



FLINDERS
DIAMONDS

Notice is hereby given that the General Meeting of the shareholders of Flinders Diamonds Limited originally convened for 15 October 2002, but deferred, will be reconvened and held at 136 Greenhill Road, Unley, South Australia 5061 on 20 August 2004 at 10:00 am.

Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

1. That Mr Lindsay Hay, having consented to act, be appointed as a director of the Company.
2. That Mr Adrian Lungan, having consented to act, be appointed as a director of the Company.
3. That Mr John Campbell, having consented to act, be appointed as a director of the Company.
4. That Mr Ewan Vickery be removed as a director of the Company.
5. That Mr Robert Kennedy be removed as a director of the Company.
6. That each other person who is appointed as a director of the Company between 15 August 2002 and this meeting be removed as a director of the Company.

Members are entitled to vote if they appear on the register of shareholders on 18 August 2004.

Members entitled to vote at this meeting have a right to appoint a proxy. The proxy does not need to be a member of the company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

Dated 16 July 2004

By Order of the Board

Michael Billing

Company Secretary

Appointment of Proxy

I/We

of

being a member/s of Flinders Diamonds Limited ACN 091 118 044 and entitled to attend and vote hereby appoint

The chairman of the meeting (mark with an "X")

OR appoint as my/our proxy

OR failing the person named, or if no person is named, the chairman of the meeting, as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the general meeting of Flinders Diamonds Limited to be held at 136 Greenhill Road, Unley, South Australia, 5061 on 20 August 2004 at 10.00 am and at any adjournment of that meeting.

Voting directions to your proxy – please mark "X" to indicate your directions

RESOLUTION	FOR	AGAINST	ABSTAIN
1 Appointment of Mr Lindsay Hay as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Appointment of Mr Adrian Lungan as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Appointment of Mr John Campbell as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Removal of Mr Ewan Vickery as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Removal of Mr Robert Kennedy as director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Removal of any director appointed between 15 August 2002 and this meeting.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the abstain box for the item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll, or if your voting entitlement cannot be voted by the chairman of the meeting, your votes will not be counted in tallying the required majority on a poll.

I/We wish to appoint a second proxy for a proportion of your voting rights (Mark with an "X" if you wish to appoint a second proxy).

AND the percentage of my voting rights **OR** the number of voting rights for this Proxy Form is

..... % **OR**

Instructions for appointment of a second proxy appear on the reverse of this form.

Authorised signature/s

.....
Individual/Sole Director and Sole Company Secretary

.....
Individual/Director

.....
Director/Company Secretary

Information for completion of the Appointment of Proxy Form

1. Appointment of a Second Proxy

If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Flinders Diamonds Limited or you may copy this form.

To appoint a second proxy you must:

- 1.1 indicate that you wish to appoint a second proxy by marking the box, and
- 1.2 on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form, and
- 1.3 return both forms together in the same envelope or by facsimile at the same time.

2. Authorised Signature(s)

You must sign the Proxy Form as follows:

- 2.1 Where the holding is in more than one name all of the holders must sign.
- 2.2 If the Proxy Form is signed under a Power of Attorney, you must have already lodged the Power of Attorney with the company or a certified copy of the Power of Attorney must be attached to this Proxy Form when it is returned.
- 2.3 If the Proxy Form is signed by a company, a Director must sign the Proxy Form jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign the Proxy Form, or a Sole Director of a company without a Company Secretary can sign the Proxy Form.

3. Lodgement

This Proxy form (and any Power of Attorney under which it is signed) must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, at PO Box 1903, Adelaide SA 5001 or at the Company's registered office, 20 Boskenna Avenue, Norwood SA 5067, or by facsimile to Computershare on 61 8 8236 2305 or to the Company on 61 8 8326 5966 not later than 48 hours before the commencement of the meeting



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ABN 46 091 118 044

Explanatory Memorandum 1—Reasons for the Meeting

This meeting of shareholders was originally convened for 15 October 2002 and was called at the request of a shareholder, Patric Barry, who proposes the resolutions in the Notice of Meeting.

As you would be aware, the meeting as originally called was deferred as a consequence of proceedings in the Supreme Court of South Australia. Notices sent out about the original meeting are available on the company's website.

In those proceedings, your company alleged that the person requesting the meeting, Patric Barry, together with Tiger International Resources Inc., Anthony Campbell, Campbell Corporation Pty Ltd, and Balance Tax Pty Ltd (all then shareholders in your company) (together called the "defendants") had entered into an illegal agreement in breach of the Corporations Act to vote their shares in such a way as to take over control of the board of directors of your company and therefore to take over control of your company.

After hearing the matter, Justice Williams of the Supreme Court found that the allegations made by your company were correct and that Patric Barry, and each of the other defendants, had breached the Corporations Act. During the trial, Justice Williams listened to evidence given by Patric Barry. Justice Williams found that the evidence given by Patric Barry reflected poorly upon his integrity and that Patric Barry was dishonest.

To prevent the defendants pursuing their illegal agreement, Justice Williams ordered that the shares held by Patric Barry and each of the other

defendants be vested in the Australian Securities and Investments Commission ("ASIC") and that they be sold.

Your company was awarded its costs to be paid by the defendants in relation to the trial before Justice Williams and is vigorously pursuing the recovery of those costs.

The defendants appealed this judgment to the Full Court of the Supreme Court of South Australia. The Full Court agreed with Justice Williams that Patric Barry and each of the defendants had entered into an illegal agreement in breach of the Corporations Act. The Full Court did not overturn or interfere with any of the findings made by Justice Williams in relation to Patric Barry. A copy of Justice Williams judgment can be downloaded from the company's website (Shareholder communications—Justice Williams Judgment).

The Full Court did, however, consider that Justice Williams went too far in vesting the shares of the defendants in ASIC and ordered that the shares be returned to each of the defendants, but that an injunction be granted against them preventing them from giving effect to their illegal agreement. A copy of the judgment can be downloaded from the company's website (Shareholder communications—Full Court Judgment). Under this order the shares reverted in the defendants on 1 July 2004.

Flinders has settled the dispute with Anthony Campbell, Campbell Corporation Pty Ltd and Balance Tax Pty Ltd.

The effect of the orders of the Full Court is that the meeting originally requested by Patric Barry must now be held. Hence the notice of meeting which this explanatory memorandum accompanies.

At the time the notice of meeting was originally circulated to shareholders, the company distributed with it a statement by Patric Barry and each of the two directors Patric Barry seeks to remove, Robert Kennedy and Ewan Vickery. While there is no strict legal requirement to do so, in the interests of having the company's shareholders vote on the resolutions in an informed way, the company invited those three people to provide updated statements, to accompany the notice of meeting. Also distributed are two explanatory memoranda from the company, this one on the reasons for the meeting and another on the company's exploration strategies.

After receiving Mr Barry's proposed letter to shareholders, the company received legal advice that the letter contained numerous defamatory statements which should not be circulated. The company suggested to Mr Barry that he modify his letter but he declined to do so. The company has taken the view that it is not appropriate to send a defamatory letter to shareholders and it is noted that under section 249P of the Corporations Act Flinders is not obliged to distribute to members a statement which is defamatory. As the company decided not to distribute Mr Barry's letter, it decided also not to distribute a letter prepared by Mr Kennedy and Mr Vickery, preferring that each party send their letters out themselves if they desired.

Your company has applied to the High Court of Australia for special leave to appeal from the judgment of the Full Court in relation to Patric Barry and Tiger International Resources Inc. That application is likely to be heard in Adelaide in the week commencing 9 August 2004. Depending on the outcome of that application, it is possible that the 20 August meeting may need to again be deferred. If that is the case, the company will give notice to shareholders as soon as possible and invites shareholders, where practicable, to regularly check the company's website during the period 9 August to 20 August 2004 to check for updates in this regard.

Whilst the litigation has been underway, the company's exploration activities have continued as normal. These have been described in numerous ASX Announcements which are available on the company's website. An update of activities and results is being prepared for the June 2004 quarterly report which will be mailed to you in early August.

Dated 16 July 2004.



Dr Kevin Wills
Managing Director

Website address: www.flindersdiamonds.com



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Explanatory Memorandum 2—Exploration Strategies

This memorandum considers the often-expressed complaints of the company's former Chairman, Mr Patric Barry, about the management and direction of Flinders Diamonds Limited's (FDL) exploration programs. Apart from his other concerns, Mr Barry has presented complaints about: ineffective management, lack of shareholder communications, the share price, unsuitable projects, ineffective exploration, lack of activity, lack of success and a lack of new opportunities. These issues are addressed in the discussion below.

Management Suitability

Mr Barry was formerly Chairman of FDL and, despite his resignation during the company's IPO in December 2001, the company was listed on the ASX in February 2002. In May 2002, Mr Barry requested that his board position be reinstated but the current board declined. Then, in August 2002, Mr Barry called a shareholders' meeting to try to remove Mr Kennedy and Mr Vickery from the Board and replace them with Mr Campbell, Mr Hay and Mr Lungan. Mr Campbell and Mr Hay are not known to have previously served as directors of listed junior mining companies and their main qualifications, as described in their CVs, can be summarised as middle managers with financial and administrative experience.

It is noteworthy that neither Mr Barry, nor his nominated alternative directors, have produced any convincing and costed information that they have a considered plan for the company's future. The members of FDL's current board are all also directors of other listed mining and petroleum companies. They are all highly skilled and have

worked together well in a variety of multi-tasked and complex situations.

Shareholder Communications

Shareholders have been kept up to date with FDL's exploration activities through numerous ASX announcements, as is demonstrated on FDL's website. FDL's policy is to announce any significant results or developments, and to not create announcements if there is no substantial news. The company has developed strong relationships with a number of stockbrokers. These were particularly valuable during the September 2003 Rights Issue. This was oversubscribed and raised sufficient funds for FDL to continue with its active exploration program. The board is not aware of any significant funds being contributed in capital raisings by either Mr Barry or any other person introduced by Mr Barry. The current board all subscribed for shares and options for cash, both under the Prospectus and in the 2003 Rights Issue.

Mr Barry has complained about a low share price but appears not to accept any responsibility for the effect of his actions in depressing the share price. Comments to the Board from numerous shareholders and stockbrokers include suggestions that uncertainty created by the necessity to deal with the consequences of Mr Barry's illegal activities has depressed the share price and held back any possible recovery. Examination of the FDL share price record shows that several price rises, and a turnover of up to 72 million shares in March 2004, have been due to positive exploration results such as new diamonds being recovered from Boolcunda and Hamersley, and new kimberlite pipes being located in the Adelaide Hills.

Suitable Projects for Junior Companies

Mineral exploration is a risky business with possible spectacular speculative shareholder rewards as described in FDL's Prospectus. However, mineral deposits would not be valuable if they were easy to find. This is especially true of diamond deposits. There are numerous examples of successful junior exploration companies around the world, but there is no particular time frame involved. Many explorers believe that persistence by motivated explorers with an imaginative and active exploration program are the most important ingredients for success. Some of the best recent diamond discoveries in the world have been made by junior explorers in the "Lac de Gras" region of northern Canada. These discoveries involved over ten years of persistent activity by juniors.

Mr Barry and his nominees have suggested that FDL should add new projects, explore for different commodities and consider offshore activity to create new or cash-flow projects. The current Board is pursuing the business plan set out in the Prospectus and does not intend to change objectives unless approved by shareholders.

Significant Recent Project Results

In its short life so far, FDL has actively explored its established project portfolio. Significant new projects have been added at Hamersley and Twin Swamps in Western Australia and a large prospective addition to the Springfield Project area totaling over 8,700 square kilometres has recently been applied for. Recent ASX announcements have described the company's belief that in the near future additional diamondiferous kimberlites are likely to be located in three project areas. These are the Adelaide Hills, the Eurelia-Jamestown area and at Hamersley in WA's Pilbara region. The discovery of a new diamond mine in any of these areas would be likely to have a dramatic positive influence on the company's share price. Further information on recent results, including the Barossa Ranges airborne magnetic survey, will be circulated to shareholders in the company's June 2004 Quarterly report.

Development Projects

Your company is constantly on the lookout for projects and believes that new projects should be acquired to replace those with poor results. For instance, the company has pulled out of the Leigh Creek Project after the disappointing results from drilling under the Springfield and Boolcunda Basins. Many projects have been examined and rejected for various reasons. It is easy to create excitement about possible development projects overseas. However, the reason these projects often remain undeveloped is that they may carry some baggage which makes development expensive or difficult. It is also often the case for development projects that buy-in prices are so high that it becomes difficult to create a suitable return on investment. This is less likely to be a problem for a new exploration discovery where significant value can be added for shareholders. FDL's objective, as stated in its Prospectus, is to discover a diamond mine anywhere, and take it into production as soon as possible.

Following the Prospectus Strategy

The Board is highly focused on creating speculative share price rises through genuine discovery of new diamond deposits as set out in the company's Prospectus. The existing board works cooperatively together, is highly skilled, and focused on the tasks at hand. It should be allowed to achieve its original objectives for the benefit of all shareholders.



Dr Kevin Wills
Managing Director

16 July 2004

Website address: www.flindersdiamonds.com