



FLINDERS
DIAMONDS

18 March 2005

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

OPTION HOLDERS PARTICIPATION IN RIGHTS ISSUE

The Directors of Flinders Diamonds Limited (**Company**) announced yesterday that the Company will be making a pro-rata, non-renounceable Rights Issue to all shareholders on the basis of one share for every share held on 31 March 2005 (**Record Date**). Please refer to the Prospectus lodged by the Company with ASX for full details of the Rights Issue.

The terms and conditions of all options currently on issue do not entitle option holders to participate in the Rights Issue.

To participate in the Rights Issue, option holders must exercise their options in time for the new shares to be allotted prior to the record date of 31 March 2005.

ASX granted to the Company, at the Company's request, a waiver of the ASX Listing Rules to the extent that they would otherwise require the Company to send notice of the Rights Issue to option holders. ASX granted the waiver on conditions that:

- this notice be provided to the Company Announcements Office of ASX; and
- if the market price of Ordinary Shares exceeds 7.5 cents before the Record Date, the Company must immediately send notice of the Rights Issue to option holders.

Unless the market price of shares in the Company exceeds 7.5 cents before the Record Date, separate notice of the Rights Issue will not be sent to option holders.

The waiver was granted because the likelihood of option holders exercising options in order to participate in the Rights Issue was too remote to justify the cost of sending notices.

Dr Kevin Wills
Managing Director

For further details, please contact...

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