



FLINDERS
DIAMONDS

Australian Stock Exchange Announcement

FLINDERS DIAMONDS SELLS NON-DIAMOND ASSETS IN SA AND NT TO MAXIMUS RESOURCES LIMITED

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The Manager
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Australian Stock Exchange
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HIGHLIGHTS

- *Flinders Diamonds Limited (ASX code: FDL) has sold its non-diamond mineral rights in three projects to private exploration company, Maximus Resources Limited for a consideration of seven million vendor shares in Maximus.*
- *The agreement is conditional on Maximus completing an equity capital raising of at least \$3 million prior to 30 September 2005.*
- *FDL projects involved are the Adelaide Hills and G2 projects in South Australia and the Strangways project in the Northern Territory.*
- *The transaction is beneficial to FDL's shareholders.*

Agreements Completed

Under a strategy to value-add to FDL shareholders from a range of non-diamond assets which have been essentially lying idle, the independent directors of FDL and the independent director of Maximus have completed two agreements which will enable Maximus to explore for non-diamond minerals including gold, copper and uranium on selected projects while

FDL continues to focus its exploration programs on diamonds. Under the agreements, FDL has provided Maximus access to its geological database.

Maximus in turn has elected to focus on the following projects:

- The gold potential in the Adelaide Hills Goldfields, in particular at the Bird-in-Hand Gold Mine located east of Woodside.
- The copper-gold-uranium potential of the Billa Kalina area of the G2 project where prospective Proterozoic basement is thought to lie at depths of 200-300 metres. The Billa Kalina area is located approximately half way between the Olympic Dam and Prominent Hill orebodies.
- The gold-copper potential at the Johnnies Reward prospect, part of FDL's Strangways project located about 100 kilometres northeast of Alice Springs.

These three tenement packages will together constitute approximately 50% of Maximus' exploration activities as Maximus has acquired other significant projects in Western Australia which are not related to FDL. One of these was announced by Apex Minerals NL on 14 April, involving exploration of the Windimurra-Narndee Project area for nickel, platinum group minerals, gold and uranium.

FDL has retained all mineral exploration rights to its Flinders Ranges project and to its diamond acreage in Western Australia.

Advantages to FDL Shareholders

Flinders will be negotiating an agreement with Maximus to provide for shared use of facilities and a position in Maximus' IPO. Key advantages to FDL shareholders are:

- Flinders will own a strategic stake—7 million shares—in an emerging gold and precious metals explorer.
- FDL will be able to apply more resources and attention to its primary diamond activities.
- Cost savings can be expected due to shared personnel, administrative and overhead expenses.
- Tenement maintenance advantages due to additional exploration expenditure for non-diamond minerals on tenements.
- FDL shareholders will be allocated a position to take up shares in MXR's IPO, details of which will be announced when the MXR prospectus has been finalised.

Summaries of Agreements

Two agreements have been recently completed and are summarised as follows:

Lobethal Variation Agreement

FDL, Maximus, AKD Limited (AKD) and Statelink Holdings Pty Ltd (Statelink) have agreed to a variation to the Lobethal joint venture Agreement between FDL, AKD and Statelink. The Lobethal JV Agreement is on EL 3215 in the Adelaide Hills, where to date FDL has spent approximately \$237,000 of its \$500,000 commitment to earn 51% equity. The variation allows FDL to assign its earning rights in non-diamond minerals to Maximus. FDL and Maximus have the opportunity to combine their exploration expenditure to meet the commitment of \$1 million to earn 75% equity. The earning in period has been extended by one year to 18 June 2007.

As consideration for allowing Maximus to enter the Lobethal JV, Maximus will issue 500,000 vendor shares and 250,000 options to AKD and 166,667 vendor shares and 83,333 options to Statelink. The agreement is conditional on ministerial approval and on Maximus raising the sum of at least \$3 million in its proposed equity capital raising prior to 31 July 2005.

FDL-Maximus Agreement

Flinders has agreed to assign 100% of its non-diamond mineral rights to Maximus for the following tenements:

- Adelaide Hills project ELs 2739, 2786, 3057, 3064, 3141, 3215 and 3239 in South Australia.
- G2 project ELs 2758, 2759, 3170 and ELAs 615/04 and 883/04 in South Australia.
- Strangways project ELs 10364, 22443, 22446, 22623, 23592, Authority 23714 and MLA 23903 in the Northern Territory.

As consideration for the transaction FDL will receive 7 million vendor shares and 3.5 million options in Maximus. FDL and Maximus will combine their exploration expenditures for tenement maintenance reporting. FDL will act as tenement manager, but each party will manage its own exploration activities while keeping the other informed of practical matters such as the timing and location of activities. The parties will co-operate to maintain good relations with government departments, landowners, indigenous people and other stakeholders.

Maximus has committed to expenditure in the first year after completing its equity capital raising of \$300,000 on the Adelaide Hills project, \$180,000 on the G2 project and \$250,000 on the Strangways project.

The agreement is conditional on ministerial approval and on Maximus completing a proposed equity capital raising of at least \$3 million prior to 30 September 2005. Maximus has informed FDL that a prospectus will be made available in relation to the capital raising and that anyone wishing to acquire shares in the capital raising will need to complete the application form that will accompany the prospectus.



Dr Kevin Wills
Managing Director

The information in this report has been compiled by Dr K J A Wills who is a Fellow of the Australasian Institute of Mining and Metallurgy and is bound by and follows the Institute's codes and recommended practices. He has a minimum of 5 years experience in the types of activities being reported.