

FLINDERS DIAMONDS LIMITED

ABN 46 091 118 044

NOTICE OF ANNUAL GENERAL MEETING 2005

incorporating

EXPLANATORY MEMORANDUM

and

INDEPENDENT EXPERT'S REPORT

Notice is hereby given that the Annual General Meeting of Flinders Diamonds Limited ("**Company**") will be held at 136 Greenhill Road Unley, SA, on 30th November 2005 at 2.00pm (Adelaide time).

The explanatory memorandum which accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered at the annual general meeting ("**Explanatory Memorandum**").

AGENDA

ORDINARY BUSINESS

1. **Financial Statements and Reports**

To receive and consider the Company's financial statements and independent audit report for the year ended 30 June 2005.

2. **Remuneration Report**

To approve the Remuneration Report contained in the Directors Report for the year ended 30 June 2005.

3. **Election of Directors**

Mr Robert Michael Kennedy retires as a Director in accordance with the Company's Constitution and being eligible, offers himself for re-election.

SPECIAL BUSINESS

4. **Approval for issue of Shares and Options – McNeil Nominees Pty Ltd**

*"That approval be given under and for the purpose of Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited ("**ASX Listing Rules**") and for all other purposes, for the issue of 10,000,000 ordinary shares in the Company on 9 August 2005, and 4,000,000 options to acquire ordinary shares for \$0.05 per share by 17 June 2006 on the same date to McNeil Nominees Pty Ltd. The terms of the issue are described in the explanatory memorandum accompanying the notice convening this meeting."*

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Agenda Item 4 by or on behalf of McNeil Nominees Pty Ltd and any associate of McNeil Nominees Pty Ltd.

However, the Company will not disregard a vote if:

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

5. Approval for issue of Shares and Options – Colvic Pty Ltd

“That approval be given under and for the purpose of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, for the issue of 1,000,000 ordinary shares in the Company on 9 August 2005, and 400,000 options to acquire ordinary shares for \$0.05 per share by 17 June 2006 on the same date to Colvic Pty Ltd. The terms of the issue are described in the explanatory memorandum accompanying the notice convening this meeting.”

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on agenda item 5 by or on behalf of Colvic Pty Ltd and any associate of Colvic Pty Ltd.

However, the Company will not disregard a vote if:

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

6. Approval of sale of non-diamond mineral rights to Maximus Resources Limited

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*“That, for the purposes of Listing Rule 10.1 of the ASX Listing Rules and for all other purposes, the Company approves and authorises the sale of the rights to minerals other than diamonds on the areas subject to the tenements as listed in the Explanatory Memorandum (**“Non-Diamond Mineral Rights”**) to Maximus Resources Limited (**“Maximus”**) in accordance with the Agreement dated 29 July 2005 between the Company and Maximus (**“Maximus Agreement”**) and otherwise on the terms and conditions set out in the Explanatory Memorandum.”*

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on agenda item 6 by or on behalf of Maximus and any associate of Maximus.

However, the Company need not disregard the vote if:

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

PROXIES

1. A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote on the shareholder's behalf. If the shareholder is entitled to cast two or more votes at the meeting, the shareholder may appoint up to two proxies to attend and vote on the shareholder's behalf.
2. If a shareholder appoints two proxies, each proxy must be appointed to represent a specified proportion or number of the shareholder's votes. Absent this specification, each proxy will need to exercise half the votes.
3. A proxy need not be a shareholder of the Company.
4. To appoint a proxy, a proxy form must be signed by the shareholder or the shareholder's attorney duly authorised in writing. If the shareholder is a corporation, the proxy form must be signed in accordance with section 127 of the *Corporations Act 2001* (Cth).
5. A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy form must be deposited at the share registry of the Company, Computershare Investor Services Pty Limited, located at Level 5, 115 Grenfell Street, Adelaide SA 5000 or at the Company's registered office, 20 Boskenna Avenue, NORWOOD, SA 5067, or by facsimile to Computershare on 61 8 8236 2305 or to the Company on 61 8 8362 5966 not later than 48 hours before the commencement of the meeting.

Shareholders 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.

VOTING ENTITLEMENTS

For the purpose of the *Corporations Act 2001* (Cth), the Company has determined that all securities of the Company that are quoted securities on the Australian Stock Exchange ("**ASX**") as at close of business (Adelaide time) on 28 November 2005 will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the Annual General Meeting.

By order of the Board



Michael Billing
Company Secretary

Dated this 27th Day of October 2005

FLINDERS DIAMONDS LIMITED

ABN 46 091 118 044

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to assist shareholders with their consideration of the resolutions proposed for the Annual General Meeting of the Company to be held on 30 November 2005 at 136 Greenhill Road Unley, SA commencing at 2.00 pm.

It should be read in conjunction with the Notice of Annual General Meeting.

Terms used herein shall, unless the context otherwise permits or requires, have the meanings ascribed to them in the Notice of Annual General Meeting.

Agenda Item 4 - Approval for issue of Shares and Options to McNeil Nominees Pty Ltd

Agenda item 4 seeks ratification pursuant to ASX listing Rule 7.4 for the placement made on 9th August 2005 of 10,000,000 fully paid shares to McNeil Nominees Pty Ltd, at a price of \$0.02 per share along with 4,000,000 options to acquire shares at a price of \$0.05 per share until 17th June 2006.

Under ASX Listing Rule 7.1, a company may 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 ASX Listing Rule 7.2. ASX Listing Rule 7.4 states that an issue of securities made without approval under ASX Listing Rule 7.1 will be made with approval for the purposes of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and holders of ordinary shares subsequently approve it.

Shareholder approval is therefore retrospectively sought pursuant to ASX Listing Rule 7.4 for the issue of 10,000,000 shares in the Company on 9th August 2005 at an issue price of \$0.02 per share, along with 4,000,000 options to acquire ordinary shares at a price of \$0.05 per share by 17th June 2006. The securities were issued to McNeil Nominees Pty Ltd. The shares were issued on the same terms as all existing shares in the company and the options were issued on the same terms as the existing class of options which mature on the 17th June 2006. 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.

Funds raised by the Company from this issue are to be used to further the exploration program and for additional working capital.

Although the issue of these securities was not in excess of the limits prescribed by ASX 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.

Agenda item 5 - Approval for issue of Shares and Options to Colvic Pty Ltd

Agenda item 5 seeks ratification pursuant to ASX Listing Rule 7.4 for the placement made on 9th August 2005 of 1,000,000 fully paid shares to Colvic Pty Ltd, at a price of \$0.02 per share along with 400,000 options to acquire shares at a price of \$0.05 per share until 17th June 2006.

Under ASX Listing Rule 7.1, a company may 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 ASX Listing Rule 7.2. ASX Listing Rule 7.4 states that an issue of securities made without approval under ASX Listing Rule 7.1 will be made with approval for the purposes of ASX Listing Rule 7.1 if the issue did not breach ASX Listing Rule 7.1 and holders of ordinary shares subsequently approve it.

Shareholder approval is therefore retrospectively sought pursuant to ASX Listing Rule 7.4 for the

issue of 10,000,000 shares in the Company on 9th August 2005 at an issue price of \$0.02 per share, along with 4,000,000 options to acquire ordinary shares at a price of \$0.05 per share by 17th June 2006. The securities were issued to Colvic Pty Ltd. The shares were issued on the same terms as all existing shares in the company and the options were issued on the same terms as the existing class of options which mature on the 17th June 2006. 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.

Funds raised by the Company from this issue are to be used to further the exploration program and for additional working capital.

Although the issue of these securities was not in excess of the limits prescribed by ASX 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.

Agenda item 6 – Sale of Non-Diamond Mineral Rights To Maximus

1. Introduction

- 1.1 The Maximus Agreement provides for the assignment to Maximus by the Company of all of its rights to metalliferous minerals other than diamonds on the areas subject to the tenements listed below and referred to in the Tenement Schedule:
 - 1.1.1 Granted South Australian tenements EL2739, EL2758, EL2759, EL2759, EL2786, EL3057, EL3064, EL3141, EL3170, EL3170, EL3170, EL3239 and applications for tenements ELA615/04, ELA615/04, ELA883/04, ELA883/04, ELA883/04.
 - 1.1.2 Granted Northern Territory tenements A23714, EL10364, EL22443, EL22446, EL22623, EL23592, and application for tenement ML23903.
- 1.2 In consideration for the assignment of rights pursuant to the Maximus Agreement, the Company will be issued 7,000,000 fully paid ordinary shares in the capital of Maximus ("**Shares**") and 3,500,000 options to subscribe for Shares with an expiry date of 30 June 2008 ("**Options**"). The Shares and Options are to be issued within 10 business days of the commencement date under the Maximus Agreement.
- 1.3 The commencement date under the Maximus Agreement is conditional on:
 - 1.3.1 receipt of all necessary government consents and approvals; and
 - 1.3.2 Maximus completing an equity capital raising of at least \$3,000,000 and ASX approving quotation of securities in Maximus on the official list of ASX prior to 31 October 2005 (or such later date as the parties may agree in writing).
- 1.4 From the commencement date, Maximus has the right to access to the area covered by the tenements, to the extent permitted by the exploration licences and the Mining Act of each jurisdiction in which a relevant tenement is held, to:
 - 1.4.1 explore for non-diamond minerals;
 - 1.4.2 apply for and obtain a mining lease or mining leases in respect of non-diamond minerals;
 - 1.4.3 mine non-diamond minerals.

- 1.5 The Company and Maximus will combine their exploration expenditures for tenement maintenance reporting. Flinders will act as tenement manager, but each party will manage its own exploration activities while keeping the other informed of practical matters such as timing and location of activities. The parties will co-operate to maintain good relations with government departments, landowners, indigenous people and other stakeholders.
- 1.6 The Maximus Agreement contains otherwise standard terms and conditions.
- 1.7 Maximus has issued a prospectus dated 8 September 2005 and a supplementary prospectus dated 30 September 2005 in relation to the equity capital raising. Shareholders in the Company have a priority offer under that prospectus.

2. Chapter 10 of the ASX Listing Rules

- 2.1 Subject to certain exceptions, ASX Listing Rule 10.1 requires the approval of shareholders for transactions involving the acquisition or disposal of "substantial assets" which take place between entities, where there exists between those entities certain defined relationships or a relationship that, in the opinion of the ASX, requires a transaction to be approved by shareholders. A "substantial asset" for the purpose of ASX Listing Rule 10.1 is one where the consideration paid for it or its value (or its value in the opinion of the ASX) exceeds 5% or more of the equity interests as set out in the latest accounts of the Company given to the ASX under the ASX Listing Rules.
- 2.2 ASX has determined that ASX Listing Rule 10.1 applies to the assignment of the Non Diamond Mineral Rights under the Maximus Agreement.
- 2.3 Accordingly, approval is sought from shareholders for the purpose of ASX Listing Rule 10.1 for the transaction outlined in agenda item 6 in the Notice of Annual General Meeting and this Explanatory Memorandum.

3. Independent Expert's Report

- 3.1 When a company is required to seek approval pursuant to ASX Listing Rule 10.1, ASX Listing Rule 10.10 requires that the Notice of Meeting must be accompanied by a report on the transaction from an independent expert stating whether the transaction is fair and reasonable to holders of the Company's ordinary securities whose votes are not to be disregarded.
- 3.2 In accordance with ASX Listing Rule 10.10, and in addition to the information provided to shareholders in the Notice of Meeting and this Explanatory Memorandum, the Company has commissioned a report by DMR Corporate Pty Ltd which is attached.
- 3.3 In summary, DMR Corporate Pty Ltd has stated in the Independent Expert's Report that, in its opinion, the sale of the Non-Diamond Mineral Rights by the Company to Maximus as contemplated by agenda item 6 is fair and reasonable to the non-associated shareholders of the Company.

4. Directors' Recommendation

- 4.1 Your Directors urge you to read the Notice of Meeting (incorporating and including this Explanatory Memorandum) and the Independent Expert's Report of DMR Corporate Pty Ltd in its entirety before forming a view as to the vote you will cast.
- 4.2 Each of the independent directors of the Company (Mr Billing as alternate for Mr Wills and Mr May as alternate for Mr Vickery) ("**the Independent Directors**") were available to consider the putting of this resolution to shareholders.

- 4.3 Each of the Independent Directors recommend the passing of this resolution as, in their opinion, the sale of the Non-Diamond Mineral Rights is on appropriate commercial terms and creates significant benefits for the Company.

To the best of the Directors' knowledge, all matters which are material and necessary for shareholders to make an informed decision on agenda item 6 have been provided to shareholders in this Explanatory Memorandum and in the Independent Expert's Report.



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

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 Annual General Meeting of Flinders Diamonds Limited to be held at 136 Greenhill Road, UNLEY, SA, 5061 on 30 November 2005 at 2:00 pm and at any adjournment of that meeting.

IMPORTANT: FOR ITEM 6 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 Item 6 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 the item 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 vote on Item 6 and your vote will not be counted in computing the required majority if a poll is called on this item. The Chairman of the Meeting intends to vote undirected proxies in favour of each of this item.

Voting directions to your proxy - please mark

to indicate your directions

ORDINARY BUSINESS				SPECIAL BUSINESS			
	For	Against	Abstain*		For	Against	Abstain*
2. Approve Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. Approve Share & Option issue - McNeil Nominees P/L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect R M Kennedy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. Approve Share & Option issue - Colvic P/L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				6. Approve sale of non-diamond mineral rights to Maximus Resources Limited	<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

In addition to signing the Proxy form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

F D L

7 P R

OJ56



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 or at www.computershare.com.

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 2.00 pm on 30 November 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

BY MAIL

Share Registry - Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide SA 5000 Australia

Registered Office - PO Box 3126, NORWOOD SOUTH AUSTRALIA 5067

BY FAX

Share Registry - Computershare Investor Services Pty Limited, GPO Box 1903, Adelaide SA 5001 Australia

Registered Office - 61 8 8362 5966

Share Registry - 61 8 8236 2305