



FLINDERS
DIAMONDS

FLINDERS TO NOT PROCEED WITH CAPITAL CONSOLIDATION

10 May 2005

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

A Notice of Meeting dated 4 April 2005 ('Notice') was sent to shareholders of Flinders Diamonds Limited ('Company') in relation to a meeting of shareholders to be held at 11:00 am on Wednesday, 11 May 2005 at 140 Greenhill Road, Unley, South Australia ('Meeting').

The Notice provides that at the Meeting, shareholders will be asked to consider resolutions to approve:

- previous issues of shares and options; and
- a consolidation of capital.

Subject to shareholder approval of the capital consolidation, the Company was to issue one bonus option for every two shares held on 17 June 2005 ('Bonus Issue').

On 17 March 2005, the Company issued a prospectus in relation to a 1 for 1 rights issue ('Rights Issue'). Shareholders of the Company subscribed for approximately 30.7 million shares in the Rights Issue, leaving a shortfall of approximately 116 million shares ('Shortfall').

Due to the extent of the Shortfall under the Rights Issue, the Company will not be able to proceed with the Bonus Issue without breaching the ASX Listing Rules requirement that a company must not issue options if it would have more options on issue than underlying shares.

Also as a result of the extent of the Shortfall, the Company's directors have resolved to not proceed with the capital consolidation described in the Notice. Consequently, the approval by shareholders of the capital consolidation will not be required at the Meeting and resolution 3 specified in the Notice, which relates to the capital consolidation, will be withdrawn.

In substitution for the Bonus Issue referred to above, the Company intends making a separate issue of bonus options. Two bonus options will be issued for every five shares held on 17 June 2005. The bonus options will be exercisable at 5 cents on or before 17 June 2006. The Company will be issuing a prospectus in relation to the new issue of bonus options and a copy of the prospectus will be sent to shareholders in due course. Shareholders should refer to the prospectus for full details of the bonus issue.

Shareholders still are to be asked to consider resolutions to approve previous issues of shares and options (resolutions 1 and 2 specified on the Notice) and the Meeting still is to proceed at the time and place specified on the Notice (11:00 am on Wednesday, 11 May 2005 at 140 Greenhill Road, Unley, South Australia).

Investors, including existing shareholders, are advised that until 17 June 2005, or to when the Shortfall is fully subscribed beforehand, investors may subscribe for shares in the Shortfall by completing an application form attached to a copy of the Rights Issue prospectus. To obtain further copies of the Rights Issue prospectus, investors should contact the Company.

Yours sincerely



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