



FLINDERS
DIAMONDS

31 March 2005

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

Dear Sir

Fortescue Metals Group Transaction

Fortescue Metals Group Ltd ("Fortescue") and *Flinders Diamonds Ltd and Prenti Exploration Pty Ltd* ("Flinders") are pleased to announce an agreement to swap exclusive mining rights on various tenements held in the Pilbara region.

Flinders has granted Fortescue exclusive iron ore rights to four tenements totalling some 300 square kilometres, that now form part of Fortescue's White Knight Project. In exchange Fortescue has granted Flinders exclusive diamond rights to eight tenements comprising approximately 1,500 square kilometres. Flinders will in addition be entitled to a royalty on any iron ore mined on their tenements, up to a maximum of 8 million tonnes.

Tenements incorporated within this agreement;

Fortescue Tenements (Diamond Rights to Flinders)

E47/1333, E47/1334, E47/1352, E47/1371, E47/1372, E47/1398, E47/1399, E47/1436 (all under application).

Flinders Tenements (Iron Ore Rights to Fortescue)

E47/1011, E47/1013, E47/1016 (Granted) and E47/1306 (under application).

Yours sincerely
Flinders Diamonds Limited

Dr Kevin Wills
Managing Director

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