, commitment, arrangement or understanding in relation to that Third Party Proposal, subject to MMK's rights under clause 10.7, as well as, subject to clause 10.8, full details of all material terms of the Third Party Proposal (including the identity of the Rival Bidder and details of the proposed consideration, conditions and break fee (if any)), together with any material information concerning Flinders' operations provided to the Rival Bidder or any person associated with the Third Party Proposal not previously provided to MMK;
- (c) MMK's rights under clause 10.7 have been exhausted; and
- (d) the Flinders Board has made the determination contemplated by clause 10.5.2(a) in respect of that Third Party Proposal after MMK's rights under clause 10.7 have been exhausted and after evaluation of any Counterproposal.

10.6 Until MMK's rights under clause 10.7 have been exhausted, the Flinders Group must not enter into any legally binding agreement with respect to the Third Party Proposal or otherwise progress the Third Party Proposal, including by permitting the Rival Bidder to undertake due diligence investigations on the Flinders Group.

MMK right of last offer

10.7 If Flinders gives notice to MMK under clause 10.5.2(b):

10.7.1 MMK will have the right, but not the obligation, at any time during the period of 3 Business Days following receipt of such notice, to offer to amend the terms of the Scheme, propose any other transaction or make an offer to Flinders (**Counterproposal**);

- 10.7.2 if MMK makes a Counterproposal, Flinders and the Flinders Board must consider it in good faith; and
- 10.7.3 if the Flinders Board, acting reasonably and after taking legal and financial advice considers that the Counterproposal would provide a benefit to Flinders Shareholders that is at least equal to that of the Third Party Proposal, then:
- (a) if the Counterproposal contemplates an amendment to the Scheme, the parties must use their best endeavours to negotiate in good faith the amendments to the Scheme documentation that are reasonably necessary to reflect the Counterproposal and to enter into one or more appropriate amended agreements to give effect to those amendments and to implement the Counterproposal, in each case as soon as practicable following the determination of the Flinders Board;
 - (b) if the Counterproposal contemplates any other transaction, Flinders must make an announcement to ASX as soon as reasonably practical which states that the Flinders Board recommends the Counterproposal subject to reaching agreement on legally binding terms, and the parties must pursue negotiation of documentation and implementation of the Counterproposal in good faith;
 - (c) Flinders must not, and must procure that the Flinders Board does not, publically state that it intends to recommend, or enter into an agreement, commitment, arrangement or undertaking in relation to that Third Party Proposal; and
 - (d) Flinders must use reasonable endeavours to agree to amendments to this agreement that are reasonably necessary to reflect the Counterproposal and to enter into one or more amended agreements to give effect to those amendments and to implement the Counterproposal, in each case as soon as reasonably practicable.

Exceptions

- 10.8 Despite anything else in this agreement the restrictions in clause 10.2 and 10.3 do not apply to restrict Flinders taking any action with regard to a bona fide Third Party Proposal in respect of all the Flinders Shares or substantially all of Flinders' businesses (which was not solicited or initiated by Flinders in contravention of clause 10.1) if the Flinders Board has determined in good faith, that:
- 10.8.1 the Third Party Proposal in respect of which those restrictions and notification obligations would otherwise apply is, or may reasonably be expected to lead to, a Superior Proposal; and
 - 10.8.2 such action or inaction (as the case may be) is necessary to discharge the fiduciary or statutory duties of the directors of Flinders,

after having first taken advice from its legal and financial advisers.

Cease existing discussion

10.9 Flinders must:

- 10.9.1 cease any discussions or negotiations existing as at the date of this agreement relating to any Third Party Proposal or any transaction that is reasonably likely to reduce the likelihood of success of the Scheme; and
- 10.9.2 in respect of all non-public information concerning the Flinders Group that has been provided by Flinders or its Representatives to any persons in relation to any Third Party Proposal since 1 January 2011, promptly request the person that received the information destroy or return that information to Flinders as soon as practicable in accordance with the requirements of the confidentiality agreements under which such information was provided.

Standstill arrangements with other parties

- 10.10 During the Exclusivity Period, except with the prior written consent of MMK, Flinders must not amend or waive the terms of any standstill agreement or arrangement between Flinders and any other person other than a member of the MMK Group.

Equal access to information

- 10.11 Where Flinders or a Representative provides material confidential information concerning the Flinders Group to any person in connection with a current or potential Third Party Proposal, it must as soon as reasonably practicable provide to MMK a complete copy of that information (unless such information is already available, or has been provided, to MMK). Flinders must promptly request that such information is returned to it or destroyed upon the person confirming that it does not intend to proceed with the Third Party Proposal.

Revisions to a Third Party Proposal

- 10.12 Any material modification to any Third Party Proposal will be deemed to make that proposal a new Third Party Proposal in respect of which Flinders must comply with its obligations under clauses 10.4, 10.5, 10.6, 10.7 in relation to such modified proposal.

11. Other obligations during Exclusivity Period

Access and information

- 11.1 During the Exclusivity Period, Flinders must, subject to obligations of confidentiality and any legal professional privilege attaching to the information:

- 11.1.1 procure that MMK and its Representatives are given reasonable access to books, records (excluding Sensitive Information) and management of the Flinders Group for the purposes of:

- (a) implementing the Transaction;

- (b) enabling MMK to understand the operation of the Flinders Group and its financial position, financial performance and prospects including its cash flow and working capital position;
- (c) enabling MMK to prepare for the transition of ownership of Flinders to the MMK Group;
- (d) providing information to the MMK Group's financiers; and
- (e) any other purpose agreed between MMK and Flinders in writing.

Conduct of Business

11.2 During the Exclusivity Period, Flinders must carry on its business in the ordinary and usual course and in substantially the same manner as conducted at the date of this agreement and must use its best endeavours to procure that:

11.2.1 no Flinders Prescribed Occurrence occurs between the date of this agreement and the Second Court Date;

11.2.2 Flinders:

- (a) preserves its relationships with all regulatory authorities, customers, suppliers, licensors, licensees, joint venturers and others with whom it has business dealings;
- (b) preserves in tact its current business organisation and maintains its assets in good working order;
- (c) procures that its key employees continue to conduct the business and affairs of Flinders in the ordinary and usual course;
- (d) does not enter or agree to enter into any unusual or abnormal contract or Commitment;
- (e) does not permit any of its insurances to lapse or do anything that would make any policy of insurance void or voidable; and
- (f) no Commitments are entered into by any member of the Flinders Group, the result of which will or could be expected to materially and adversely affect Flinders or Flinders financial position, except where MMK has given its prior written consent.

12. Break fees

Rationale

12.1 The parties acknowledge that:

- 12.1.1 each party has required the inclusion of this clause 12, in the absence of which it would not have entered into this agreement or otherwise agreed to pursue the Scheme.
- 12.1.2 each party and their respective boards believe that the Scheme will provide significant benefits to Flinders Shareholders and to MMK shareholders and that it is reasonable and appropriate that the parties agree to the inclusion of this clause 12, in order to secure the party's execution of this agreement and the parties' agreement to propose the Scheme.
- 12.1.3 the Flinders Board has taken legal and financial advice in relation to this clause and has concluded that it is reasonable and appropriate for Flinders to agree to payment of the Flinders Break Fee in the circumstances described in this clause 12 to secure MMK's participation in the Scheme.

Flinders Break Fee

12.2 Flinders must pay MMK the Flinders Break Fee if any of the following occur:

- 12.2.1 any director of Flinders:
 - (a) makes any public statement prior to the approval of the Scheme by the Court under section 411(4)(b) of the Corporations Act, to the effect that he or she does not support (or no longer supports) the Scheme; or
 - (b) (without limiting 12.2.1(a) above) fails to make the recommendation referred to in clause 7.1 or, having done so, any director of Flinders publicly withdraws or varies his or her recommendation (or any part of it) or makes a public statement indicating that they no longer support the Scheme prior to the approval of the Scheme by the Court under section 411(4)(b) of the Corporations Act,

other than (in either such case) because the Independent Expert has concluded in the Independent Expert's Report that the Scheme is not in the best interests of Flinders Shareholders and the reasons for the Independent Expert's conclusion or amended conclusion do not include the existence of a Third Party Proposal;
- 12.2.2 before the Scheme becomes Effective, any director of Flinders publicly recommends, promotes or otherwise endorses a Third Party Proposal in relation to Flinders;
- 12.2.3 Flinders is in material breach of any of its obligations under this agreement and (if capable of remedy) has failed to remedy the breach within three Business Days of receipt by it of written notice from MMK notifying Flinders of the breach;
- 12.2.4 a Third Party Proposal is announced and, either before or within 12 months of the date the Third Party Proposal is announced:

- (a) the person making the Third Party Proposal (whether alone or together with one or more Associates), acquires a relevant interest in more than 10% of all Flinders Shares (including as a result of the issue of new Flinders Shares) pursuant to a scheme of arrangement, takeover bid, selective reduction of capital or dual listed or stapled company proposal;
- (b) a Commitment is entered into by Flinders under which a person or persons other than a member of the MMK Group will:
 - (i) acquire a relevant interest in 10% or more of all Flinders Shares (including by way of issue of new Flinders Shares) unless that person publicly states that they intend to vote in favour of the Scheme;
 - (ii) acquire the whole or a substantial part of the business or assets of Flinders or the Flinders Group;
 - (iii) acquire any interest in its Pilbara iron ore project;
 - (iv) acquire Control of Flinders; or
 - (v) otherwise acquire or merge with Flinders (including by reverse takeover bid or scheme, or by establishing a dual listed company structure or stapled security structure),

and completion of such Commitment takes place within 12 months of the date of the Commitment.

12.2.5 Flinders breaches clause 10 where the breach leads to a Third Party Proposal being announced; or

12.2.6 MMK terminates this agreement pursuant to clause 14.1.3 or 14.2 in circumstances where the prevention of the breach of the relevant obligation, representation or warranty under this agreement was within the control of Flinders.

12.3 For the purposes of clause 12.2 customary qualifications and explanations contained in the Scheme Booklet in relation to the recommendation to vote in favour of the Scheme to the effect that the recommendation is made in the absence of a superior proposal from a third party will not be regarded as a failure to make or withdraw the making of a recommendation in favour of the Scheme.

12.4 Any payment required to be made to MMK in satisfaction of clause 12.2 must be paid within five Business Days of the relevant event specified in clause 12.2 above occurring without withholding or set-off.

MMK Break Fee

12.5 MMK will pay Flinders the MMK Break Fee if MMK is in material breach of any of its obligations under this agreement and (if capable of remedy) has failed to remedy the breach within three Business Days of receipt of it of written notice from Flinders notifying MMK of the breach.

- 12.6 Any payment required to be made to Flinders in satisfaction of clause 12.5 must be paid within five Business Days of the relevant event specified in clause 12.5 occurring.

Compliance with law

12.7 If:

- 12.7.1 ASIC indicates that it requires any modification to the amount of the Flinders Break Fee or MMK Break Fee or the circumstances on which it is to be paid as a condition of not opposing the Scheme;
- 12.7.2 the Court requires any modification to the amount of the Flinders Break Fee or MMK Break Fee or the circumstances in which it is to be paid as a condition of making orders under section 411(1) convening the Scheme Meeting; or
- 12.7.3 as a result of an application to the Takeovers Panel by a party other than Flinders or its Representatives, the Takeovers Panel indicates that, in the absence of a written undertaking pursuant to section 201A of the *Australian Securities and Investments Commission Act 2001* (Cth) to modify the amount of the Flinders Break Fee or the MMK Break Fee or the circumstances in which it is to be paid, it will make a declaration of unacceptable circumstances,

then, subject to clause 12.8:

- 12.7.4 the parties must amend this clause to the extent required to give effect to the requirements of ASIC, the Court or the Takeovers Panel (as the case may be) and in the circumstances referred to in clause 12.7.3, must give the required undertakings; and
 - 12.7.5 neither the occurrence of any of the events referred to in this clause nor the amendment of this clause will be taken to be a breach of or permit any party to terminate this agreement.
- 12.8 A party must not make, nor may it cause or permit to be made, any application to a court or the Takeovers Panel for or in relation to a determination referred to in clause 12.7.
- 12.9 If the court or the Takeovers Panel consents, a party must allow the other party (at that party's cost) to participate with the original party in any action or proceedings referred to in clause 12.7.

No requirement to act unless decision is final

- 12.10 The parties are only required to take steps under clause 12.7.4 in relation to any requirement of ASIC, the Court or the Takeovers Panel if:
- 12.10.1 no appeal or review proceeding is available from the decision to impose that requirement or the period for lodging an appeal or commencing review proceedings has expired without an appeal having been lodged or review proceedings commenced; or
 - 12.10.2 the parties agree in writing not to appeal or seek review of the decision to impose that requirement.

- 12.11 If MMK wishes to appeal or seek review of any decision of ASIC, the Court or the Takeovers Panel referred to in clause 12.7, Flinders must make submissions in the course of those proceedings supporting the appeal or review application made by MMK.
- 12.12 If a Court determines that payment of all or any amount of the Flinders Break Fee or MMK Break Fee is unlawful or involves the breach of fiduciary or statutory duties of the members of the Flinders Board or MMK Board (as the case may be) (**Impunged Amount**) and either no appeal from that determination is available or the period for lodging an appeal has expired without an appeal having been lodged then Flinders obligations to pay the Flinders Break Fee and/or MMK's obligations to pay the MMK Break Fee does not apply to the extent of the Impunged Amount.

Clause without prejudice

- 12.13 Nothing in this clause 12 affects any rights a party may have against the other party in the event of any breach of this agreement by the other party.

Calculation of break fee

- 12.14 The Flinders Break Fee and MMK Break Fee have been calculated to reimburse each party for the following:
- 12.14.1 fees for legal and financial advice in planning and proposing the Transaction and the Scheme;
 - 12.14.2 reasonable opportunity costs incurred in engaging in the Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
 - 12.14.3 costs of management and directors' time in undertaking due diligence, planning and proposing the Transaction;
 - 12.14.4 out of pocket expenses including, but not limited to, airfares, hotel accommodation, meals and associated expenses incurred by a party and its Representatives in planning and proposing the Transaction;
 - 12.14.5 any damage to that party's reputation associated with a failed transaction and the implications of those damages if MMK sought to execute alternative acquisitions in the future;
 - 12.14.6 costs as a result of losses sustained on hedges and other derivative instruments taken out in order to manage risks associated with the Transaction; and
 - 12.14.7 costs of planning the merging of the businesses.

Quantification

- 12.15 The parties acknowledge that the amount of fees, costs and losses referred to in clause 12.14 is inherently unascertainable and that, even after termination of this agreement, the costs will not be able to be accurately ascertained. The amount of the Flinders Break Fee and the MMK Break Fee is a genuine and reasonable pre-estimate of those fees, costs and losses (it being

acknowledged by the parties that the costs would most likely be significantly in excess of this amount).

No break fee with Third Party

12.16 During the Exclusivity Period, Flinders must not agree to a break fee payable to any Third Party.

13. Public Announcements

Announcement of Transaction

13.1 Immediately after execution of this agreement, the parties will each issue the Announcement.

Public announcements

13.2 Subject to clause 13.3, no public announcement or disclosure of the Transaction or any other transaction the subject of this agreement or the Scheme may be made other than in a form approved by each party (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable.

Required disclosure

13.3 Where a party is required by law or the ASX Listing Rules to make any announcement or to make any disclosure in connection with the Transaction or any other transaction the subject of this agreement or the Scheme, it may do so only after it has given at least one Business Day's notice, or such lesser period as may be required or permitted to comply with its legal or regulatory responsibilities, but in any event prior notice, to the other party and has taken all reasonable steps to consult with the other party and its legal advisers and to take account of all reasonable comments received from the other party.

Statements on termination

13.4 The parties must act in good faith and use all reasonable endeavours to issue an agreed statement or statements in respect of any termination of negotiations provided for in this agreement and will make no statements or disclosure in respect of the termination of this agreement except in accordance with clauses 13.2 and 13.3.

14. Termination

Termination rights by either party

14.1 This agreement may be terminated with immediate effect by either party before the start of the Court hearing on the Second Court Date by giving written notice to the other if:

14.1.1 the Effective Date for the Scheme has not occurred on or before the Quit Date;

14.1.2 the Independent Expert (as amended or updated from time to time) concludes that the Scheme is not in the best interests of Flinders Shareholders;

- 14.1.3 the other party is in material breach of its obligations under this agreement at any time before the start of the Court hearing on the Second Court Date (including any material breach of a representation or warranty provided under this agreement) and (if capable of remedy) has failed to remedy the breach within the earlier of:
- (a) three Business Days of receipt by it of written notice from the first party notifying the other party (or parties) of the breach; and
 - (b) 8.00am on the Second Court Date.
- 14.1.4 at the Scheme Meeting or any adjournment or postponement of it at which the Scheme is voted on, the Scheme is not approved by the necessary majorities of Flinders Shareholders, as may be modified by the Court in accordance with section 411 (4) (a) (ii) (A) of the Corporations Act;
- 14.1.5 any court or Regulatory Authority has issued any order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the Scheme, or has refused to do anything necessary to permit the Scheme, and the parties fail to agree on conducting on appeal within 5 Business Days;
- 14.1.6 any of the Conditions are not satisfied, have become incapable of being satisfied or are not reasonably capable of being satisfied, and has not been waived by the party entitled to waive it, before the Quit Date; or
- 14.1.7 MMK makes a takeover bid under Chapter 6 of the Corporations Act for the Flinders Shares.

Termination by MMK

- 14.2 MMK may, by notice in writing to Flinders, terminate this agreement with immediate effect before the start of the Court hearing on the Second Court Date if:
- 14.2.1 any of the circumstances in clauses 12.2 occurs or arises; or
 - 14.2.2 Flinders is in breach of its obligations under clause 7.1.

Effect of termination

- 14.3 If this agreement is terminated by a party under this clause 14:
- 14.3.1 each party will be released from its obligations under this agreement except its obligations under clauses 8, 9, 10, 12, 13, 15 and 17;
 - 14.3.2 each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
 - 14.3.3 in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or

effect, including without limitation any further obligations in respect of the Scheme.

15. **GST**

- 15.1 This clause applies if a party makes a taxable supply (within the meaning of any law imposing GST) in connection with this agreement for consideration unless such consideration is expressly provided be "GST inclusive".
- 15.2 Subject to this clause, the consideration payable by a party represents the value of the taxable supply.
- 15.3 Subject to clause 15.5, the party liable to pay for the taxable supply must also pay, at the same time and in the same manner as the value is otherwise payable, a further amount calculated by multiplying:
- 15.3.1 the amount otherwise payable; by
- 15.3.2 the GST rate for the time being.
- 15.4 If a payment to a party under this agreement is a reimbursement or indemnification, calculated by reference to a loss, cost or expense incurred by that party, then the payment will be reduced by the amount of any input tax credit to which that party is entitled on the acquisition of the supply for which that loss, cost or expense is incurred. The party is assumed to be entitled to full input tax credits unless it demonstrates that its entitlement is otherwise prior to the date on which payment must be made by the other party.
- 15.5 A party's right to payment under this clause is subject to a valid tax invoice being delivered to the party liable to pay for the taxable supply.
- 15.6 If a person is a member of a GST Group references to GST which the person must pay and to input tax credits to which the person is entitled include GST which the representative member of the GST Group must pay and input tax credits to which the representative member is entitled.

16. **Consents and approvals**

- 16.1 Unless otherwise provided, a party may give or withhold its determination, consent, agreement, authorisation or approval:
- 16.1.1 in that party's absolute discretion;
- 16.1.2 with or without conditions and without giving reasons;
- 16.1.3 when that party chooses.
- 16.2 A party's determination, consent, agreement, authorisation or approval is valid only if it is in writing and signed by that party or its authorised representative.

17. **Confidentiality**

- 17.1 A party (**using party**) may only use Confidential Information of the other party:

- 17.1.1 if necessary to perform the using party's obligations under this agreement; or
- 17.1.2 if the other party consents to the use.
- 17.2 A party (**disclosing party**) may only disclose Confidential Information of the other party:
 - 17.2.1 to the disclosing party's professional advisers;
 - 17.2.2 if required by law;
 - 17.2.3 if necessary to perform the disclosing party's obligations or exercise the disclosing party's rights under this agreement;
 - 17.2.4 if the other party consents to the disclosure;
 - 17.2.5 if and to the extent the information is publicly available other than by a breach of the disclosing party of this agreement, or any other agreement; or
 - 17.2.6 if the information is already in the possession of the disclosing party or comes into the possession of the disclosing party other than by breach of this agreement, or any other agreement.
- 17.3 In this clause 17, the term "Confidential Information" means:
 - 17.3.1 any term of this agreement;
 - 17.3.2 trade secrets, know-how, financial data, accounting information, statistics, research, scientific, technical, product, market or pricing information of a party or relating to a party's systems, business, employees or contractors;
 - 17.3.3 any other information belonging to a party that is marked "confidential"; and
 - 17.3.4 any other information belonging to a party which is of a confidential nature.

18. **Assignment**

A party may only assign its rights or obligations under this agreement with the written consent of the other party.

19. **Amendment**

This agreement may only be amended in writing signed by the parties.

20. **No waiver**

- 20.1 A party may only waive a breach of this agreement in writing signed by that party or its authorised representative.
- 20.2 A waiver is limited to the instance referred to in the writing (or if no instance is referred to in the writing, to past breaches).

21. **No merger**

The rights and obligations under this agreement continue after expiry or termination of this agreement.

22. **Further action**

22.1 Each party must do all things necessary to carry out this agreement, including:

22.1.1 executing documents; and

22.1.2 ensuring its employees and agents perform their obligations.

22.2 A party must not do anything that will prevent this agreement from being carried out.

23. **Entire agreement**

23.1 This document records the entire agreement between the parties about its subject matter.

23.2 The parties exclude all terms implied by law, where possible.

23.3 Neither party has given any warranty or made any representation to the other party about the subject matter of this agreement, other than those warranties and representations appearing in this document.

24. **Contribution**

Damages for any breach of this agreement are reduced to the extent that the claimant caused or contributed to the damage.

25. **Counterparts**

25.1 This agreement may be executed in any number of counterparts. A counterpart may be a facsimile (including by any means of electronic production).

25.2 Together all counterparts make up one document.

25.3 If this agreement is executed in counterparts, it takes effect when each party has received the counterpart executed by each other party, or would be deemed to have received it if a notice.

26. **Notice**

26.1 Notice must be in writing and in English, and may be given by an authorised representative of the sender.

26.2 Notice may be given to a person:

26.2.1 personally;

26.2.2 by leaving it at the person's address last notified;

- 26.2.3 by sending it by pre-paid mail to the person's address last notified;
- 26.2.4 by sending it by facsimile to the person's facsimile number last notified;
- 26.2.5 by sending it by electronic mail to the person's email address last notified.

26.3 Notice is deemed to be received by a person:

- 26.3.1 when left at the person's address;
- 26.3.2 if sent by pre-paid mail, 3 Business Days after posting;
- 26.3.3 if sent by facsimile, at the time and on the day shown in the sender's transmission report, if it shows that the whole notice was sent to the person's facsimile number last notified;
- 26.3.4 if sent by electronic mail, on the day after the day the message is showing on the sender's electronic mail system as having been properly transferred or transmitted.

However, if the notice is deemed to be received on a day which is not a Business Day it is deemed to be received on the next Business Day.

26.4 If two or more people comprise a party, notice to one is effective notice to all.

27. **Governing law**

- 27.1 This agreement is governed by the law of South Australia.
- 27.2 The parties irrevocably submit to the non-exclusive jurisdiction of the courts of South Australia and the South Australian division of the Federal Court of Australia, and the courts of appeal from them.
- 27.3 No party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or that it does not have jurisdiction.

28. **Duty**

- 28.1 MMK must attend to the stamping of this agreement and any document required by this agreement, within the time permitted by statute;
- 28.2 MMK must pay (within the time permitted by statute) any stamp, transaction or registration duty or similar charge that is imposed by any Regulatory Authority (including any interest, fine, penalty, charge or other amount that is imposed in relation to that duty or charge) in respect of this agreement and any document required by this agreement.

29. **Costs**

Each party must pay their own costs of preparing this agreement and any document required by this agreement.

30. **Specific performance**

The parties acknowledge that damages will not be an adequate remedy for breaches of obligations under this agreement and that it would be appropriate for a Court to grant specific performance of those obligations.

31. Interpretation

In this agreement, unless the context otherwise requires:

- 31.1 the Introduction is correct;
- 31.2 headings do not affect interpretation;
- 31.3 singular includes plural and plural includes singular;
- 31.4 words of one gender include any gender;
- 31.5 a reference to time is a reference to Adelaide, Australia time;
- 31.6 a reference to "dollars", "\$A", "A\$" or "\$" is a reference to Australian currency;
- 31.7 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- 31.8 a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- 31.9 reference to a person includes a corporation, body corporate, joint venture, association, government body, firm and any other entity;
- 31.10 a reference to a party is to a party to this agreement, and a reference to a party to an agreement includes the party's executors, administrators, successors and permitted assigns and substitutes;
- 31.11 reference to two or more people means each of them individually and all of them jointly;
- 31.12 if a party comprises two or more people:
 - 31.12.1 a promise by that party binds each of them individually and all of them jointly;
 - 31.12.2 a right given to that party is given to each of them individually;
 - 31.12.3 a representation, warranty or undertaking by that party is made by each of them individually;
- 31.13 a provision must not be construed against a party only because that party prepared it;
- 31.14 a provision must be read down to the extent necessary to be valid. If it cannot be read down to that extent, it must be severed;
- 31.15 the meaning of general words or provisions shall not be limited by references to specific matters that follow them (for example, introduced by words such as

“including” or “in particular”) or precede them or are included elsewhere in this agreement;

- 31.16 if a thing is to be done on a day which is not a Business Day, it must be done on the next Business Day;
- 31.17 another grammatical form of a defined expression has a corresponding meaning;
- 31.18 an expression defined in the Corporations Act has the meaning given by that Act at the date of this agreement.

Schedule 1 - Definitions

In this agreement, including the Introduction, unless the context otherwise requires, the following definitions apply:

Term	Meaning
Advisers	means, in relation to an entity, its legal, financial and other expert advisers and agents.
Announcement	means the announcement in the form contained in annexure C.
ASIC	means the Australian Securities and Investments Commission.
Associates	in relation to each party, has the meaning given in section 9 of the Corporations Act.
ASX	means ASX Limited or the securities exchange it operates, as the context requires.
ASX Listing Rules	means the official listing rules of ASX.
Business Day	has the meaning given in the ASX Listing Rules.
Change in Law	means the introduction into the Parliament of the Commonwealth of Australia or of any State or Territory of Australia of any law, or the making of any new regulation under any law, or the adoption by any Regulatory Authority of any policy, or the announcement by or on behalf of any Government of the Commonwealth of Australia or of any State or Territory of Australia or any Regulatory Authority that such a law or regulation will be introduced or such a policy adopted (as the case may be).
Commitment	means any contract, agreement, undertaking, deed and legally enforceable arrangement whether in writing or not.
Conditions	means the Conditions set out in schedule 2.
Control	has the meaning given to that term in the Corporations Act.
Controlled Entity	means in respect of an entity another entity controlled by it for the purposes of section 50AA of the Corporations Act.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Counterproposal	has the meaning given on clause 10.7.1.
Court	means the Federal Court sitting in South Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing by Flinders and MMK.
Deed Poll	means a deed in the form of annexure B or in such other form agreed by the parties in writing under which MMK covenants in favour of the Scheme Participants to perform its obligations under clause 3.2 or procure that those obligations are performed.

Term	Meaning
Effective	means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made for the purposes of section 411(4)(b) in relation to the Scheme.
Effective Date	means, in relation to the Scheme, the date on which the Scheme becomes Effective.
Excluded Share	means a Flinders Share held by MMK or by any person on behalf of or for the benefit of MMK.
Exclusivity Period	means the period from and including the date of this agreement to and including the earlier of the date this agreement is terminated in accordance with its terms, the Implementation Date or the Quit Date.
Fair Value	for the Flinders Options means the values ascribed to that option in schedule 8.
First Court Hearing Date	means the first day of the hearing by the Court on the application by Flinders for orders under section 411(1) of the Corporations Act to convene the meeting of Flinders shareholders to consider the Scheme or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Flinders Board	means the board of directors of Flinders.
Flinders Break Fee	means \$5,500,000.
Flinders Due Diligence Information	means all of the non public information in relation to the Flinders Group provided by Flinders and its Representatives to MMK and its Representatives.
Flinders Group	means Flinders and its Related Entities.
Flinders Indemnified Parties	means Flinders and its Representatives.
Flinders Information	means all information contained in the Scheme Booklet and all information provided by or on behalf of Flinders to the Independent Expert to enable the Independent Expert's Report included in or accompanying the Scheme Booklet to be prepared and completed, but does not include the MMK Information and the Independent Expert's Report included in or accompanying the Scheme Booklet.
Flinders Material Adverse Change	means a matter, event or circumstance, including: (a) a Change in Law or proposed or foreshadowed Change in Law; and (b) an adverse impact on the ability or potential ability of Flinders to exploit its mining tenements, where that matter, event or circumstance has, has had, or could reasonably expected to have, individually or when aggregated with all such matters, events or circumstances a material adverse affect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Flinders Group

Term	Meaning
	taken as a whole or the ability of Flinders to operate and conduct its business as proposed or contemplated, but in all cases excluding any change in the market price for the sale of iron ore.
Flinders Option	means an issued option or right (including incentive right or performance right) to subscribe for a Flinders Share or require the issue of a Flinders Share.
Flinders Optionholder	means a holder of Flinders Options.
Flinders Prescribed Occurrence	<p>means the occurrence of any of the following without the prior written consent of MMK:</p> <ul style="list-style-type: none"> • Flinders converting all or any of its shares into a larger or smaller number of shares; • Flinders or any Related Entity of Flinders which is not a wholly owned subsidiary of Flinders resolving to or reducing its share capital in any way redeems, repurchases or reclassifies any of the Flinders Shares; • Flinders resolving to or buying back any of its ordinary shares, including by: entering into a buy-back agreement; or resolving to approve the terms of a buy-back agreement under the Corporations Act; • Flinders making an allotment or issue of, or granting an option to subscribe for, any ordinary shares or securities or financial products convertible at the option of the holder into, or having the economic characteristics of, ordinary shares, or agreeing to make such an allotment or issue or to grant such an option, other than pursuant to any of Flinders' existing employee share plans but only if the securities issued under it have been disclosed to ASX before the date of this agreement; • Flinders or any Related Entity of Flinders disposes or agrees to dispose, of the whole, or a substantial part, of its business or property (other than trading inventories and consumables in the ordinary and usual course of business); • Flinders or any Related Entity of Flinders disposes or agrees to dispose of any of its interest in the Pilbara Iron Ore Project; • Flinders or any Related Entity of Flinders creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property; • Flinders resolving that it be wound up; • a liquidator, provisional liquidator or administrator of Flinders being appointed; • the making of an application to or order by a court for the

Term	Meaning
	<p>winding up of Flinders;</p> <ul style="list-style-type: none"> • Flinders executing a deed of company arrangement; • a receiver, or a receiver and manager, in relation to the whole, or a part, of the property of Flinders being appointed; • Flinders pays or distributes any dividend, bonus or other share of its profits or assets or returns any capital to its members; • Flinders amends or proposes to amend its constitution; • Flinders ceases to carry on business or is deregistered under the Corporations Act; • Flinders releases, discharges or modifies any obligation owed to it in excess of \$10,000,000 of any person firm or body corporate or agrees to do so; • any member of the Flinders Group agrees or announces an intention to take out any of the actions referred to in the foregoing paragraphs or offers to do so.
Flinders Share	means a fully paid ordinary share in the capital of Flinders.
Flinders Share Register	means the register of members of Flinders maintained in accordance with the Corporations Act.
Flinders Shareholder	means each person registered in the Flinders Share Register as the holder of Flinders Shares.
Flinders Suspension Date	means the date identified in the Timetable as the Flinders Suspension Date.
GST	has the same meaning as it does in the GST Act.
GST Act	means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth) and associated legislation and regulations.
GST Group	has the same meaning as is given to that term in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Head Count Test	means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the Scheme Resolution is passed at the Scheme Meeting by majority in number of Flinders Shareholders present and voting, either in person or by proxy.
Implementation Date	means, in relation to the Scheme, the third Business Day after the Record Date.
Independent Expert	means an expert appointed by Flinders to prepare the independent expert's report for inclusion in the Scheme Booklet.
Independent Expert's Report	means the Independent Expert's Report prepared in relation to the Scheme.
MMK Break Fee	Means \$2,750,000.

Term	Meaning
MMK Board	means the board of directors of MMK.
MMK Group	means MMK and its Controlled Entities.
MMK Indemnified Parties	means MMK and its Representatives.
MMK Information	means such information regarding MMK and its Related Entities provided by or on behalf of MMK to Flinders or the Independent Expert to enable the Scheme Booklet to be prepared and completed, and applications for the Regulatory Approvals to be made.
Officer	in relation to an entity, its directors and senior executives.
Quit Date	means 30 June 2012 or such later date as MMK and Flinders may agree in writing.
Record Date	means, in relation to the Scheme, 7.00 pm (Sydney time) on the fifth Business Day after the Effective Date or such other date as MMK and Flinders agree in writing.
Regulatory Approval	means: <ul style="list-style-type: none"> • any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, approval, direction, declaration, authority or exemption from, by or with a Regulatory Authority; or • in relation to anything that would be fully or partly prohibited or restricted by law if a Regulatory Authority intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.
Regulatory Authority	means a government or a governmental, semi-governmental or judicial entity or authority or any Minister, department, office or delegate of any government. It includes a self-regulatory organisation established under statute or a stock exchange, FIRB, APRA, ASIC and ASX.
Related Entity	means, in relation to an entity, any entity which is related to that entity within the meaning of section 50 of the Corporations Act or which is an economic entity (as defined in any accounting standard in force under section 334 of the Corporations Act) that is Controlled by that entity.
Relevant Interest	has the meaning given in section 9 of the Corporations Act.
Representative	means, in relation to a party: <ul style="list-style-type: none"> • each of the party's Related Entities; and • each of the Officers, employees and Advisers of the party or of any of its Related Entities.
Rival Bidder	has the meaning given in clause 10.4.

Term	Meaning
RG 60	means Regulatory Guide 60 issued by ASIC on 4 August 1999, as amended, substituted or replaced from time to time.
RG 142	means Regulatory Guide 142 issued by ASIC on 4 August 1999, as amended, substituted or replaced from time to time.
Scheme	means the proposed scheme of arrangement between Flinders and Flinders Shareholders, as described in clause 4.1, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.
Scheme Booklet	means the information to be dispatched to Flinders Shareholders and approved by the Court, including the Scheme, explanatory statements in relation to the Scheme issued pursuant to section 412 of the Corporations Act and registered with ASIC, an independent expert's report prepared by the Independent Expert, summaries of each of this agreement and the Deed Poll and notices convening the Scheme Meeting (together with proxy forms).
Scheme Consideration	means \$0.30 (thirty cents) cash for each Scheme Share held by a Scheme Participant.
Scheme Meeting	means the meeting to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.
Scheme Order	means the order of the Court made for the purposes of section 411(4)(b) of the Corporations Act in relation to the Scheme.
Scheme Participant	means each person recorded in the Flinders Share Register as the holder of Scheme Shares as at the Record Date.
Scheme Resolution	means the resolution to be put to Flinders Shareholders at the Scheme Meeting to approve the Scheme.
Scheme Shares	means the Flinders Shares on issue at the Record Date other than the Excluded Shares.
Second Court Date	means the first day on which an application made to the Court for an order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Sensitive Information	means any information that in the reasonable opinion of a party relates to competitive sensitivity.
Share Splitting	means the splitting by a holder of Flinders Shares into two or more parcels of Flinders Shares whether or not it results in any change in beneficial ownership of the Flinders Shares.
Subsidiary	means, in relation to a body corporate, any body corporate which is a subsidiary of the first mentioned body corporate within the meaning of section 46 of the Corporations Act 2001 (Cth).

Term	Meaning
Superior Proposal	<p>means a written bona fide Third Party Proposal which the Flinders Board acting in good faith, in order to satisfy what it considers to be its fiduciary and statutory duties determines is:</p> <ul style="list-style-type: none"> (a) reasonably capable of being valued and completed on a timely basis, taking into account all aspects of the Third Party Proposal; and (b) more favourable to Flinders Shareholders than the Scheme, taking into account all terms and conditions of the Third Party Proposal, <p>after having taken advice from its legal and financial advisers.</p>
Third Party Proposal	<p>means any expression of interest, offer or proposal by a Third Party in respect of a transaction which, if completed, would mean a person would, directly or indirectly and whether alone or together with one or more associates;</p> <ul style="list-style-type: none"> • acquire all or a substantial part of the assets or business of Flinders or the Flinders Group; • acquire any interest in Flinders Pilbara Iron Ore Project; • acquire a Relevant Interest or a legal or equitable interest in 10% or more of Flinders Shares capital or of the share capital of any of its Subsidiaries (including by way of issue of new Flinders shares) or enter into any cash settled equity swap or other derivative contract arrangement in respect of 10% or more of Flinders Shares; • acquire Control of Flinders; and • a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination involving Flinders and/or its Related Entities, <p>in all cases, other than the Transaction.</p>
Timetable	<p>means the timetable set out in schedule 3 or such other timetable as may be agreed in writing by the parties.</p>
Transaction	<p>means the acquisition by MMK of all of the Scheme Shares through the implementation of the Scheme as contemplated in this agreement.</p>

Schedule 2 – Conditions

	Condition	Benefit
1.	No prohibitions for Scheme No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition being in effect at 8.00 am on the Second Court Date which prevents the consummation of any aspect of the Scheme.	Flinders and MMK
2.	No transaction involving Flinders As at 8.00am on the Second Court Date, Flinders has not entered into any agreement, arrangement or understanding with a third party in relation to a Third Party Proposal.	MMK
3.	No Flinders Prescribed Occurrence No Flinders Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date.	MMK
4.	No Flinders Material Adverse Change No Flinders Material Adverse Change occurs between the date of this agreement and 8.00am on the Second Court Date.	MMK
5.	Independent Expert Report The Independent Expert issues its report which concludes that the Scheme is in the best interests of Flinders Shareholders before the date on which the Scheme Booklet is registered by ASIC under the Corporations Act.	Flinders and MMK
6.	FIRB Before 8.00am on the Second Court Date either: <ul style="list-style-type: none"> (i) the Treasurer of Australia gives an approval, or indicates that it has no objection, to the acquisition by MMK of the Scheme Shares under the <i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth) (FATA) (that approval to be subject to no conditions or only to those conditions that MMK considers to be acceptable, acting reasonably); or (ii) the relevant period expires following the giving of notice relating to the acquisition by MMK of the Flinders Shares under section 26 of FATA without any permanent order of prohibition being made under the FATA. 	-
7.	Flinders Shareholder approval of Scheme Flinders Shareholders approve the Scheme at the Scheme Meeting (or any adjournment or postponement thereof) by the necessary majorities as may be modified by the Court in accordance with section 411(4)(a)(ii)(A) of the Corporations Act.	-

8.	Court approval of Scheme <p>The Court approving the Scheme under section 411(4)(b) of the Corporations Act and an office copy of the court orders approving the scheme is lodged with ASIC as contemplated by section 411(10) of the Corporations Act.</p>	-
9.	Options and Incentive Arrangements <p>Before 8.00am on the Second Court Date, either:</p> <ul style="list-style-type: none"> (i) each holder of Flinders Options has entered into an agreement with Flinders to have the Flinders Options held by that person cancelled for their Fair Value by no later than 5.00pm on the Second Court Date; or (ii) the holders of Flinders Options (excluding an incentive right) approve a scheme of arrangement pursuant to which all the Flinders Options (excluding an incentive right) will be acquired by MMK before the Second Court Date. 	MMK
10.	Approvals and Consents <p>Before 8.00am on the Second Court Date, each of ASIC and ASX gives all approvals and consents, and takes such other steps, as are necessary or desirable to implement the Scheme.</p>	Flinders and MMK
11.	Representations and Warranties <p>The representations and warranties given by Flinders in clause 8.1 are true and correct in all material respects as at the date of this agreement and, unless otherwise expressly stated, also as at 8.00am on the Second Court Date, and no material breach of the warranties given by Flinders in clause 8.1 occurs between the date of this agreement and 8.00am on the Second Court Date.</p>	MMK

Schedule 3 – Timetable

Date	Event	Comment
22 December 2011	Scheme Booklet and Independent Expert's Report to be finalised	4 weeks has been allowed for drafting of the Scheme Booklet and for the Independent Expert's Report to be prepared and finalised
22 December 2011	Lodge draft Scheme Booklet and provide notice of First Court Date to ASIC	14 days before First Court Date – CA s 411(2)
20 January 2012	Lodge final draft of Scheme Booklet with ASIC and receive confirmation from ASIC that it will not object to Scheme Meeting being held	Before First Court Date
24 January 2012	First Court Date	CA s 411(1).
24 January 2012	Scheme Booklet registered with ASIC and filed with ASX	CA s 412(6)
29 January 2012	Printing and binding of Scheme Booklet	5 days has been estimated for printing but this may need to be longer
2 February 2012	Scheme Booklet despatched to Flinders Shareholders	
1 March 2012	Scheme Meeting	
2 March 2012	Advertise Second Court Date	5 days notice needs to be given of Second Court Date
13 March 2012	Second Court Date	
13 March 2012	Scheme Order lodged with ASIC and announcement made to ASX	
13 March 2012	Suspension of Flinders Shares from ASX trading	Assumes ASX will agree to suspension from close of trading on Second Court Date
20 March 2012	Record Date to determine Flinders Shareholders that are entitled to receive the Scheme Consideration	5 business days after Second Court Date
23 March 2012	Implementation Date for Scheme and mailout of Scheme Consideration to Flinders Shareholders	3 business days after Record Date

Note: The Timetable has been prepared on the basis of the parties' best estimate, as at the date of this agreement, of the likely timing of key events in relation to the Transaction. It is

possible that certain of those events may be, or may reasonably become expected by the parties to be, delayed for reasons outside of the control of the parties, namely:

- the period of consideration by ASIC to the draft Scheme Booklet may extend beyond 20 January 2012;
- the Court hearing to obtain orders to convene the Scheme Meeting may continue after 24 January 2012;
- the printers may require additional time to finalise the Scheme Booklet beyond 29 January 2012; or
- the Court hearing to obtain orders approving the Scheme may continue after 13 March 2012.

In that case, the parties will consult in good faith with the aim of agreeing a substitute timetable (with, to the extent possible, the same relevant timing between events), having regard to (amongst other things) the desire of each party to complete the Transaction as soon as is practicable.

If the Independent Expert's Report is not delivered on the date set out in the Timetable, the Quit Date will be extended by the same period of time the delivery of the Independent Expert's Report is delayed.

Schedule 4 – Flinders’ steps for implementation

	Step
1.	<p>Recommendation of the Scheme</p> <p>Recommend to holders of Flinders Shares that the Scheme is in the best interests of Flinders and Flinders Shareholders and that Flinders Shareholders vote in favour of all resolutions to be proposed at the Scheme Meeting or approve the Scheme (subject to the Independent Expert concluding that the Scheme is in the best interests of Flinders Shareholders and no superior proposal being made for all of the Flinders Shares).</p>
2.	<p>Scheme Booklet</p> <p>As soon as practicable after the date of this agreement, prepare the Scheme Booklet in compliance with all applicable laws, and in particular the Corporations Act, RG 60, RG 142 and the ASX Listing Rules which must contain:</p> <ul style="list-style-type: none"> • a prominent statement that the Flinders Board unanimously recommends that Flinders Shareholders vote in favour of the Scheme in the absence of a Superior Proposal; and • a prominent statement that each member of the Flinders Board intends to vote in favour of the Scheme all Flinders Shares in which he or she has a Relevant Interest and over which he or she has power to control voting in the absence of a Superior Proposal, <p>and provide drafts of the Scheme Booklet at regular intervals to MMK for its review and comment, and consider in good faith the reasonable comments of MMK and its Representatives when preparing revised drafts of those documents.</p>
3.	<p>Independent Expert</p> <p>Promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert’s Report for inclusion in the Scheme Booklet.</p>
4.	<p>Approval of draft for ASIC</p> <p>As soon as practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC:</p> <ul style="list-style-type: none"> • provide that draft to MMK; and • procure that a meeting of the Flinders Board is convened to approve that draft as being in a form appropriate for provision to ASIC for review.
5.	<p>Liaison with ASIC</p> <p>As soon as practicable after the resolution referred to in step 6 of this schedule is passed, provide an advanced draft of the Scheme Booklet, in a form acceptable to Flinders and MMK to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act, and:</p> <ul style="list-style-type: none"> • liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet; • provide MMK with copies of all correspondence between ASIC and Flinders

	Step
	<p>in relation to the Scheme Booklet;</p> <ul style="list-style-type: none"> keep MMK informed of any matters raised by ASIC in relation to the Scheme Booklet, and use its best endeavours, in co-operation with MMK, to resolve any such matters; and at MMK's request, allow MMK to attend meetings and discussions with ASIC or ASX (provided that ASIC and ASX express no objection to it).
6.	<p>Approval of Scheme Booklet</p> <p>As soon as practicable at the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Flinders Board is convened to approve the Scheme Booklet in the form approved by ASIC and also to approve an application to the Court for an order that the Scheme Meeting be convened and, subject to approval by the Court, for the Scheme Booklet to be dispatched to Flinders Shareholders.</p>
7.	<p>Section 411(17)(b) statements</p> <p>Apply to ASIC for the production of a statement in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme.</p>
8.	<p>Scheme Meeting</p> <p>Promptly after, and provided that, the approvals in step 7 of this schedule and step 6 of schedule 5 have been received:</p> <ul style="list-style-type: none"> apply to the Court for an order under section 411(1) of the Corporations Act directing Flinders to convene the Scheme Meeting; and take all steps necessary to comply with the order of the Court including, as required, dispatching the Scheme Booklet to the Flinders Shareholders and holding the Scheme Meeting.
9.	<p>Court documents</p> <p>Consult with MMK in relation to the content of the documents required for the purpose of each of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) and consider in good faith, for the purpose of amending drafts of those documents, comments from MMK and its Representatives on those documents.</p>
10.	<p>Registration of explanatory statements</p> <p>Request ASIC to register the explanatory statements included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act.</p>
11.	<p>Deficient Information</p> <p>Advise MMK if at any time before the Second Court Date, Flinders becomes aware either:</p> <ul style="list-style-type: none"> of new information which, were it known at the time the Scheme Booklet was prepared should have been included in the Scheme Booklet; or that any part of the Flinders Information in the Scheme Booklet is misleading or deceptive in any material respect (whether by omission or otherwise),

	Step
	and, if either party considers that supplementary disclosure is required, provide supplementary disclosure to Flinders Shareholders.
12.	<p>Registry Information</p> <p>Comply with any reasonable request by MMK to give directions in accordance with Part 6C.2 of the Corporations Act and procure that the Flinders Share Registry provides to MMK, in the form reasonably requested by MMK, all information about the Scheme and Flinders Shareholders (including the results of directions given by Flinders under part 6C.2 of the Corporations Act) which MMK reasonably requires in order to:</p> <ul style="list-style-type: none"> • canvas approval of the Scheme by Flinders Shareholders; or • facilitate the provision of the Scheme Consideration including details of the Register (including any CHESS sub-register and issue a sponsored sub-register) on the Record Date, <p>other than information that Flinders' share registry is prohibited from providing by law or via the operating rules of any financial market or clearing in settlement facility.</p>
13.	<p>Head Count Test</p> <p>If the Scheme Resolution is not passed by reason only of the non-satisfaction of the Head Count Test and either party considers, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or contributed to the Head Count Test not having been satisfied, apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Head Count Test</p>
14.	<p>Approval and implementation of Scheme</p> <p>If the resolution submitted to the Scheme Meeting is passed by the necessary majorities (as may be modified by the Court in accordance with section 411(4)(a)(ii)(A) of the Corporations Act), promptly apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme and if that approval is obtained:</p> <ul style="list-style-type: none"> • promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act; • close the Flinders Share Register in respect of Flinders Shares as at the Record Date and determine entitlements to the Scheme Consideration in accordance with the Scheme; • subject to MMK providing or procuring the provision of the Scheme Consideration, execute proper instruments of transfer of and effect and register the transfer of the Scheme Shares in accordance with the Scheme; and • do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme.
15.	<p>Flinders Options and Flinders Incentive Plan</p> <p>Do all things reasonably requested by MMK in relation to the Flinders Options including waiving escrows or other restrictions and amending the terms of the options and/or plan to ensure that MMK can acquire all the securities or rights to securities on issue in Flinders on the Implementation Date.</p>

	Step
16.	<p>Consultation</p> <p>During the period from the date of this agreement to the Implementation Date:</p> <ul style="list-style-type: none"> • promptly provide to MMK a copy of the Flinders Share Register as requested by MMK from time to time; and • hold weekly meetings between the Flinders managing director and the MMK Director for Strategy and Business Development to discuss, at a high level, material matters (which, for the avoidance of doubt, shall not include information of competitive sensitivity) relating to Flinders and MMK and their respective Related Entities including, without limitation: <ul style="list-style-type: none"> – business performance (including updates as to any material variances in relation to forecasts); – key personnel issues; – risk management; – compliance; and – major business developments.
17.	<p>ASX listing</p> <p>Use its best endeavours to ensure that the Flinders Shares continue to be quoted on the official list conducted by ASX until the close of business on the Flinders Suspension Date.</p>
18.	<p>Representation</p> <p>Allow, and not oppose, any application by MMK for leave of the Court to be represented, or the separate representation of MMK by counsel, at the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme.</p>
19.	<p>Compliance with laws</p> <p>Do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction.</p>
20.	<p>Flinders Prescribed Occurrence</p> <p>Ensure that no Flinders Prescribed Occurrence occurs between the date of this agreement and 8.00 am on the Second Court Date.</p>

Schedule 5 – MMK's steps for implementation

	Step
1.	MMK Information Prepare and provide to Flinders the MMK Information for inclusion in the Scheme Booklet as soon as is reasonably practicable and consult with Flinders in relation to the content of the MMK Information.
2.	Independent Expert Subject to the Independent Expert entering into arrangements with MMK (including in relation to confidentiality) reasonably required by MMK, provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report for inclusion in the Scheme Booklet.
3.	Accuracy of MMK Information As soon as practicable after Flinders has notified MMK in writing that ASIC has completed its review of the Scheme Booklet, confirm to Flinders that the MMK Information in the Scheme Booklet does not contain any statements that are misleading or deceptive in any material respect.
4.	Assistance Provide any assistance or information reasonably requested by Flinders in connection with the preparation of the Scheme Booklet and any other document to be sent to Flinders Shareholders in order to facilitate satisfaction of the Conditions.
5.	Approval of draft for ASIC As soon as practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the MMK Board (or a sub-committee of it) is convened to approve the MMK Information in the form and context in which it appears in the Scheme Booklet as being in a form appropriate for provision to ASIC for review.
6.	Approval of Scheme Booklet As soon as practicable at the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the MMK Board (or a sub-committee of it) is convened to approve the MMK Information in the form and context in which it appears in the Scheme Booklet being in a form appropriate for dispatch to the Flinders Shareholders, subject to approval of the Court.
7.	Representation If requested by Flinders, procure that MMK is represented by counsel at the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme, at which, through its counsel, MMK will undertake (if requested by the Court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under the Scheme, and, to the extent that leave of the Court is required for MMK to be represented at those Court hearings, apply for that leave.

	Step
8.	Deed Poll Prior to the First Court Hearing, execute the Deed Poll.
9.	MMK Information Advise Flinders if at any time before the Second Court Date, MMK becomes aware either: <ul style="list-style-type: none"> • of new information which, were it known at the time the Scheme Booklet was prepared should have been included in the MMK Information that is included in the Scheme Booklet; or • that any part of the MMK Information is misleading or deceptive in a material respect (whether by omission or otherwise), together with such additional information as Flinders requires to determine whether supplementary disclosure to MMK Shareholders is required.
10.	Compliance with laws Do everything reasonably within its power to ensure that the Transaction is effected in accordance with all laws and regulations applicable in relation to the Transaction.

Schedule 6 – Flinders’ warranties

	Warranty
1.	Status Flinders, and each of its Related Entities that is a body corporate, is a body corporate duly incorporated under the laws of its jurisdiction of incorporation or formation.
2.	Power for business Flinders, and each of its Related Entities, has the power to own its assets and to carry on its business as now conducted or contemplated.
3.	Power for document Flinders has the corporate power to enter into and perform or cause to be performed its obligations under this agreement and the Scheme and to carry out the transactions contemplated by this agreement and the Scheme.
4.	Corporate authorisations It has taken or will take all necessary corporate action to authorise the entry into and performance of this agreement and the Scheme and to carry out the transactions contemplated by this agreement and the Scheme.
5.	Document binding This agreement is a valid and binding obligation enforceable in accordance with its terms, subject to any necessary stamping.
6.	Transactions permitted Subject to obtaining all applicable Regulatory Approvals, the execution and performance by Flinders of this agreement and the Scheme and each transaction contemplated by this agreement and the Scheme did not and will not violate in any material respect a provision of a law or treaty or a judgment, ruling, order or decree of a Regulatory Authority binding on it, or its constitution or any other document or agreement that is binding on it or its assets.
7.	Disclosure to MMK Flinders has materially complied with its obligations under chapter 3 of the ASX Listing Rules and, other in relation to this Transaction, is not relying on the carve out in ASX Listing Rule 3.1A to withhold any information from public disclosure and the information disclosed to ASX is true and correct in all material respects.
8.	Provision of Flinders Information The Flinders Information included in the Scheme Booklet: <ul style="list-style-type: none"> will be included in good faith and on the understanding that MMK and each of the MMK Indemnified Parties will rely on that information for the purposes of considering and approving the MMK Information in the Scheme Booklet and approving the entry by MMK into the Deed Poll, and that the Independent Expert will rely upon that information for the purpose of preparing the

	Warranty
	<p>Independent Expert's Report for inclusion in the Scheme Booklet (as the case may be); and</p> <ul style="list-style-type: none"> will comply in all material respects with the requirements of the Corporations Act, the ASX Listing Rules and all relevant policy statements, practice notes and other guidelines and requirements of ASIC.
9.	<p>Flinders Information true</p> <p>The Flinders Information included or incorporated by reference in the Scheme Booklet will not, as at the date of dispatch of the Scheme Booklet to the Flinders Shareholders, contain any statement which is misleading or deceptive in any material respect nor contain any material omission having regard to applicable disclosure requirements.</p>
10.	<p>Update of Flinders Information</p> <p>Flinders will, as a continuing obligation, provide to MMK all such further or new information which may arise after the Scheme Booklet has been dispatched until the date of the Scheme Meeting where that may be necessary to ensure that there would be no breach of item 9 of this schedule as soon as practicable and in any event within two Business Days after the date upon which that information arose.</p>
11.	<p>Securities</p> <p>Flinders' issued securities as at the date of this agreement are:</p> <ul style="list-style-type: none"> 1,821,300,404 Flinders Shares; and 25,054,366 Flinders Options, <p>and neither it nor any of its Related Entities is under any obligation to issue any shares or securities (including equity securities debt securities or convertible securities or securities convertible into shares) or performance rights to any person and, nor has it offered or agreed to issue any except as specified above, no option exists nor is Flinders or any of its Related Entities subject to any actual or contingent obligation to issue or convert securities.</p>
12.	<p>Compliance with laws</p> <p>As far as Flinders is aware, after making enquiries of its Officers, it and its Related Entities have complied in all material respects with all applicable laws and regulations which would, if breached, have a material adverse effect on:</p> <ul style="list-style-type: none"> the financial position of Flinders and its Related Entities as a whole; or on the implementation of the Transaction.
13.	<p>Solvency</p> <p>It is not insolvent.</p>
14.	<p>Termination of Discussions</p> <p>It has terminated all negotiations and discussions that relate to any Third Party Proposal.</p>

	Warranty
15.	<p>Standstill</p> <p>The execution of this agreement by Flinders will not affect any waiver or amendment of any standstill agreement or arrangement between Flinders and any other person.</p>
16.	<p>Due Diligence Material</p> <p>The Flinders Due Diligence Information contains all information regarding matters affecting or related to the Flinders Group which is not already in the public domain and the disclosure which might reasonably expected to have resulted in MMK not entering into this agreement at all or only entering this agreement on materially different terms and conditions.</p>
17.	<p>Board Recommendation</p> <p>Each member of the Flinders Board has informed Flinders that he or she intends to vote in favour of the Scheme or Flinders Shares in which he or she has a Relevant Interest and over which he or she has power to control voting in the absence of a Superior Proposal and subject to the Independent Expert's Report concluding that the Scheme is in the best interest of Flinders Shareholders.</p>
18.	<p>No current discussions</p> <p>Flinders represents and warrants to MMK that, as at the date of this agreement, neither it nor any of its Representatives is a party to any agreement, arrangement or understanding with a third party in relation to a Third Party Proposal or a possible Third Party Proposal that would prevent it entering into this agreement or complying with its obligations under this agreement.</p>
19.	<p>Material Adverse Change</p> <p>Flinders is not aware of anything that is or could reasonably be expected to result in a Flinders Material Adverse Change.</p>

Schedule 7 – MMK's warranties

	Warranty
1.	Status of MMK MMK is a body corporate duly incorporated under the laws of its jurisdiction of incorporation or formation.
2.	Power of MMK for document MMK has the corporate power to enter into and perform or cause to be performed its obligations under this agreement, the Scheme and the Deed Poll and to carry out the transactions contemplated by this agreement, the Scheme and the Deed Poll to be carried out by MMK.
3.	Corporate authorisations for MMK MMK has taken or will take all necessary corporate action to authorise the entry into and performance of this agreement, the Scheme and the Deed Poll and to carry out the transactions contemplated by this agreement, the Scheme and the Deed Poll to be carried out by MMK.
4.	Document binding This agreement is a valid and binding obligation enforceable in accordance with its terms.
5.	Transactions permitted Subject to obtaining all Regulatory Approvals, the execution and performance by MMK of this agreement, the Scheme and the Deed Poll and each transaction contemplated by this agreement, the Scheme and the Deed Poll did not and will not violate in any material respect a provision of a law or treaty or a judgment, ruling, order or decree of a Regulatory Authority binding on it, or its constitution or any other document or agreement that is binding on it or its assets.
6.	Provision of MMK Information The MMK Information: <ul style="list-style-type: none"> will be provided in good faith and on the understanding that Flinders and each of the Flinders Indemnified Parties will rely on that information for the purposes of preparing the Scheme Booklet and proposing the Scheme, and that the Independent Expert will rely upon that information for the purpose of preparing the independent expert's report for inclusion in the Scheme Booklet (as the case may be); and will comply in all material respects with the requirements of the Corporations Act, the ASX Listing Rules and all relevant policy statements, practice notes and other guidelines and requirements of ASIC.

	Warranty
7.	<p>MMK Information true</p> <p>The MMK Information included or incorporated by reference in the Scheme Booklet in the form consented to by MMK will not, as at the date of dispatch of the Scheme Booklet to the Flinders Shareholders, contain any material statement which is misleading or deceptive in any material respect nor contain any material omission having regard to applicable disclosure requirements.</p>
8.	<p>Update of MMK Information</p> <p>MMK will, as a continuing obligation, provide to Flinders all such further or new information which may arise after the Scheme Booklet has been dispatched until the date of the Scheme Meeting where that may be necessary to ensure that there would be no breach of item 8 of this schedule as soon as practicable and in any event within two Business Days after the date upon which that information arose.</p>
9.	<p>Solvency</p> <p>MMK is not insolvent.</p>

Schedule 8 – Flinders Options Fair Value

	Number	Price	Expiring	Acquisition value per right
Options	240,000	0.084	5/03/2013	0.216
Options	1,121,666	0.045	3/02/2014	0.255
Options	300,000	0.055	26/08/2014	0.245
Options	320,000	0.085	30/06/2015	0.215
Rights	23,072,700			0.300

Executed as an agreement.

Executed by MAGNITOGORSK IRON AND)
STEEL WORKS OPEN JOINT STOCK)
COMPANY by its duly appointed officer in)
the presence of:

Witness

EVGENY N. KOVTUNOV

Name of Witness (print)

Officer

BORIS A. DUBROVSKY

Name of Officer (print)

Executed by Flinders Mines Limited in)
accordance with s 127(1) of the Corporations)
Act 2001 (Cth):)

Director

EWAN JOHN VICKERY

Name (please print)

Director/Company Secretary

GARY SUTHERLAND

Name (please print)

For personal use only

Annexure A – Scheme of Arrangement

For personal use only

SCHEME OF ARRANGEMENT

**pursuant to s 411 of the Corporations
Act 2001**

**FLINDERS MINES LIMITED
(ABN 46 091 118 044)**

EACH SCHEME PARTICIPANT

D | M | A | W

L A W Y E R S

Level 3, 80 King William Street
Adelaide South Australia 5000

Phone +61 8 8210 2222
Facsimile + 61 8 8210 2233
Email: dmaw@dmawlawyers.com.au

CONTENTS

1.	Conditions	1
2.	Scheme	3
3.	Scheme Consideration	3
4.	Dealings in Flinders Shares	4
5.	Quotation of shares	5
6.	General	6
7.	Communications	7
8.	Further action	7
9.	Governing law	7
10.	Costs	7
11.	Interpretation	8
12.	Definitions	9

SCHEME OF ARRANGEMENT dated 25 November 2011

PARTIES

1. **FLINDERS MINES LIMITED** (ABN 46 091 118 044) of Level 1, 136 Frome Street, Adelaide, SA 5000 (**Flinders**)
2. The holders of fully paid ordinary shares in Flinders as at the Record Date

INTRODUCTION

- A Flinders is a public company limited by shares. Flinders' fully paid ordinary shares are quoted on the securities exchange operated by ASX.
- A MMK and Flinders have entered into a Scheme Implementation Agreement which sets out the terms on which the parties have agreed to implement the Scheme.
- B MMK has entered into the Deed Poll for the purpose of covenanting in favour of Scheme Participants to provide to each Scheme Participant the Scheme Consideration to which each Scheme Participant is entitled under the Scheme and to perform its obligations under the Scheme Implementation Agreement.

OPERATIVE PART

1. Conditions

Conditions precedent

- 1.1 This Scheme is conditional on each of the following conditions precedent:
- 1.1.1 all of the conditions set out in schedule 2 of the Scheme Implementation Agreement [(other than the seventh condition precedent listed in schedule 2 of that agreement)], having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement before 8.00 am on the Second Court Date;
 - 1.1.2 as at 8.00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll have been terminated in accordance with their terms;
 - 1.1.3 the Scheme having been approved at the Scheme Meeting, with or without modification, by the requisite majority of Flinders Shareholders in accordance with section 411(4)(a) of the Corporations Act or, if the Scheme is not agreed to by the requisite majority of Flinders Shareholders, the Court orders otherwise in accordance with section 411(4)(a) of the Corporations Act;
 - 1.1.4 the Scheme being approved by the Court pursuant to section 411(4)(b) of the Corporations Act without modification or with modifications which are acceptable to MMK and Flinders; and

- 1.1.5 such other conditions that may be imposed by the Court under section 411(6) of the Corporations Act as are acceptable to MMK and Flinders.

Satisfaction of Conditions

- 1.2 Flinders and Scheme Participants will not have any rights or obligations under clauses 2, 3, 5, 6.3, 6.4 and 6.5 of this document unless and until the conditions precedent in clause 1.1 are satisfied.

Certificate

- 1.3 Flinders must provide, and must procure MMK to provide, to the Court on the Second Court Date a certificate confirming that the conditions precedent in clauses 1.1.1, 1.1.2, and 1.1.3 have been satisfied or waived (subject to the terms of the Scheme Implementation Agreement) as at 8.00am on the Second Court Date.

Conclusive evidence

- 1.4 The giving of a certificate by each of Flinders and MMK in accordance with clause 1.3 will, in the absence of manifest error, be conclusive evidence of the matters referred to in each certificate.

Termination of Scheme Implementation Agreement

- 1.5 Without limiting rights under the Scheme Implementation Agreement, if the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00am on the Second Court Date, Flinders and MMK are each released from:

1.5.1 any further obligation to take steps to implement the Scheme; and

1.5.2 any liability with respect to the Scheme,

provided that Flinders and MMK retain the rights they have against each other in respect of any prior breach of the Scheme Implementation Agreement.

Effective Date

- 1.6 This Scheme takes effect on the Effective Date.

Quit Date

- 1.7 The Scheme will lapse and be of no further force or effect:

1.7.1 if the Effective Date has not occurred on or before the Quit Date; or

1.7.2 the Scheme Implementation Agreement is terminated on or before the date upon which MMK provides, or procures the provision of, the Scheme Consideration to Scheme Participants.

2. Scheme

Lodgement of Court order

- 2.1 On or before the second Business Day following approval of the Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act, Flinders will lodge with ASIC an office copy of the Court order under section 411(10) of the Corporations Act approving this Scheme.

Transfer of Flinders Shares held by Scheme Participants

- 2.2 On the Implementation Date and subject to the provision of the Scheme Consideration by MMK in accordance with the Deed Poll:
- 2.2.1 the Scheme Shares together with all rights and entitlements attaching to them as at that date, will be transferred to MMK without the need for any further acts by the Scheme Participants (other than acts performed by Flinders as attorney and agent for the Scheme Participants under clause 6.4);
- 2.2.2 Flinders will either effect a valid transfer or transfers of the Scheme Shares to MMK under section 1074D of the Corporations Act or deliver to MMK duly completed and executed share transfer forms (or a master transfer form) in accordance with section 1071B of the Corporations Act and MMK will execute and deliver those share transfer form(s) to Flinders; and
- 2.2.3 subject to execution and delivery of a share transfer form under clause 2.2.2 (if applicable), Flinders will enter the name of MMK in the Flinders Share Register as the holder of all the Scheme Shares.

Beneficial entitlement by MMK

- 2.3 From the time of the provision of the Scheme Consideration to the Scheme Participants on the Implementation Date in accordance with clause 3, MMK will be beneficially entitled to the Scheme Shares (together with all rights and entitlements attached to the Scheme Shares) to be transferred to it under the Scheme pending registration of MMK in the Flinders Share Register as the holder of those Scheme Shares.

Enforcement of Deed Poll

- 2.4 Flinders undertakes in favour of each Scheme Participant to enforce the Deed Poll against MMK on behalf of and as agent for the Scheme Participants.

3. Scheme Consideration

Amount of Scheme Consideration

- 3.1 On the Implementation Date, in consideration for the transfer to MMK of the Scheme Shares, each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with this Scheme subject to the terms of the Deed Poll.

Joint holders

- 3.2 In the case of Scheme Shares held in joint names, any cheque required to be drawn in favour of Scheme Participants will be payable to the joint holders and must be forwarded to the holder whose name appears first in the Flinders Share Register at the Record Date.

Payment of Scheme Consideration

- 3.3 Subject to the conditions precedent in clause 1.1 being satisfied, on the Implementation Date, Flinders must procure that MMK deposits (or procures the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders in cleared funds into an Australian dollar denominated trust account operated by the Trustee, to be held on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to each Scheme Participant, except that any interest on the amount deposited (less bank fees and other charges) will be to MMK's account.
- 3.4 Subject to compliance with clause 3.3 on the Implementation Date, the Trustee must pay from the account referred to in clause 3.3 to each Scheme Participant such amount of cash as is due to that Scheme Participant under clause 3.1 as Scheme Consideration in respect of all that Scheme Participant's Scheme Shares.
- 3.5 The obligations under clause 3.4 will be satisfied by the Trustee taking the following actions on the Implementation Date:
- 3.5.1 sending (or procuring the Share Registry to send) to each Scheme Participant's Registered Address by pre-paid post a pre-printed cheque in the name of that Scheme Participant and for the relevant amount (denominated in Australian currency) drawn out of the trust account established under clause 3.3; or
- 3.5.2 if the Scheme Participant has a payment direction (that is currently used for the payment of dividends) for a bank account with any Australian ADI (as defined in the Corporations Act) recorded in the Flinders Share Register as at the Record Date, depositing (or procuring the Share Registry to deposit) the relevant amount into that account.
- 3.6 To the extent there is any surplus in the funds held by the Trustee in the trust account after the making of payments under clause 3.5, that surplus must be promptly paid by the Trustee to MMK.

4. Dealings in Flinders Shares

- 4.1 For the purpose of establishing who are Scheme Participants, dealings in Flinders Shares will only be recognised if:
- 4.1.1 in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Flinders Share Register as the holder of the relevant Flinders Shares on the Record Date; and

- 4.1.2 in all other cases, if registrable transmission applications or transfers in registrable form in respect of those dealings are received on or before the Record Date at the place where the Flinders Share Register is kept.
- 4.2 Flinders must register registrable transmission applications or transfers of the type referred to in clause 4.1.2 by the Record Date, provided that nothing in this clause requires Flinders to register a transfer that would result in a Flinders Shareholder holding a parcel of Flinders Shares that is less than a Marketable Parcel.
- 4.3 Flinders will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Flinders Shares received after the Record Date, other than a transfer to MMK in accordance with the Scheme and any subsequent transfer by MMK or its successors in title.
- 4.4 For the purpose of determining entitlements to the Scheme Consideration, Flinders will, until the Scheme Consideration has been provided, maintain the Flinders Share Register in accordance with the foregoing provisions of this clause 4 and the Flinders Share Register in this form will solely determine entitlements to the Scheme Consideration.
- 4.5 Flinders must procure that as soon as practicable after the Record Date, details of the names, Registered Addresses and holdings of Scheme Shares of every Scheme Participant as shown in the Flinders Share Register at the Record Date are made available to MMK in such form as MMK may reasonably require.
- 4.6 Subject to implementation occurring under this Scheme, as from the Record Date, all share certificates and holding statements for the Scheme Shares (other than statements of holding in favour of MMK) held at the Record Date will cease to have effect as documents of title in respect of those Scheme Shares, and each entry currently on the Flinders Share Register at that time in respect of Scheme Shares will cease to have any effect other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

5. Quotation of shares

Suspension of trading in Flinders Shares

- 5.1 It is expected that suspension of trading on ASX in Flinders Shares will occur from the close of trading on the ASX on the Effective Date.

Termination from official quotation of Flinders Shares

- 5.2 Flinders will apply for termination of the official quotation of Flinders Shares on ASX and the removal of Flinders from the official list of ASX with effect from the Business Day after the date on which all transfers of the Scheme Shares to MMK have been duly registered by Flinders in accordance with this Scheme.

6. General

Alterations and conditions

- 6.1 If the Court proposes to approve this Scheme subject to any alterations or conditions, Flinders may by its legal counsel, but subject to the prior approval of MMK (such approval not to be unreasonably withheld), consent on behalf of all persons concerned to those alterations or conditions.

Warranties by Scheme Participants

- 6.2 Each Scheme Participant is deemed to have warranted to Flinders, in its own right and for the benefit of MMK, that:
- 6.2.1 all their Scheme Shares (including any rights and entitlements attaching to those shares) transferred to MMK under the Scheme will, on the Implementation Date, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the Scheme Consideration in accordance with the terms of such security interest); and
 - 6.2.2 they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those shares) to MMK under the Scheme.

Covenants by Scheme Participants

- 6.3 Each Scheme Participant:
- 6.3.1 consents to Flinders doing all things necessary or incidental to the implementation of this Scheme including executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme and Flinders, as agent of each Scheme Participant, may sub-delegate its functions under this clause 6.3.1 to any of its directors and officers, severally; and
 - 6.3.2 agrees to the transfer of all of their Scheme Shares (together with all rights and entitlements attaching to those shares) to MMK in accordance with the terms of this Scheme.
- 6.4 Each Scheme Participant, without the need for any further act, irrevocably appoints Flinders and all of its directors and officers (jointly and severally) as its attorney and agent for the purpose of:
- 6.4.1 enforcing the Deed Poll against MMK; and
 - 6.4.2 executing any document necessary or expedient to give effect to the Scheme or doing any other act necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.
- 6.5 From the Effective Date until Flinders registers MMK as the holder of all the Scheme Shares in the Flinders Share Register, each Scheme Participant:

- 6.5.1 is deemed to have irrevocably appointed MMK as its attorney and agent (and directed MMK in such capacity) to appoint such officer or agent nominated by MMK to be its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Flinders, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders' resolution, whether in person, by proxy or by corporate representative, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 6.5.1); and
- 6.5.2 must take all other actions in the capacity of the registered holder of Scheme Shares as MMK directs.

7. Communications

- 7.1 Where a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to Flinders, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Flinders' registered office or at its Share Registry.
- 7.2 The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Flinders Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

8. Further action

- 8.1 Flinders must do all things necessary to give full effect to the Scheme, including:
- 8.1.1 executing documents; and
 - 8.1.2 ensuring its employees and agents perform their obligations.
- 8.2 Flinders must not do anything that will prevent this document from being carried out.

9. Governing law

- 9.1 This document is governed by the law of South Australia.
- 9.2 The parties irrevocably submit to the non-exclusive jurisdiction of the courts of South Australia and the South Australian division of the Federal Court of Australia, and the courts of appeal from them.
- 9.3 No party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or that it does not have jurisdiction.

10. Costs

- 10.1 Any costs, and any stamp duty and any related fines, interest or penalties, which are payable on or in respect of this document or on any document referred to in this document will be paid as provided for in the Scheme Implementation Agreement. For the avoidance of doubt, the Scheme

Participants do not have to pay any stamp duty, related fines, interest or penalties which are payable on or in respect of this document or any document referred to in this document.

11. Interpretation

In this document, unless the context otherwise requires:

- 11.1 the Introduction is correct;
- 11.2 headings do not affect interpretation;
- 11.3 singular includes plural and plural includes singular;
- 11.4 words of one gender include any gender;
- 11.5 unless otherwise stated, a reference to time is a reference to Adelaide, Australia time;
- 11.6 a reference to "dollars", "\$A", "A\$" or "\$" is a reference to Australian currency;
- 11.7 a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- 11.8 unless otherwise stated, a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this document, and a reference to this document includes any schedule or annexure;
- 11.9 reference to a person includes a corporation, body corporate, joint venture, association, government body, firm and any other entity;
- 11.10 a reference to a party is to a party to this document, and a reference to a party to an agreement includes the party's executors, administrators, successors and permitted assigns and substitutes;
- 11.11 reference to two or more people means each of them individually and all of them jointly;
- 11.12 if a party comprises two or more people:
 - 11.12.1 a promise by that party binds each of them individually and all of them jointly;
 - 11.12.2 a right given to that party is given to each of them individually;
 - 11.12.3 a representation, warranty or undertaking by that party is made by each of them individually;
- 11.13 a provision must not be construed against a party only because that party prepared it;
- 11.14 a provision must be read down to the extent necessary to be valid. If it cannot be read down to that extent, it must be severed;

- 11.15 the meaning of general words or provisions shall not be limited by references to specific matters that follow them (for example, introduced by words such as “including” or “in particular”) or precede them or are included elsewhere in this document;
- 11.16 if a thing is to be done on a day which is not a Business Day, it must be done on the next Business Day;
- 11.17 another grammatical form of a defined expression has a corresponding meaning;
- 11.18 an expression defined in the Corporations Act has the meaning given by that Act at the date of this document.

12. Definitions

The following definitions apply in this document:

Term	Meaning
ASIC	means the Australian Securities and Investments Commission.
ASX	means ASX Limited or the securities exchange it operates, as the context requires.
ASX Listing Rules	means the official listing rules of ASX.
ASX Market Rules	means the official market rules of ASX.
Business Day	has the meaning given in the ASX Listing Rules.
CHESS	means the Clearing House Electronic Subregister System, which facilitates electronic security transfer in Australia.
Corporations Act	means the Corporations Act 2001 (Cth).
Court	means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing by Flinders and MMK.
Deed Poll	means the deed poll made by MMK under which MMK covenants in favour of Scheme Participants to perform its obligations under the Scheme Implementation Agreement.
Effective	means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made for the purposes of section 411(4)(b) in relation to the Scheme.
Effective Date	means, in relation to the Scheme, the date on which the Scheme becomes Effective.
Excluded Share	means a Flinders Share held by MMK or by any person

Term	Meaning
	on behalf of or for the benefit of MMK.
Flinders Share	means a fully paid ordinary share in the capital of Flinders.
Flinders Shareholder	means each person registered in the Flinders Share Register as the holder of Flinders Shares.
Flinders Share Register	means the register of members of Flinders maintained by the Share Registry in accordance with the Corporations Act.
Implementation Date	means, in relation to the Scheme, the third Business Day after the Record Date, or such other date as MMK and Flinders agree in writing.
Marketable Parcel	has the meaning given to that term in the ASX Market Rules.
MMK	means Magnitogorsk Iron and Steel Works OJSC or its nominee.
Quit Date	means 30 June 2012 or such later date as MMK and Flinders may agree in writing.
Record Date	means, in relation to the Scheme, 7.00 pm (Sydney time) on the fifth Business Day after the Second Court Date or such other date as MMK and Flinders agree in writing.
Registered Address	means, in relation to a Scheme Participant, the address shown in the Flinders Share Register.
Scheme	means this scheme of arrangement between Flinders and Scheme Participants, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by MMK and Flinders.
Scheme Booklet	means the information to be dispatched to Flinders Shareholders and approved by the Court, including the Scheme, explanatory statements in relation to the Scheme issued pursuant to section 412 of the Corporations Act and registered with ASIC, an independent expert's report prepared by the Independent Expert, summaries of each of the Scheme Implementation Agreement and the Deed Poll and notices convening the Scheme Meeting (together with proxy forms).
Scheme Consideration	thirty cents (\$0.30) cash for each Scheme Share held by a Scheme Participant.
Scheme Implementation Agreement	means the Scheme Implementation Agreement between Flinders and MMK dated on or about 25 November 2011, a copy of which is annexed to the

Term	Meaning
	Scheme Booklet.
Scheme Meeting	means the meeting to be ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in respect of the Scheme.
Scheme Participant	means each person recorded in the Flinders Share Register as the holder of Scheme Shares as at the Record Date.
Scheme Shares	means the Flinders Shares on issue at the Record Date other than the Excluded Shares.
Second Court Date	means the first day on which an application made to the Court for an order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is heard or, if the application is adjourned for any reason, the first day on which the adjourned application is heard.
Share Registry	means the share registrar who maintains the Flinders Share Register on behalf of Flinders.
Trustee	means Flinders as trustee for the Scheme Participants.

Annexure B – Scheme Deed Poll

For personal use only

SCHEME DEED POLL

**MAGNITOGORSK IRON AND STEEL
WORKS OJSC**

**IN FAVOUR OF EACH SCHEME
PARTICIPANT**

D | M | A | W

L A W Y E R S

Level 3, 80 King William Street
Adelaide South Australia 5000

Phone +61 8 8210 2222
Facsimile + 61 8 8210 2233
Email: dmaw@dmawlawyers.com.au

CONTENTS

1.	Preliminary	1
2.	Condition precedent and termination.....	2
3.	Payment of Scheme Consideration	3
4.	Representations and warranties	4
5.	Continuing obligations	4
6.	Stamp duty	5
7.	General	5

DEED POLL dated 25 November 2011

PARTIES

1. Magnitogorsk Iron and Steel Works OJSC of 93 U1.Kirova, Magnitogorsk, Chelyabinsk Region, 455002, Russia (**MMK**) in favour of each Scheme Participant

INTRODUCTION

- A. The directors of Flinders Mines Limited (**Flinders**) consider that it is in the interests of Flinders and Flinders Shareholders that Flinders Shareholders consider the Scheme. The directors of Flinders have therefore resolved that Flinders propose the Scheme.
- B. On or about 25 November 2011 Flinders and MMK entered into a Scheme Implementation Agreement (**Scheme Implementation Agreement**), under which MMK has agreed (subject to the satisfaction or waiver of certain conditions) to do all things necessary or desirable on its part to implement the Scheme, including providing the Scheme Consideration to Scheme Participants.
- C. MMK is entering into this deed for the purpose of covenanting in favour of the Scheme Participants to perform certain of its obligations under the Scheme Implementation Agreement.

OPERATIVE PART

1. Preliminary

Definitions and interpretation

- 1.1 The following definitions apply in this deed:

Scheme means the scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Flinders and the Scheme Participants.

Other capitalised words and phrases have the same meaning as given to them in the Scheme. Unless the context requires otherwise, clause 11 of the Scheme applies as if set out in full in this deed.

Nature of this deed poll

- 1.2 MMK acknowledges that:

- 1.2.1 this deed is a deed poll and may be relied on and enforced by any Scheme Participant in accordance with its terms, notwithstanding that each of the Scheme Participants is not party to this deed; and

- 1.2.2 under the Scheme, each Scheme Participant irrevocably appoints Flinders and any of Flinders' directors as its agent and attorney to, among other things, enforce this deed against MMK.

2. Condition precedent and termination

Condition

- 2.1 Each of MMK's obligations under this deed are subject to the Scheme becoming Effective.

Termination

- 2.2 If the Scheme Implementation Agreement is terminated in accordance with its terms, or the Scheme does not become Effective on or before the Quit Date, the obligations of MMK under this deed will automatically terminate, unless MMK and Flinders agree otherwise in writing.

Consequences of termination

- 2.3 If this deed is terminated under clause 2.2 then in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

2.3.1 MMK is released from its obligations to further perform this deed, except those obligations contained in clause 5 and any other obligations which by their nature survive termination; and

2.3.2 the Scheme Participants retain the rights they have against MMK in respect of any breach of this deed which occurred before this deed is terminated.

3. Payment of Scheme Consideration

- 3.1 Subject to the condition precedent in clause 2.1 being satisfied, in consideration of the transfer to MMK of all of the Scheme Shares, MMK undertakes in favour of each Scheme Participant to pay or procure the payment of the Scheme Consideration to each Scheme Participant in accordance with the terms of the Scheme.

- 3.2 The obligation of MMK under clause 3.1 will be satisfied if, on or before the Business Day immediately prior to the Implementation Date, MMK pays or procures payment of an amount at least equal to the aggregate amount of the Scheme Consideration payable to all Scheme Participants to be deposited in cleared funds into an Australian dollar denominated trust account operated by the Trustee, to be held on trust for the Scheme Participants for the purpose of paying the Scheme Consideration to each Scheme Participant, except that any interest on the amount deposited (less bank fees and charges) will be to MMK's account.

- 3.3 If Flinders proposes to effect the transfer of the Scheme Shares from Scheme Participants to MMK by way of share transfer forms (or a master transfer form) in accordance with section 1071B of the Corporations Act, on the Implementation Date MMK must execute (or procure the execution of) the transfer form(s) and deliver the executed transfer form(s) to Flinders for registration.

4. Representations and warranties

MMK represents and warrants that:

- 4.1 it is a corporation validly existing under the laws of its place of incorporation;
- 4.2 it has the corporate power to enter into and perform its obligations under this deed and to carry out the transactions contemplated by this deed;
- 4.3 it has taken all necessary corporate action to authorise the entry into this deed and has taken or will take all necessary corporate action to authorise the performance of this deed and to carry out the transactions contemplated by this deed;
- 4.4 this deed is valid and binding upon it.

5. **Continuing obligations**

This deed is irrevocable and subject to clause 2, remains in full force and effect until:

- 5.1 MMK has completely performed its obligations under this deed; or
- 5.2 the earlier termination of this deed under clause 2.

6. **Stamp duty**

- 6.1 MMK must pay all stamp duties, and any related fines, penalties and interest (if any) in respect of this deed, the performance of this deed or in respect of any instrument or other document executed to give effect to this deed.
- 6.2 MMK will indemnify each Scheme Participant against any liability arising from failure to comply with clause 6.1.

7. **General**

Exercise of rights

- 7.1 If a Scheme Participant does not exercise a right of remedy fully or at a given time, it may still exercise it later.

Waiver and variation

- 7.2 A provision or right under this deed may not be waived except in writing signed by the person granting the waiver.
- 7.3 A provision of this deed may not be varied unless the variation is agreed to by Flinders and the Court indicates that the variation would not in itself preclude approval of the Scheme in which event MMK will enter into a further deed poll in favour of the Scheme Participants giving effect to such variation.

Rights cumulative

- 7.4 Except as expressly stated otherwise in this deed, the rights of MMK and each of the Scheme Participants under this deed are cumulative and are in addition to any other rights of that party.

Governing law and jurisdiction

- 7.5 This deed is governed by the laws of South Australia.

- 7.6 The parties irrevocably submit to the non-exclusive jurisdiction of the courts of South Australia and the South Australian division of the Federal Court of Australia and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

Assignment

- 7.7 The rights and obligations of a person under this deed are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity, and no person must attempt or purport to do so.

Severability

- 7.8 If the whole or any part of a provision of this deed poll is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this deed has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause 7.8 has no effect if the severance alters the basic nature of this deed or is contrary to public policy.

Further action

- 7.9 MMK will at its own expense promptly do all things and execute and deliver all further documents required by law or reasonably requested by any other party to give effect to this deed and the transactions contemplated by it.

Executed as a deed poll

[Execution clause to be inserted]

Annexure C – Announcement

For personal use only

25 November 2011

FLINDERS MINES ANNOUNCES RECOMMENDED CASH OFFER FROM MMK OF A\$0.30 PER SHARE FOR 100% OF FLINDERS' SHARE CAPITAL

Transaction Summary

- *Flinders Mines Limited (ASX: FMS) ("Flinders" or "Company") and Magnitogorsk Iron and Steel Works OJSC ("MMK") have today executed a Scheme Implementation Agreement ("SIA") to effect the acquisition of 100% of the issued shares in Flinders by MMK under a Scheme of Arrangement ("Scheme").*
- *MMK has offered to acquire 100% of Flinders issued shares at A\$0.30 cash per share ("Offer"). The acquisition price represents a 92.5% premium to the 30-day VWAP to 22 November 2011 and implies a fully diluted value for Flinders of approximately A\$554 million.*
- *Flinders' Board of Directors unanimously recommends that all Flinders shareholders vote in favour of the acquisition in the absence of a superior proposal.*

Overview of the Offer

The Board of Directors of Flinders is pleased to announce that it has received an all cash offer, under which MMK proposes to acquire all of the issued shares of Flinders by way of a Scheme.

Under the proposed Scheme, MMK will offer Flinders shareholders consideration of A\$0.30 cash for each Flinders share they own. The offer price values the fully diluted equity of Flinders at approximately **A\$554 million**.

MMK's Offer eliminates all development risk for the Pilbara Iron Ore Project ("PIOP") and provides Flinders' shareholders with an opportunity to realise immediate value for their shares in the form of cash in a volatile and uncertain market. In addition, the Offer represents material premiums to historical market prices, which are as follows:

Offer Price	22 Nov 2011	1-Mth VWAP	3-Mth VWAP	6-Mth VWAP
\$0.30	81.8%	92.5%	100.1%	111.1%

For personal use only

The acquisition is not conditional on MMK securing financing for the acquisition.

The Flinders Board of Directors has carefully evaluated MMK's Offer and unanimously recommends it to Flinders shareholders in the absence of a superior proposal and subject to an Independent Expert finding that the Offer is in the best interests of shareholders. Subject to the above qualifications, all Flinders Directors intend to accept MMK's Offer with respect to their own shareholdings.

Flinders Chairman, Mr Robert Kennedy, said

"The proposal from MMK offers Flinders' shareholders a very significant premium and value certainty in an uncertain market. Flinders has evolved significantly since late in 2007 when it was worth ~A\$0.01 per share to today where it has received a A\$0.30 per share offer, which values the company at A\$554 million. This is a truly fantastic achievement for Flinders and reflects the dedication of Flinders' management team and Board of Directors. A transaction with MMK enables Flinders' shareholders to avoid the significant development risks which would need to be overcome in order to bring the Pilbara Iron Ore Project into production".

The Flinders Board will commission an Independent Expert to opine on whether the Scheme is in the best interests of shareholders. The Independent Expert's report will be provided to Flinders' shareholders as part of the Scheme Booklet. The Independent Expert will determine whether, in its opinion, the Offer is in the best interests of shareholders. After careful consideration the Board of Directors has unanimously concluded that the Offer provides shareholders with an excellent opportunity to realise considerable value from their shareholding in Flinders. The Board has determined that the MMK offer is in the best interests of Flinders shareholders.

Background to the Offer

Flinders' flagship asset, the PIOP, is located in the West Pilbara region of Western Australia. The PIOP has robust project economics and boasts a large 917.3Mt JORC-compliant resource. On 1 September 2011, Flinders announced that it had engaged Citi to assist the Company in undertaking an in-depth review of the strategic options open to the Company. This strategic review involved a comprehensive assessment of all available options to maximise Flinders' shareholder returns.

MMK was approached by Citi as part of the strategic review process and confidential discussions have been taking place between Flinders and MMK. Since its original expression of interest, MMK has conducted extensive due diligence on both the PIOP and Flinders, which has culminated in MMK making an offer to acquire 100% of Flinders.

Scheme Implementation Agreement

In order to enable Flinders to bring MMK's offer to shareholders, Flinders and MMK have entered into a Scheme Implementation Agreement ("SIA") – see Annexure A.

Next Steps

In addition to the conditions outlined in the SIA, MMK's acquisition of Flinders is conditional upon approval by a simple majority of Flinders shareholders present in person or by proxy at the Scheme Meeting and also by at least 75% of the votes cast at that Scheme Meeting. In due course, Flinders shareholders will receive a comprehensive Scheme Booklet that will contain full details of the proposed Scheme, including the full basis for Flinders' Board's recommendation that Flinders shareholders approve the proposed Scheme.

Indicative Timetable

Subject to the availability of court hearing dates, it is anticipated that the Scheme will proceed according to the following timetable:

Event	Expected Date
Register Scheme Booklet with ASIC	24 January 2012
First Court Hearing	24 January 2012
Despatch Scheme Booklet	2 February 2012
Scheme Meeting	1 March 2012
Second Court Hearing	13 March 2012
Lodge Court Order confirmed Scheme with ASIC and ASX	13 March 2012



GARY SUTHERLAND
MANAGING DIRECTOR

25 November 2011

Advisers

Flinders' financial advisers are Citi and Adelaide Equity Partners and its legal adviser is DMAW Lawyers.

Shareholder Information Line

For information, please call:

1800 647 299 (Australia)

+61 2 8256 3370 (International)

Further Information

Requests for further information are to be directed as follows:

<i>Investor enquiries, please contact:</i>	<i>Media enquiries, please contact:</i>
Gary Sutherland Managing Director Flinders Mines Limited Telephone: (618) 8132 7950	John Field Managing Director Field PR Telephone: (618) 8234 9555, 0418 819 527
Paul Harris Managing Director Citi Telephone: (612) 8225 1000	Kevin Skinner Partner Field PR Telephone: (618) 8234 9555, 0414 822 631
Duncan Gordon Executive Director Adelaide Equity Partners Telephone: (618) 8232 8800	

Background on Flinders Mines Limited

Flinders Mines Limited ("**Flinders**") is a S&P/ASX 300 pure-play iron ore company with a market capitalisation of approximately A\$300million (as at 22 November 2011). Its flagship asset, the Pilbara Iron Ore Project is located in the West Pilbara region of Western Australia and is within close proximity of existing and proposed infrastructure. Flinders is targeting production from the Pilbara Iron Ore Project by early 2015. Flinders' secondary project, Canegrass, is located in the Mid West region of Western Australia. In August 2011, Flinders announced a maiden iron ore / vanadium resource at its Canegrass Project.

For further information, please visit

www.flindersmines.com.au

Background to Magnitogorsk Iron & Steel Works OJSC

Magnitogorsk Iron & Steel Works OJSC ("**MMK**") is a leader in the Russian steel sector and ranks among the world's largest steel producers. MMK's operations consist of the world's 2nd largest steel producing complex which encompasses the entire production chain, from preparation of iron ore to downstream processing of rolled steel. The share of value-added products in MMK's revenues in 2010 was 38% (compared to 31% in 2009), rising to 42% in the 4Q 2010, an all-time high for the company. In 2010, MMK produced 11.4Mt of crude steel and 10.4Mt of commercial steel products. MMK's revenue in 2010 stood at US\$7,719m, with EBITDA at US\$1,606m and net profit of US\$232m.

For further information, please visit

www.eng.mmk.ru