



FLINDERS
DIAMONDS

29 November 2004

The Manager
Companies Announcements Office
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

CHAIRMAN'S AGM ADDRESS 2004

It was evident at the extraordinary general meeting held on 20 August 2004 that there is overwhelming support for your board. Once again I thank shareholders for taking the trouble to record their proxy vote in favour of the board. This sent a clear message that has resulted in the sale by Tiger and Barry of their shares in the company and the payment of the costs due under the order of the Supreme Court. That chapter in the company's history is now closed and we can concentrate all of our efforts in exploration.

Our efforts for the exploration of diamonds has been concentrated in the 2004 calendar year in following up kimberlite dyke swarms made possible by the use of state-of-the-art airborne magnetic survey. In a moment our Managing Director Dr Kevin Wills will deal with the way we are using this information and what we are discovering.

The capital raising of \$3.2 million referred to in my Chairman's Report, for which I thank you once again, has enabled us to increase the ratio of exploration expenditure to payments to suppliers and employees as set out in the statement of cash flows from 1:2.9 in the year ended 30 June 2003 to 1:3.5 for the year ended 30 June 2004. Our objective continues to be to create shareholder wealth through the discovery and development of commercial diamond deposits. By concentrating our expenditure on exploration we hope to bring this about earlier rather than later.

With a tenement holding of some 24,416 square kilometres our exploration task is immense but I must say that I am impressed by the expert approach demonstrated by our team of exploration experts led by Dr Wills. They are not inhibited from trying new techniques for the discovery of diamonds or to apply new thinking about how to discover them. After all most discoveries are made in the mind of explorers daring to think differently about what has gone before. As I understand it diamonds pipes and dykes are relatively small in the scale of our exploration areas and could be easily missed. Also defining and finding the number of micro diamonds in a kimberlite for a commercial deposit is difficult in itself. So we need our people free to concentrate on these activities so they can make the breakthrough discovery we are all looking for.

To enable us to further our exploration work I am pleased to announce a placement of 19.1 million shares at 2.5cents amounting to \$ 477K. The placement has been made to parties who were responsible for acquiring the remaining 17 million shares sold by Tiger Resources last week. As part of the placement shareholders will be asked to approve the issue of options on the same basis of our 2008 options which are exercisable at 10 cents to participants in the placement on a one for one basis. At the same time we will seek to renew the ability of the board to place further shares. It is likely that an extraordinary general meeting will be held in the first quarter of 2005.

I have been very pleased to work with your board and its managing director during the last year and thank them for their efforts on your behalf. I also thank our staff and consultants who have been able to progress our exploration significantly in the last year.

With clear minds and the application of the latest technology I look forward with some excitement at the results for the year ahead.

I now ask our Managing Director Dr Wills to address you.



Bob Kennedy

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