

# **FLINDERS DIAMONDS LIMITED**

ABN 46 091 118 044



**FLINDERS  
DIAMONDS**

## **NOTICE OF GENERAL MEETING**

Flinders Diamonds Limited (**Company**) gives notice that a meeting of its shareholders will be held at:

140 Greenhill Road, Unley, South Australia 5061

Wednesday, 11 May 2005

11:00 am

At the meeting, the following resolutions will be considered and if thought fit, passed:

### **Resolution 1 – Approval of Previous Issue of Shares**

That approval be given under and for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, for the issue of 19,100,000 ordinary shares in the capital of the Company on 3 December 2004 on the terms described in the explanatory memorandum accompanying the notice convening this meeting.

### **Resolution 2 – Approval for Issue of Options**

That approval be given under and for the purposes of Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, for the issue of 19,100,000 options over unissued fully paid ordinary shares in the capital of the Company on the terms described in the explanatory memorandum accompanying the notice convening this meeting.

### **Resolution 3 – Share Capital Consolidation**

That the shares and share options in the Company be consolidated in the following manner and on the following basis:

1. the share capital of the Company be consolidated by converting every 4 shares in the capital of the Company as at 5.00pm (Adelaide time) on 18 May 2005 into one share in the capital of the Company;
2. where the consolidation of the Company's shares results in a shareholder having a fractional entitlement to a share, the Company shall round up any such fractional entitlement to the next whole number;
3. share options in the Company as at 5.00pm (Adelaide time) on 18 May 2005 be consolidated in accordance with the ASX Listing Rules, in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio;
4. where the consolidation of the Company's share options results in a share option holder having a fractional entitlement to a share option the Company shall round up any such fractional entitlement to the next whole number.

Dated 4 April 2005

**BY ORDER OF THE BOARD**

Mick Billing  
Company Secretary

## NOTES

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on the member's behalf. If the member is entitled to cast two or more votes at the meeting, the member may appoint up to two proxies to attend and vote on the member's behalf.
2. If a member appoints two proxies, each proxy must be appointed to represent a specified proportion or number of the member's votes. Absent this specification, each proxy will need to exercise half the votes.
3. A proxy need not be a member of the Company.
4. To appoint a proxy, a proxy form must be signed by the member or the member's attorney duly authorised in writing. If the member is a corporation, the proxy form must be signed in accordance with section 127 of the *Corporations Act 2001* (Cth).
5. To be effective, a proxy form (and, if it is signed by an attorney, the authority under which it is signed or a certified copy of the authority) must be received by the Company not later than 48 hours prior to the meeting. Proxy forms and authorities may be sent to the Company by post or facsimile to:

Flinders Diamonds Limited  
PO Box 3126  
NORWOOD SA 5067  
Facsimile: (08) 8362 5966

or delivered by hand at 20 Boskenna Avenue, Norwood, SA 5067.

Members who forward their proxy forms by fax must make available the original executed form of the proxy for production at the meeting, if called upon to do so.

6. For the purposes of the meeting, persons on the register of members as at 5:00 pm on 9 May 2005 will be entitled to vote as the holder of shares held by them at that time.

# **FLINDERS DIAMONDS LIMITED**

ABN 46 091 118 044



## **EXPLANATORY MEMORANDUM**

**FLINDERS  
DIAMONDS**

### **Resolution 1 – Approval of Previous Issue of Shares**

Under Listing Rule 7.1, a company must not issue more than 15% of its issued capital in any 12 month period without obtaining shareholder approval or being within certain exceptions set out in Listing Rule 7.2. Listing Rule 7.4 states that an issue of equity securities made without approval under Listing Rule 7.1 will be made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and holders of ordinary shares subsequently approve it.

Shareholder approval is therefore retrospectively sought pursuant to Listing Rule 7.4 for the issue of 19,100,000 shares in the Company on 3 December 2004 at an issue price of \$0.025. The shares were issued to MAPD Nominees Pty Ltd. The shares were issued on the same terms as all existing shares in the Company. In addition to the rights and liabilities attaching to shares under the law generally, rights and liabilities attaching to shares are set out in the constitution of the Company which may be inspected at the registered office of the Company during normal business hours.

The funds raised by the Company will be used to further the exploration program of the Company, to explore further corporate opportunities and for working capital.

Although the issue of these securities was not in excess of the limits prescribed by Listing Rule 7.1, shareholder approval is sought to ensure the Company maintains flexibility during the upcoming 12 month period to supplement the Company's working capital requirements, should the Board determine this to be in the best interests of the Company from time to time.

### **Resolution 2 – Approval for Issue of Options**

As discussed above, under Listing Rule 7.1, a company must not issue more than 15% of its issued capital in any 12 month period without obtaining shareholder approval or being within certain exceptions set out in Listing Rule 7.2.

At the same time as issuing the shares referred to above, the Company agreed to issue 1 option for each share subscribed for (described above), subject to approval of the issue of options by the shareholders of the Company. The options are proposed to be issued to MAPD Nominees Pty Ltd. The terms of the options are set out below. The options will be issued for no consideration other than together with the issue of shares discussed above.

Shareholder approval for the issue of the options is sought in accordance with Listing Rule 7.1. Absent this approval, the issue of options would exceed the 15% limit prescribed by Listing Rule 7.1 and will not occur. If shareholders approve the issue of options, the options will be issued within 3 months after the date of this meeting. If the options are exercised, the funds raised by the Company will be used to further the exploration program of the Company, to explore further corporate opportunities and for working capital.

### **Resolution 3 – Approval for Share Capital Consolidation**

The proposed resolution, if passed, consolidates the shares and share options in the Company on the basis that:

1. every 4 shares on issue on 18 May 2005 will be consolidated into one share;
2. every 4 share options on issue on 18 May 2005 will be consolidated into one share option and all share option exercise prices will be increased by a multiple of 4; and
3. any fractions of shares or share options as a consequence of the consolidation will be rounded up through an issue of new shares and share options.

The Company currently has approximately 147,021,000 shares on issue. If the rights issue the subject of the prospectus enclosed with this Notice of Meeting is fully subscribed, the Company will have on issue approximately 294,042,000 shares. After consolidation, the Company would have on issue approximately 73.5 million shares.

The Company currently has on issue 11,268,859 unlisted share options exercisable at a price of 19.2 cents on or before 31 December 2005. After consolidation, the Company would have on issue approximately 2,817,000 Share options exercisable at 76.8 cents on or before 31 December 2005.

The Company currently has on issue 66,773,978 listed share options exercisable at a price of 10 cents on or before 29 September 2008. After consolidation, the Company would have on issue approximately 16.7 million Share Options exercisable at 40 cents on or before 29 September 2008.

If Resolution 2 is passed, the Company will have on issue a further 19,100,000 options exercisable at a price of 10 cents on or before 29 September 2008. After consolidation, the Company would have on issue a further approximately 4,775,000 share options exercisable at 40 cents on or before 29 September 2008.

The directors believe the consolidation of Shares and Share Options will allow for the better capital management of the Company and will better allow the Company to grow.

### **Voting Exclusion Statement**

The Company shall disregard any votes cast in relation to either or both of Resolution 1 or Resolution 2, by MAPD Nominees Pty Ltd and its associates. However, the Company will not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on a valid proxy form; and
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on a valid proxy form to vote as the proxy decides.

### **TERMS OF OPTIONS PROPOSED TO BE ISSUED (SEE RESOLUTION 2)**

The options proposed to be issued, if Resolution 2 is passed, will be issued on the following terms:

1. Entitlement to ordinary shares

The Optionholder is entitled on payment of \$0.10 cents per share (**Exercise Price**) to be allotted one ordinary fully paid share in the Company for each Option exercised (subject to possible adjustments referred to below).

2. Exercise Period

The Options held by the Optionholder are exercisable in whole or in part (subject to paragraph 4 below), at any time on or before 29 September 2008 (**Exercise Period**). Reminder notices will be forwarded to the Optionholder prior to the expiry of the Exercise Period. Options not exercised before the expiry of the Exercise Period will lapse.

3. Register of Optionholders

The Options will be recorded on the Company's Register of Optionholders maintained in Adelaide. The Register will be open for inspection by Optionholders free of charge. Shares to be allotted on exercise of options will be recorded on the Company's share registry.

4. Method of Exercise of Options

Options are exercisable by the Optionholder completing and signing a Notice of Exercise of Options in the form set out below and lodging it at the office of the Company's share registry, Computershare Investor Services Pty Ltd, Level 5, 115 Grenfell Street, Adelaide, South Australia 5000 together with payment of the Exercise Price. A notice of Exercise of Options will only be effective when the Company has received the full amount of the Exercise Price in cleared funds. Options exercised during a month will be deemed to have been exercised on the last business day of the month. The minimum number of Options which may be exercised at any time is a marketable parcel except where less than a marketable parcel is held in which case all options must be exercised.

Notice of Exercise of Options

To: The Directors of Flinders Diamonds Limited

I/We.....

being the undersigned registered holders of [                    ] Options, each to acquire an ordinary fully paid share in the capital of Flinders Diamonds Limited at a price of \$0.10 per share payable in full on the exercise date, hereby give notice of exercise of [                    ] Options and attach hereto my/our cheque in the sum of \$[                    ]. I/We agree to my/our name being placed on the Register of Members in respect of the number of shares allotted and agree to be bound by the Constitution of Flinders Diamonds Limited.

Usual Signature(s).....

Date.....

NB: Joint holders must all sign. Corporations must execute in a manner authorised by the *Corporations Act 2001* (Cth)

5. Shares allotted on exercise

The Company will make application for official quotation on ASX of new shares allotted on exercise of the Options. Those Shares will participate equally in all respects with existing issued ordinary shares. Options do not carry any dividend entitlement. New shares allotted on exercise of Options will qualify for dividends declared after the date of their allotment.

6. New Issues

An Optionholder may only participate in new issues of securities to holders of ordinary

shares in the Company if the Option has been exercised and shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to Optionholders of any new issue before the record date for determining entitlements to the issue. The Company must give prior notice to Optionholders of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.

#### 7. Pro Rata Issues

If between the date of issue and the date of exercise of an Option the Company makes a rights issue (being a pro rata issue of ordinary shares in the capital of the company that is not a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - E(P - (S + D)) / (N + 1)$$

Where:

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales);

S = the subscription price for an ordinary share under the pro rata issue;

D = the dividend due but not yet paid on each ordinary share at the relevant time (except those to be issued under the pro rata issue); and

N = the number of ordinary shares which must be held to entitle holders to receive a right to one new ordinary share in the pro rata issue.

#### 8. Bonus Issue

If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the Option is exercisable will be increased by the number of ordinary shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

#### 9. Reorganisation of capital

If, during the currency of the Options the capital of the Company is reorganised, the rights attaching to the Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

#### 10. Transfer

Options may be transferred or transmitted at any time prior to their expiry and same will be recorded on the Company's Register of Optionholders.

#### 11. Meetings

Optionholders appearing on the Company's register of Optionholders at the relevant date will be entitled to receive and will be sent all reports and accounts required to be laid before shareholders in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.



FLINDERS  
DIAMONDS

# Flinders Diamonds Limited

ABN 46 091 118 044

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

# Proxy Form

### All correspondence to:

Computershare Investor Services Pty Limited  
GPO Box 1903 Adelaide  
South Australia 5001 Australia  
Enquiries (within Australia) 1300 556 161  
(outside Australia) 61 3 9415 4000  
Facsimile 61 8 8236 2305  
www.computershare.com



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MR JOHN SMITH 1

FLAT 123

123 SAMPLE STREET

THE SAMPLE HILL

SAMPLE ESTATE

SAMPLEVILLE VIC 3030



Securityholder Reference Number (SRN)



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## Appointment of Proxy

I/We being a member/s of Flinders Diamonds Limited and entitled to attend and vote hereby appoint



the Chairman  
of the Meeting  
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf 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 140 Greenhill Road, UNLEY, SA, 5061 on 11 May 2005 at 11:00 am and at any adjournment of that meeting.

### IMPORTANT: FOR ITEMS 1 AND 2 BELOW



If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 1 and 2 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1 and 2 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

## Voting directions to your proxy - please mark to indicate your directions

	For	Against	Abstain*
1. Approval of Previous Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval for Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval for Share Capital Consolidation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

## PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and  
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/ /

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# How to complete the Proxy Form

## 1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

## 3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## 4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) 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. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

## 5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

## Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11:00 am on 11 May 2005. Any Proxy Form received after that time will not be valid for the scheduled meeting.

### Documents may be lodged:

- IN PERSON Registered Office - 20 Boskenna Avenue, NORWOOD SOUTH AUSTRALIA 5067  
Share Registry - Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide SA 5000 Australia
- BY MAIL Registered Office - PO Box 3126, NORWOOD SOUTH AUSTRALIA 5067  
Share Registry - Computershare Investor Services Pty Limited, GPO Box 1903, Adelaide SA 5001 Australia
- BY FAX Registered Office - 61 8 8362 5966  
Share Registry - 61 8 8236 2305